



**Auditor of State
Betty Montgomery**

**INDIAN VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Indian Valley Local School District, Tuscarawas County, Ohio, (the District) as of and for the year ended June 30, 2003, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Valley Local School District, Tuscarawas County, Ohio, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. In addition, as described in Note 9, the District increased its capitalization threshold for capital assets from \$500 to \$2,500 during the year ended June 30, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2004 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

111 Second St., NW / Fourth Floor / Canton, OH 44702
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

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

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

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

Betty Montgomery
Auditor of State

February 24, 2004

INDIAN VALLEY LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Unaudited)*

The discussion and analysis of the Indian Valley Local School District financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2003 are as follows:

- General Revenues accounted for \$12,163,190 in revenue or 82% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$2,731,132 or 18% of total revenues of \$14,894,322.
- Total program expenses were \$14,151,534.
- In total, net assets increased \$742,788. This represents a 52% increase from 2002.
- Outstanding debt decreased from \$6,722,642 to \$6,649,000 through the payment of principal debt.

Using this Annual Report

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

A question typically asked about the District's finances is "How did we do financially during fiscal year 2003?" The Statement of Net Assets and the Statement of Activities answer 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. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Unaudited)*

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 property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District is reported as a governmental activity.

- Governmental Activities - The School District's programs and services are reported here, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food services.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 23. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for 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 debt service fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund 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.

Fiduciary Funds – The District's only fiduciary funds are for Private Purpose Trust and Student Managed Activities. The District's fiduciary activities are reported in the Statement of Fiduciary Net Assets. We exclude those activities from the District's other financial statements because the assets can't be used by the District to finance operations.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Unaudited)*

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2003 compared to 2002:

**(Table 1)
Net Assets**

	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2002</u>
Assets		
Current and Other Assets	\$ 8,045,091	\$ 7,021,798
Capital Assets	<u>7,146,865</u>	<u>7,239,618</u>
Total Assets	<u>15,191,956</u>	<u>14,261,416</u>
Liabilities		
Due in One Year	271,003	221,124
Due in More Than One Year	7,162,478	7,180,769
Other Liabilities	<u>5,595,589</u>	<u>5,439,425</u>
Total Liabilities	<u>13,029,070</u>	<u>12,841,318</u>
Net Assets		
Invested in Capital		
Assets Net of Related Debt	497,865	142,483
Restricted for:		
Capital Projects	1,928	13,612
Debt Service	116,572	423,010
Other Purposes	55,896	0
Unrestricted	<u>1,490,625</u>	<u>840,993</u>
Total Net Assets	<u>\$ 2,162,886</u>	<u>\$ 1,420,098</u>

Total assets increased by \$930,540. An increase of approximately \$422,810 in total taxes receivable was the majority of the increase in governmental assets. Total liabilities increased by \$187,752 with governmental liabilities comprising that entire amount. The majority of the increase was the result of increases in intergovernmental payables and accrued wages of \$87,958 and \$104,924 respectively.

Table 2 shows the changes in net assets for fiscal year 2003. Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2002 are not available. This table will present two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusion about the District's financial status and possibly project future problems.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Unaudited)*

**(Table 2)
Governmental Activities**

	<u>Governmental Activities</u> <u>2003</u>
Revenues	
<i>Program Revenues:</i>	
Charges for Services	\$ 1,582,363
Operating Grants	1,148,769
<i>General Revenue:</i>	
Property Taxes	4,266,047
Grants and Entitlements	7,802,447
Other	<u>94,696</u>
<i>Total Revenues</i>	14,894,322
Program Expenses	
Instruction	8,200,553
Support Services	4,523,092
Operation of Non-Instructional Extracurricular Activities	631,642
Interest and Fiscal Charges	<u>386,192</u>
<i>Total Expenses</i>	<u>14,151,534</u>
Increase (Decrease) in Net Assets	<u><u>\$ 742,788</u></u>

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. General revenues, including tax revenue, investment earnings, and unrestricted state entitlements, support the net cost of program services.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Unaudited)*

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

	2003	
	Total Cost of Service	Net Cost of Service
Instruction	\$ 8,200,553	\$ 6,371,189
Support Services:		
Pupil and Instructional Staff	956,908	881,467
Board of Education, Administration, Fiscal and Business	1,509,306	1,465,615
Operation and Maintenance of Plant	1,169,303	1,149,346
Pupil Transportation	867,760	867,331
Central	19,815	14,601
Operation of Non-Instructional Extracurricular Activities	631,642	26,239
Interest and Fiscal Charges	386,192	234,559
	410,055	410,055
 Total	 \$ 14,151,534	 \$ 11,420,402

Instruction and student support services comprise 75% of governmental program expenses. Interest/fiscal charges were 2.9%. Interest expense was attributable to the outstanding bonds and installment loan, and fiscal expenses include payments to the County Auditor(s) for administrative fees. Pupil transportation and the operation/maintenance of facilities accounts for 14% of governmental program expenses.

The dependence upon tax revenues for governmental activities is apparent. The community, as a whole, is a significant support for Indian Valley Local School District (35% of total general revenues). Nonspecific state support, however, was the primary support of the School District at 64% of total general revenues.

The School District's Funds

Information about the School District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$14,468,943 and expenditures of \$14,313,599. The net change in fund balance for the year was an increase of \$279,437. This minor increase indicated the School District's current revenue base continues to meet the School District's current obligations. The School District understands that it needs to continue to monitor expenditures to ensure that the School District's current obligations will continue to be met without the requirement of additional tax levies.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Unaudited)*

General Fund Budgeting Highlights

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

During the course of fiscal year 2003, the School District did modify its General Fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. However, the General Fund original budget was increased by 5% during the year as additional revenues became available.

For the general fund, budget basis revenue was \$575,053, over the original budget estimates of \$11,677,477. Of this \$575,000 increase, most was attributable to increased intergovernmental revenues.

Final appropriations of \$12,658,195 were \$563,345 higher than the \$12,094,850 in the original budget. Salaries, liability/property/fleet insurance and county auditor fees (for tax collections) proved to be higher than anticipated. A number of aide positions were added during the year to assist with students with special needs. Property/liability/fleet insurances saw significant increases in response to the events of September 11, 2001.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2003, the School District had \$15,042,278 invested in land, buildings, improvements and equipment. Table 4 shows fiscal year 2003 balances compared with 2002.

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

	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2002</u>
Land	\$ 91,144	\$ 76,324
Buildings and Building Improvements	5,643,117	5,730,879
Improvements Other Than Buildings	366,228	408,237
Furniture and Equipment	681,916	678,662
Vehicles	364,460	345,516
Totals	<u>\$ 7,146,865</u>	<u>\$ 7,239,618</u>

The \$92,753 decrease in capital assets was attributable to depreciation expense exceeding additional purchases. See Note 9 for additional information.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Unaudited)*

Capital Assets (Continued)

A change in Ohio law required school districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks. For fiscal year 2003, this amounted to \$273,041 for each set aside. The School District has qualifying disbursements or offsets exceeding these requirements for capital improvements. For the textbooks, the School District disbursed \$427,724, with the remainder scheduled to be carried forward into the 2004 fiscal year.

Debt

At June 30, 2003, the School District had \$6,540,000 in bonds outstanding with \$195,000 due within one year. During fiscal year 2003, \$165,000 of general obligation bonds were retired. HB264 note was paid in full during fiscal year 2003. The School District entered into installment loan agreement during fiscal year 2003 of which \$6,204 was paid and \$7,166 will be due within one year. Table 5 summarizes bonds outstanding.

**(Table 5)
Outstanding Debt, at June 30**

	Governmental Activities 2003	Governmental Activities 2002
	<u>2003</u>	<u>2002</u>
General Obligation Bonds	\$ 6,540,000	\$ 6,705,000
HB264 Note	0	17,642
Installment Loan	109,000	0
Totals	<u>\$ 6,649,000</u>	<u>\$ 6,722,642</u>

In 1994, the School District passed a bond issue providing \$7,430,000 for school building construction issues. In 2003, the School District entered into an installment loan for \$120,000 to purchase land and a bus garage. See Note 13 for additional information.

Economic Factors

The Indian Valley School Local District continues to receive strong support from the residents of the School District. The last operating levy passed by the residents of the District was a renewal in May, 2001, which generates revenue of \$600,000 per year, for a period of five years. The Board of Education submitted a renewal of an existing operating levy in November 2003 and it was passed. That levy, if passed, will provide revenue of approximately \$477,000 per year, for a period of five years.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Unaudited)*

Economic Factors (Continued)

Real estate and personal property tax collections have shown small increases. 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 levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). 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 was 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 \$35.00.

Property tax revenue makes up only 28% of revenues for governmental activities for the Indian Valley Local School District in fiscal year 2003. Unlike many other school districts, the Indian Valley Local School District is not primarily dependent upon revenues generated from property taxes.

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court in March, 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. It is still undetermined whether the State has met the standards of the Ohio Supreme Court.

The Indian Valley Local School District has not anticipated any meaningful growth in State revenue. The concern is that, to meet the requirements of the Court, the State may require redistribution of state funding based upon each district's property wealth. This could have a significant impact on the School District. Another School District concern will be the State Legislative approval of the biennial budget, effective July 1, 2003. How the legislature plans to fund education programs during a weakened economy remains a concern.

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

All of the School District's financial abilities will be needed to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, 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 any questions about this report or need additional financial information, contact Brad Maholm, Treasurer of Indian Valley Local School District, 100 N. Walnut Street, Gnadenuhnten, Ohio 44629, e-mail iv_brad@omeres.net.

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INDIAN VALLEY LOCAL SCHOOL DISTRICT

Statement of Net Assets

June 30, 2003

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 3,241,660
Receivables:	
Taxes	4,587,753
Accounts	572
Intergovernmental	164,730
Prepaid Items	34,065
Inventory	16,311
Nondepreciable Capital Assets	91,144
Depreciable Capital Assets (Net)	<u>7,055,721</u>
 <i>Total Assets</i>	 <u>15,191,956</u>
 Liabilities	
Accounts Payable	52,858
Accrued Wages and Benefits	1,469,141
Vacation Payable	48,378
Intergovernmental Payable	349,586
Deferred Revenue	3,566,567
Claims Payable	109,059
Long Term Liabilities:	
Due Within One Year	271,003
Due Within More Than One Year	<u>7,162,478</u>
 <i>Total Liabilities</i>	 <u>13,029,070</u>
 Net Assets	
Invested in Capital Assets, Net of Related Debt	497,865
Restricted for:	
Capital Projects	1,928
Debt Service	116,572
Other Purposes	55,896
Unrestricted	<u>1,490,625</u>
 <i>Total Net Assets</i>	 <u>\$ 2,162,886</u>

See accompanying notes to the basic financial statements.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2003

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	\$ 5,752,289	\$ 1,165,195	\$ 120,612	\$ (4,466,482)
Special	1,354,528	153,361	377,976	(823,191)
Vocational	338,549	3,527	8,693	(326,329)
Other	755,187	0	0	(755,187)
Support services:				
Pupils	480,783	527	1,298	(478,958)
Instructional staff	476,125	21,248	52,368	(402,509)
Board of education	24,328	0	0	(24,328)
Administration	1,075,419	12,611	31,080	(1,031,728)
Fiscal	310,195	0	0	(310,195)
Business	99,364	0	0	(99,364)
Operation and maintenance of plant	1,169,303	5,760	14,197	(1,149,346)
Pupil transportation	867,760	124	305	(867,331)
Central	19,815	1,505	3,709	(14,601)
Operation of non-instructional services	631,642	174,739	430,664	(26,239)
Extracurricular activities	386,192	43,766	107,867	(234,559)
Debt service:				
Interest and fiscal charges	410,055	0	0	(410,055)
Totals	\$ 14,151,534	\$ 1,582,363	\$ 1,148,769	(11,420,402)

General Revenues

Property Taxes Levied for:

General Purposes	3,649,898
Debt Service	616,149
Grants and Entitlements not Restricted to Specific Programs	7,802,447
Investment Earnings	47,900
Miscellaneous	44,943
Gain on Sale of Capital Assets	1,853

Total General Revenues 12,163,190

Change in Net Assets 742,788

Net Assets, Beginning
of Year, Restated 1,420,098

Net Assets End of Year \$ 2,162,886

See accompanying notes to the basic financial statements.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

*Balance Sheet
Governmental Funds
June 30, 2003*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 1,919,526	\$ 367,702	\$ 103,167	\$ 2,390,395
Receivables:				
Taxes	3,951,147	636,606	0	4,587,753
Accounts	500	0	72	572
Interfund	45,300	0	0	45,300
Intergovernmental	0	0	164,730	164,730
Prepaid Items	34,065	0	0	34,065
Inventory	0	0	16,311	16,311
<i>Total Assets</i>	<u>\$ 5,950,538</u>	<u>\$ 1,004,308</u>	<u>\$ 284,280</u>	<u>\$ 7,239,126</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	39,318	0	13,540	52,858
Accrued Wages and Benefits	1,318,393	0	150,748	1,469,141
Interfund Payable	0	0	45,300	45,300
Intergovernmental Payable	222,260	0	20,501	242,761
Deferred Revenue	3,611,075	581,245	34,996	4,227,316
<i>Total Liabilities</i>	5,191,046	581,245	265,085	6,037,376
Fund Balances				
Reserved for Encumbrances	156,247	0	12,610	168,857
Reserved for Inventory	0	0	16,311	16,311
Reserved for Prepaid Items	34,065	0	0	34,065
Reserved for Tax Revenue Unavailable for Appropriation	340,072	55,361	0	395,433
Undesignated, Unreserved Reported in:				
General Fund	229,108	0	0	229,108
Special Revenue Funds	0	0	(11,459)	(11,459)
Debt Service Fund	0	367,702	0	367,702
Capital Projects Funds	0	0	1,733	1,733
<i>Total Fund Balances</i>	<u>759,492</u>	<u>423,063</u>	<u>19,195</u>	<u>1,201,750</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 5,950,538</u>	<u>\$ 1,004,308</u>	<u>\$ 284,280</u>	<u>\$ 7,239,126</u>

See accompanying notes to the basic financial statements.

INDIAN VALLEY LOCAL SCHOOL DISTRICT
*Reconciliation of Total Governmental Fund Balances to
 Net Assets Governmental Activities
 June 30, 2003*

Total Governmental Fund Balances		\$ 1,201,750
 <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		7,146,865
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Grants	34,996	
Delinquent Property Taxes	625,754	660,750
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		742,206
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(6,540,000)	
Compensated Absences	(784,482)	
Vacation Payable	(48,378)	
Intergovernmental Payable	(106,825)	
Notes Payable	(109,000)	(7,588,685)
Net Assets of Governmental Activities		\$ 2,162,886

See accompanying notes to the basic financial statements.

INDIAN VALLEY LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2003

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 3,289,365	\$ 557,458	\$ 0	\$ 3,846,823
Intergovernmental	7,726,975	75,470	1,144,469	8,946,914
Investment income	47,864	0	36	47,900
Tuition and fees	1,116,257	0	0	1,116,257
Extracurricular activities	0	0	150,096	150,096
Charges for services	0	0	316,010	316,010
Miscellaneous	24,762	0	20,181	44,943
<i>Total Revenues</i>	12,205,223	632,928	1,630,792	14,468,943
Expenditures:				
Current:				
Instruction:				
Regular	5,263,242	0	188,494	5,451,736
Special	847,446	0	502,166	1,349,612
Vocational	328,611	0	12,785	341,396
Other	755,187	0	0	755,187
Support services:				
Pupils	485,926	0	1,909	487,835
Instructional staff	400,539	0	76,650	477,189
Board of education	24,328	0	0	24,328
Administration	1,030,761	0	42,057	1,072,818
Fiscal	296,277	11,264	0	307,541
Business	96,924	0	0	96,924
Operation and maintenance of plant	1,223,817	0	21,445	1,245,262
Pupil transportation	916,933	0	365	917,298
Central	14,360	0	5,455	19,815
Operation of non-instructional services	0	0	648,167	648,167
Extracurricular activities	222,287	0	158,634	380,921
Capital outlay	133,873	0	0	133,873
Debt service:				
Principal retirement	11,000	182,642	0	193,642
Interest and fiscal charges	0	410,055	0	410,055
<i>Total Expenditures</i>	12,051,511	603,961	1,658,127	14,313,599
<i>Excess of Revenues Over (Under) Expenditures</i>	153,712	28,967	(27,335)	155,344
Other Financing Sources (Uses):				
Proceeds from sales of capital assets	4,093	0	0	4,093
Other financing sources	120,000	0	0	120,000
Operating transfers in	0	0	15,000	15,000
Operating transfers out	(15,000)	0	0	(15,000)
<i>Total Financing Sources and (Uses)</i>	109,093	0	15,000	124,093
<i>Net Change in Fund Balance</i>	262,805	28,967	(12,335)	279,437
<i>Fund balance at beginning of year, restated</i>	496,687	394,096	20,166	910,949
<i>Increase in reserve for inventory</i>	0	0	11,364	11,364
<i>Fund balance at end of year</i>	\$ 759,492	\$ 423,063	\$ 19,195	\$ 1,201,750

See accompanying notes to the basic financial statements.

INDIAN VALLEY LOCAL SCHOOL DISTRICT
Reconciliation of the Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2003

Net Change in Fund Balances - Total Governmental Funds \$ 279,437

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 depreciation exceeded capital outlay in the current period.

Capital Asset Additions	\$ 329,252	
Current Year Depreciation	<u>(419,765)</u>	(90,513)
Net effect of transactions involving sale of capital assets are not reflected in the funds		(2,240)

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

Grants	4,302	
Delinquent Property Taxes	<u>419,224</u>	423,526

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

Bond Principal	165,000	
Notes Payable	<u>28,642</u>	193,642

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

Installment Loan	(120,000)	
Vacation Payable	(9,896)	
Compensated Absences	(118,000)	
Pension Obligation	(5,523)	
Change in Inventory	<u>11,364</u>	(242,055)

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. The net revenue (expense) of internal service funds is reported with governmental activities.

180,991

Change in Net Assets of Governmental Activities

\$ 742,788

See accompanying notes to the basic financial statements.

INDIAN VALLEY 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, 2003*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 3,400,000	\$ 3,342,500	\$ 3,342,401	\$ (99)
Intergovernmental	7,146,447	7,722,000	7,731,593	9,593
Investment Income	45,000	48,000	47,864	(136)
Tuition and Fees	1,068,000	1,116,000	1,115,992	(8)
Miscellaneous	18,000	24,000	25,197	1,197
<i>Total Revenues</i>	<u>11,677,447</u>	<u>12,252,500</u>	<u>12,263,047</u>	<u>10,547</u>
Expenditures:				
Current				
Instruction	7,214,070	7,323,070	7,217,921	105,149
Support Services				
Pupils	469,450	504,750	485,482	19,268
Instructional Staff	477,900	492,900	427,045	65,855
Board of Education	28,550	34,550	33,338	1,212
Administration	1,105,475	1,117,475	1,041,985	75,490
Fiscal	295,550	301,550	298,307	3,243
Business	95,450	97,450	94,985	2,465
Operation and Maintenance of Plant	1,197,300	1,284,300	1,237,379	46,921
Pupil Transportation	925,810	956,310	1,007,143	(50,833)
Central	30,000	30,000	14,360	15,640
Extracurricular Activities	236,295	237,495	221,516	15,979
Capital Outlay	19,000	38,000	133,873	(95,873)
Debt Service				
Principal Retirement	0	0	11,000	(11,000)
Interest and Fiscal Charges	0	0	0	0
<i>Total Expenditures</i>	<u>12,094,850</u>	<u>12,417,850</u>	<u>12,224,334</u>	<u>193,516</u>
Excess of Revenues Over (Under) Expenditures	(417,403)	(165,350)	38,713	204,063
Other Financing Sources (Uses):				
Proceeds from Sale of Assets	0	3,500	4,093	593
Refund of Prior Year Expenditures	0	0	20	20
Other Financing Sources	0	0	120,000	120,000
Advances In	50,000	43,000	32,200	(10,800)
Advances Out	(75,000)	(75,000)	(43,000)	32,000
Transfers Out	(25,000)	(25,000)	(15,000)	10,000
<i>Total Other Financing Sources (Uses)</i>	<u>(50,000)</u>	<u>(53,500)</u>	<u>98,313</u>	<u>151,813</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(467,403)	(218,850)	137,026	355,876
<i>Fund Balance (Deficit) at Beginning of Year</i>	1,433,378	1,433,378	1,433,378	0
Prior Year Encumbrances Appropriated	150,346	150,346	150,346	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 1,116,321</u>	<u>\$ 1,364,874</u>	<u>\$ 1,720,750</u>	<u>\$ 355,876</u>

See accompanying notes to the basic financial statements.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

Statement of Net Assets

Proprietary Fund

June 30, 2003

	Governmental Activities Internal Service Fund
	<u> </u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 851,265
<i>Total Assets</i>	851,265
Liabilities:	
Claims Payable	<u>109,059</u>
<i>Total Current Liabilities</i>	<u>109,059</u>
Net Assets:	
Unrestricted	<u>742,206</u>
<i>Total Net Assets</i>	<u><u>\$ 742,206</u></u>

See accompanying notes to the basic financial statements.

INDIAN VALLEY LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2003

	Governmental Activities - Internal Service Fund
Operating Revenues:	
Charges for services	\$ 1,470,645
Operating Expenses:	
Purchased services	205,496
Claims Expense	1,084,158
	1,289,654
<i>Total Operating Expenses</i>	
Operating Income/Change in Net Assets	180,991
<i>Net Assets Beginning of Year</i>	561,215
<i>Net Assets End of Year</i>	\$ 742,206

See accompanying notes to the basic financial statements.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Fund

For the Fiscal Year Ended June 30, 2003

	Governmental Activities - Internal Service Fund
Cash Flows From Operating Activities:	
Cash Received from Other Funds	\$ 1,481,696
Cash Paid for Goods and Services	(205,496)
Cash Paid for Claims	(1,059,913)
	<hr/>
<i>Net Cash Provided By Operating Activities</i>	216,287
	<hr/>
<i>Net Increase in Cash and Cash Equivalents</i>	216,287
	<hr/>
<i>Cash and Cash Equivalents at Beginning of Year</i>	634,978
	<hr/>
<i>Cash and Cash Equivalents at End of Year</i>	\$ 851,265
	<hr/> <hr/>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:	
Operating Income	\$ 180,991
Adjustments:	
(Increase) Decrease in Assets	
Accounts Receivable	11,051
Increase (Decrease) in Liabilities	
Claims Payable	24,245
	<hr/>
<i>Total Adjustments</i>	35,296
	<hr/>
<i>Net Cash Provided By Operating Activities</i>	\$ 216,287
	<hr/> <hr/>

See accompanying notes to the basic financial statements.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2003

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$ 10,164</u>	<u>\$ 32,103</u>
<i>Total Assets</i>	10,164	<u><u>\$ 32,103</u></u>
Liabilities		
Due to Students	<u>0</u>	<u>\$ 32,103</u>
<i>Total Liabilities</i>	<u>0</u>	<u><u>\$ 32,103</u></u>
Net Assets		
Held in Trust for Scholarships	<u>10,164</u>	
<i>Total Net Assets</i>	<u><u>\$ 10,164</u></u>	

See accompanying notes to the basic financial statements.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets

Private Purpose Trust Fund

June 30, 2003

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Additions:	
Interest	\$ 330
<i>Total Additions</i>	330
Deductions:	
Scholarships	418
<i>Total Deductions</i>	418
<i>Change in Net Assets</i>	(88)
<i>Net Assets Beginning of Year</i>	10,252
<i>Net Assets End of Year</i>	<u>\$ 10,164</u>

See accompanying notes to the basic financial statements.

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INDIAN VALLEY LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

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

The Indian Valley Local School District (School District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a school district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the School District. Average daily membership on October 1, 2002, was 1,819. The School District employs 139 certificated and 87 non-certificated employees.

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

The School District is involved with Ohio Mid-Eastern Regional Educational Services Association (OME-RESA), Tuscarawas County Tax Incentive Review Council, and Buckeye Career Center, which are defined as jointly governed organizations, and the Gnadenhutten Public Library, which is defined as a related organization. Additional information concerning the jointly governed and related organizations is presented in Notes 17 and 18.

Management believes the basic financial statements included in the report represent all of the funds of the School District over which the District has the ability to exercise direct operating control. There are no component units.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local 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 before November 30, 1989, to its government type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the School District's accounting policies are described below.

A. 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.

INDIAN VALLEY LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 also eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the School District at 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 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 limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function 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 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. Fiduciary funds are reported by type.

B. 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. There are three categories of funds: governmental, proprietary, and fiduciary.

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

General Fund The general fund accounts 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.

Debt Service Fund The debt service fund is used to account for the accumulation of property tax revenues for, and the payment of, general obligation bonds used for the construction of a new middle school and additions to the intermediate school.

INDIAN VALLEY LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net asset, financial position, and cash flows. The following is the School District's proprietary fund type:

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 accounts for a self-insurance program for employee prescription drug benefits.

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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's fiduciary funds are agency and private purpose trust scholarship funds. The School District's agency funds account for student activities.

C. 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.

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, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary fund activities. The private purpose trust fund is reported using the economic resources measurement focus.

INDIAN VALLEY LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. 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 the 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. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 8.) Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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 fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees, and rentals.

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

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 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.

INDIAN VALLEY LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as intergovernmental revenue.

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.

E. Cash and Cash Equivalents

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

During fiscal year 2003, investments were limited to STAROhio, (the State Treasurer's Investment Pool), and certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2003. Certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$47,864, which includes \$20,317 assigned from other School District funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

INDIAN VALLEY LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Inventory

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

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include amounts required by statute to be set-aside for the purchase of textbooks and other instructional material and to create a reserve for budget stabilization. See Note 20 for additional information regarding set asides.

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District increased its capitalization threshold from \$500 to \$2,500 for its general capital assets. 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.

INDIAN VALLEY LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Description	Governmental Activities Estimated Lives
Land	N/A
Buildings and Improvements	20 - 50 Years
Improvements Other Than Buildings	20 Years
Furniture and Fixtures	5 - 20 Years
Vehicles	8 Years

J. 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.

K. Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for 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.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

INDIAN VALLEY LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

M. 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 either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

N. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves are established for encumbrances, inventory of materials and supplies, property taxes and prepaids.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

O. Operating Revenues and Expenses

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

INDIAN VALLEY LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Interfund Activity

Transfers between governmental activities on the government-wide statements are 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 and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2003.

R. 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.

S. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. For all funds, the legal level of control was at the fund level. Budgetary modifications changing total fund appropriations may only be made by resolution of the Board of Education.

Tax Budget Prior to January 15, the Superintendent and Treasurer submit to the Board a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Tuscarawas County Budget Commission for rate determination.

INDIAN VALLEY LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Resources The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget ensuring that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2003.

Appropriations A temporary appropriations measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the legal level of control and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified. The total of expenditures and encumbrances may not exceed appropriations at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

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

INDIAN VALLEY LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

**NOTE 3: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND
BALANCES/NET ASSETS**

Changes in Accounting Principles For fiscal year 2003, the School District has implemented GASB Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”; GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements”. At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements No. 37 or No. 38.

GASB 34 creates new basic financial statements for reporting on the School District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the School District’s programs for governmental activities and business-type activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting and the reclassification of funds based on the guidance provided in Statement No. 34. Due to these fund reclassifications, there are no business type activities reported.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice. The School District restated the fund liability of compensated absences, reported as “severance payable,” which had not matured during fiscal year 2002 and has reported prepaid amounts for services not yet consumed.

Restatement of Fund Balance The following describes the transition from governmental fund balance to net assets of the governmental activities.

	General	Debt Service	Nonmajor	Total
Fund Balances, June 30, 2002	\$ 496,687	\$ 394,096	\$ 70,733	\$ 961,516
Fund structure	0	0	(50,567)	(50,567)
Restated fund balances, June 30, 2002	<u>\$ 496,687</u>	<u>\$ 394,096</u>	<u>\$ 20,166</u>	910,949
Fund Structure:				
Capital Assets				7,239,618
Compensated Absences				(704,963)
Internal Service Fund				561,215
Pension Obligations				(101,302)
Long-Term (Deferred) Assets				237,223
Long-Term Liabilities				<u>(6,722,642)</u>
Governmental Activities Net Assets, June 30, 2002				<u>\$ 1,420,098</u>

INDIAN VALLEY LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 4: FUND DEFICITS

Fund balances/net assets at June 30, 2003 included the following individual fund deficits:

	<u>Deficit</u>
Non-Major Funds:	
Title VI-B	\$ 3,151
Title VI-R	8,282
Food Service	51,317
Work Force Initiative	<u>5,302</u>
	<u>\$ 68,052</u>

The deficits in those funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur.

NOTE 5: BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balance/retained earnings 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, is presented for the general fund 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:

1. Revenues and other sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses and other uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

INDIAN VALLEY LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 5: BUDGETARY BASIS OF ACCOUNTING (Continued)

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

Net Change in Fund Balance

	General
GAAP Basis	\$ 262,805
Net Adjustment for Revenue Accruals	57,844
Advances In	32,200
Advances Out	(43,000)
Net Adjustment for Expenditure Accruals	25,953
Adjustment for Encumbrances	(198,776)
Budget Basis	\$ 137,026

NOTE 6: DEPOSITS AND INVESTMENTS

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

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

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

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

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

INDIAN VALLEY LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 6: DEPOSITS AND INVESTMENTS (Continued)

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

- 1) United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
- 2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 3) Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
- 4) Bonds and any other obligations of the State of Ohio;
- 5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
- 6) The State Treasury Asset Reserve of Ohio (STAROhio).
- 7) Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
- 8) Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

INDIAN VALLEY LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 6: DEPOSITS AND INVESTMENTS (Continued)

Deposits

At fiscal year-end, the carrying amount of the School District's deposits was \$33,443 which includes \$1,155 cash on hand, and the bank balance was \$130,168. Of the bank balance:

1. \$110,164 was covered by federal depository insurance.
2. \$20,004 was uninsured and uncollateralized.

Investments

At year end, the School District's funds were invested in the State Treasurer's Investment Pool with a balance of \$3,250,484. GASB Statement No. 3, "Deposits with Financial Institutions Investments (including Repurchase Agreements), and Reverse Repurchase Agreements" requires the School District to categorize investments to give an indication of the level of custodial credit risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the School District's name. The State Treasurer's Investment Pool does not require categorization under Governmental Accounting Standards Board Statement No. 3 since they are not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash & Cash Equivalents	Investments
GASB Statement No. 9 STAROhio	\$ 3,283,927 <u>(3,250,484)</u>	\$ 0 <u>3,250,484</u>
GASB Statement No. 3	<u>\$ 33,443</u>	<u>\$ 3,250,484</u>
<u>Reconciliation to Fund Statements:</u>		
Governmental Funds	\$ 2,390,395	\$ 0
Proprietary Funds	851,265	0
Private Purpose Trust Funds	0	10,164
Agency Funds	<u>32,103</u>	<u>0</u>
Total - Fund Statements	<u>\$ 3,273,763</u>	<u>\$ 10,164</u>

INDIAN VALLEY LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 7: RECEIVABLES

Receivables at June 30, 2003 consisted of taxes, accounts (customer services and student fees), accrued interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follow:

Non-Major Funds:	
Title I	\$ 50,904
Title VI-R	12,319
Title VI B	28,973
Title V	473
Drug Free Schools	106
Food Service	39,417
Title IID	1,669
Athletic Fund	2,944
Reeves Grant	4,000
Miscellaneous State Grant	1,000
Workforce Initiative	<u>22,925</u>
	<u>\$ 164,730</u>

NOTE 8: PROPERTY TAXES

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

Real property taxes are based on assessed value equal to thirty-five percent of appraisal value. The County Auditor reappraises real property every six years with a triennial update, the last update for Tuscarawas County was done in 2002. Real property tax, which becomes a lien on the applicable real property, becomes due annually on December 31. However, real property taxes are billed semi-annually one year in arrears. The tax rate applied to real property collected in 2002 before certain homestead and rollback reductions, which reductions are reimbursed to the School District by the State of Ohio, amounted to \$42.30 per \$1,000 of valuation. The effective rate applied after adjustment for inflationary increases in property values was \$29.32 per \$1,000 of assessed valuation for residential and agricultural real property, and \$34.20 per \$1,000 of assessed valuation for other real property.

Tangible personal property used in business is required to be reported by its owners by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the current year ended December 31, 2002 was \$42.30 per \$1,000 of valuation.

INDIAN VALLEY LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 8: PROPERTY TAXES (Continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable at June 30, 2003. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 is recognized as revenue. The amount available to the District as an advance at June 30, 2003, was \$395,433.

NOTE 9: CAPITAL ASSETS

The capital asset balances of the governmental activities have been restated due to changes in the District's capital asset policy.

	Balance 6/30/2002	Adjustments	Restated Balance 6/30/2002
Governmental Activities			
Capital Assets, Not Being Depreciated:			
Land	\$ 76,324	\$ 0	\$ 76,324
Total Capital Assets, Not Being Depreciated	76,324	0	76,324
Capital Assets, Being Depreciated:			
Buildings and Improvements	11,352,786	(207,886)	11,144,900
Improvements Other than Buildings	905,396	(65,156)	840,240
Furniture and Equipment	3,087,163	(1,688,207)	1,398,956
Vehicles	1,448,070	(24,208)	1,423,862
Total Capital Assets, Being Depreciated	16,793,415	(1,985,457)	14,807,958
Less: Accumulated Depreciation	0	(7,644,664)	(7,644,664)
Governmental Activities Capital Assets, Net	\$ 16,869,739	\$ (9,630,121)	\$ 7,239,618

INDIAN VALLEY LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 9: CAPITAL ASSETS (Continued)

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	6/30/02	Additions	Reductions	6/30/03
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 76,324	\$ 14,820	\$ 0	\$ 91,144
<i>Capital Assets, being depreciated:</i>				
Buildings and Building Improvements	11,144,900	110,180	0	11,255,080
Improvements Other Than Buildings	840,240	0	0	840,240
Furniture and Equipment	1,398,956	101,773	(49,312)	1,451,417
Vehicles	1,423,862	102,479	(30,800)	1,495,541
	14,807,958	314,432	(80,112)	15,042,278
Total Capital Assets, being depreciated				
Less Accumulated Depreciation:				
Buildings and Building Improvements	(5,414,021)	(197,942)	0	(5,611,963)
Improvements Other Than Buildings	(432,003)	(42,009)	0	(474,012)
Furniture and Equipment	(720,294)	(96,279)	47,072	(769,501)
Vehicles	(1,078,346)	(83,535)	30,800	(1,131,081)
	(7,644,664)	(419,765)	77,872	(7,986,557)
Total Accumulated Depreciation				
	7,163,294	(105,333)	(2,240)	7,055,721
Total Capital Assets being depreciated, net				
	\$ 7,239,618	\$ (90,513)	\$ (2,240)	\$ 7,146,865
Governmental Activities Capital Assets, Net				

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 338,237
Special	743
Vocational	1,738
Support Services:	
Instructional Staff	1,031
Administration	325
Fiscal	357
Business	1,694
Operation and Maintenance of Plant	5,667
Pupil Transportaion	53,279
Operation of Non-Instructional Services	11,771
Extracurricular Activities	4,923
	419,765
Total Depreciation	\$ 419,765

INDIAN VALLEY LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE10: RISK MANAGEMENT

A. General Insurance

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. The School District has a comprehensive property and casualty policy with a deductible of \$250 per incident on property and equipment. The School District's comprehensive property and casualty policy aggregate limit is approximately \$30,860,789. The School District's vehicle insurance policy limit is \$2,000,000 with a \$500 collision deductible. All board members, administrators, and employees are covered under a school district liability policy. Additionally, the School District carries a \$2,000,000 excess liability policy. The limits of this coverage are \$1,000,000 per occurrence and \$5,000,000 in aggregate. Claims did not exceed coverage in the past three years. There has not been a significant reduction in insurance coverage from the prior year.

B. Fidelity Bond

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

C. Workers' Compensation

The School District pays the State Workers' Compensation System, a premium based on a rate per \$100 of salaries. The School District is a member of the Ohio Association of School Business Officials, an insurance purchasing pool. This rate is calculated based on accident history and administrative costs.

D. Employee Health Insurance

The District established a limited risk management program for its medical insurance program in 2003. Premiums are paid into the self-insurance fund and are available to pay claims and administrative costs. A stop-loss insurance contract with a private insurance carrier covers specific liability claims in excess of \$50,000. The liability for unpaid claims cost of \$109,059 is reported in the fund at June 30, 2003 in accordance with Governmental Accounting Standards Board Statement No. 10.

Changes in the fund's claims liability amount in 2003 and 2002 were:

	Balance at Beginning of Year	Claims	Payments	Balance at End of Year
2003	\$ 84,814	\$ 1,084,158	\$ 1,059,913	\$ 109,059
2002	\$ 100,000	\$ 991,543	\$ 1,006,729	\$ 84,814

INDIAN VALLEY LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 11: DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand alone, financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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

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

For fiscal year ended June 30, 2003, plan members are required to contribute 9.3% of their annual covered salary and the School District is required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5%. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School District's required contributions for obligations to STRS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$787,500, \$754,644 and \$723,144, respectively; 83.3% has been contributed for fiscal year 2003, and 100% for fiscal years 2002 and 2001. \$131,476, representing the unpaid contribution for fiscal year 2003 is recorded as a liability within the respective funds.

INDIAN VALLEY LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System

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

Plan members are required to contribute 9% 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% 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 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board.

The School District's required contributions for obligations to SERS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$234,864, \$219,576, and \$204,696, respectively; 50% has been contributed for fiscal year 2003 and 100% for fiscal years 2002 and 2001. \$117,636, representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the basic financial statements.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2003, all members of the Board of Education have elected social security. The Board's liability is 6.2% of wages paid.

NOTE 12: POSTEMPLOYMENT BENEFITS

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

INDIAN VALLEY LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 12: POSTEMPLOYMENT BENEFITS (Continued)

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equaled 1% of covered payroll to the Health Care Reserve Fund, a decrease from 4.5% for fiscal year 2002. For the School District, this amount equaled \$57,843 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002 (the latest information available), the balance in the fund was \$3.011 billion. For the year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83% of covered payroll, an increase from 2.71% for fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$113,541.

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for the maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150% of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were \$182,446,977 and the target level was \$274.4 million. At June 30, 2002 (the latest information possible), SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

INDIAN VALLEY LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 13: LONG-TERM OBLIGATIONS

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

	Outstanding 6/30/2002	Additions	Reductions	Outstanding 6/30/2003	Due in One Year
Governmental Activities:					
HB264 Note, 2.52% interest rate, due 1/11/2003	\$ 17,642	\$ 0	\$ (17,642)	\$ 0	\$ 0
General Obligation Bonds:					
4.75%-7.00% interest rate, due 12/1/2019	6,705,000	0	(165,000)	6,540,000	195,000
Installment Loan	0	120,000	(11,000)	109,000	12,000
Compensated Absences	726,004	58,477	0	784,481	64,002
	<u>\$ 7,448,646</u>	<u>\$ 178,477</u>	<u>\$ (193,642)</u>	<u>\$ 7,433,481</u>	<u>\$ 271,002</u>

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

Installment loan to John Fivecoats is for the purchase of land and a bus garage. The loan is secured by this real estate.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2003 are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds	Installment Loan	Total
2004	\$ 594,746	\$ 12,000	\$ 606,746
2005	589,130	12,000	601,130
2006	597,735	12,000	609,735
2007	610,003	12,000	622,003
2008	615,845	12,000	627,845
2009-2013	3,130,625	49,000	3,179,625
2014-2018	3,209,044	0	3,209,044
2019-2022	1,339,031	0	1,339,031
Total Principal and Interest	10,686,159	109,000	10,795,159
Less Interest	4,146,159	0	4,146,159
Total Principal Outstanding	<u>\$ 6,540,000</u>	<u>\$ 109,000</u>	<u>\$ 6,649,000</u>

INDIAN VALLEY LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 14: DEFERRED REVENUE

Deferred revenue at June 30, 2003 consisted of the following:

	Statement of Net Assets	Balance Sheet
Property Taxes Receivable	\$ 3,566,567	\$ 4,192,320
Grants Receivable	0	34,996
Deferred Revenue	\$ 3,566,567	\$ 4,227,316

NOTE 15: INTERFUND TRANSFERS

Transfers made during fiscal year 2003 were \$15,000 to the food service non-major fund from the general fund. These transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

NOTE 16: INTERFUND BALANCES

On the fund financial statements, the general fund reported an interfund receivable at June 30, 2003 of \$35,600. The food service non-major fund had an interfund payable of the same amount. The loan was due to the timing of collections from grants.

On the fund financial statements, the general fund reported an interfund receivable at June 30, 2003 of \$1,000. The miscellaneous state grant non-major fund had an interfund payable of the same amount. The loan was due to the timing of collections from grants.

On the fund financial statements, the general fund reported an interfund receivable at June 30, 2003 of \$8,700. The workforce initiative non-major fund had an interfund payable of the same amount. The loan was due to the timing of collections from grants.

NOTE 17: RELATED ORGANIZATION

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

INDIAN VALLEY LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 18: JOINTLY GOVERNED ORGANIZATIONS

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

OME-RESA is a jointly governed organization comprised of 52 school districts, created as a regional council of governments pursuant to state statute. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts support OME-RESA based on a per pupil charge dependent upon the software package utilized. The OME-RESA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. OME-RESA is governed by a board of directors chosen from the general membership of the OME-RESA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Jefferson County Education Services Center, which serves as fiscal agent, located in Steubenville, Ohio. During the year ended June 30, 2003, the District paid approximately \$50,847 to OME-RESA for basic service charges.

B. Buckeye Career Center

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

C. Tuscarawas County Tax Incentive Review Council

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

INDIAN VALLEY LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 19: CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

B. Litigation

The School District is party to a legal proceeding. Our liability insurance carrier, at the time of the accident was Nationwide Mutual Insurance Co., and is representing the School District in this lawsuit. The School District management is of the opinion that the ultimate disposition of this claim and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

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 acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

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

	Textbook Reserve	Capital Acquisition	Totals
Set-aside balance as of June 30, 2002	\$ (465,095)	\$ 0	\$ (465,095)
Current year set-aside requirement	273,041	273,041	546,082
Current year qualifying disbursements	<u>(427,724)</u>	<u>(357,648)</u>	<u>(785,372)</u>
Total	<u>\$ (619,778)</u>	<u>\$ (84,607)</u>	<u>\$ (704,385)</u>
Set-aside balance carried forward to FY 2004	<u>\$ (619,778)</u>	<u>\$ 0</u>	
Cash balance carried forward to FY 2004	<u>\$ 0</u>	<u>\$ 0</u>	

INDIAN VALLEY LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 20: SET-ASIDES (Continued)

The School District had qualifying disbursements during the year that reduced the capital improvements and textbook reserve set-asides below zero. These extra amounts may be used to reduce the textbook set-aside requirement in future fiscal years.

NOTE 21: STATE SCHOOL FUNDING DECISION

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

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

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**INDIAN VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003**

Federal Grantor/ Passed Through Grantor/ Program Title	Pass Through Grantor Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>(Passed through the Ohio Department of Education)</i>						
Child Nutrition Cluster:						
Food Distribution Program	N/A	10.550		\$65,915		\$64,895
National School Breakfast Program	N/A	10.553	\$24,305	-	\$24,305	-
National School Lunch Program	N/A	10.555	209,715	-	209,715	-
Total U.S. Department of Agriculture - Child Nutrition Cluster			234,020	65,915	234,020	64,895
<u>U.S. DEPARTMENT OF LABOR</u>						
<i>(Passed Through Ohio Workforce Initiative Association)</i>						
Workforce Initiative	2002	17.250	3,436	-	3,436	-
	2003		19,660	-	16,631	-
Total U.S. Department of Labor			23,096	-	20,067	-
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>(Passed Through the Ohio Department of Education)</i>						
Title I Grants to Local Educational Agencies	C1-S1 2002 C1-S1 2003	84.010	25,000 302,566	- -	54,727 283,648	- -
Total Title I Grants to Local Educational Agencies			327,566	-	338,375	-
Special Education Grants to States	6B-SF 2002 6B-SF 2003	84.027	1,440 179,287	- -	31,449 173,774	- -
Total Special Education Grants to States			180,727	-	205,223	-
Eisenhower Professional Development State Grants	MS-S1 2002	84.281	-	-	320	-
Safe & Drug Free Schools and Community	DR-S1 2001 DR-S1 2002 DR-S1 2003	84.186	- 1,668 4,806	- - -	2,245 3,168 1,544	- - -
Total Safe & Drug Free Schools and Community State Grant			6,474	-	6,957	-
Title II-D - Technology Literacy Challenge Funds Grant	TJ-S1 2003	84.318	2,401	-	1,520	-
Class Size Reduction	CR-S1 2002 CR-S1 2002	84.340	- 43,491	- -	1,402 9,858	- -
Total Class Size Reduction			43,491	-	11,260	-
Title V - Innovative Educational Program	C2-S1-2003	84.298	10,470	-	10,374	-
Assistive Technology Program	AT-S1 2002	84.352	5,054	-	5,054	-
Title II -A Improving Teacher Quality State Grants	TRS1 2003	84.367	43,491	-	42,872	-
Total U.S. Department of Education			619,674	-	621,955	-
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>(Passed Through Ohio Department of Mental Retardation and Developmental Disabilities)</i>						
Medicaid Assistance Program	N/A	93.778	3,133	-	3,133	-
<i>(Passed Through the Ohio Department of Education)</i>						
Temporary Assistance to Needy Families	N/A	93.558	32,680	-	32,680	-
Total U.S. Department of Health and Human Services			35,813	-	35,813	-
Total			\$912,603	\$65,915	\$911,855	\$64,895

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

**INDIAN VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2003**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Receipts and Expenditures of Federal Awards (Schedule) is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2003, the District had no significant food commodities in inventory.

NOTE C – MEDICAL ASSISTANCE PROGRAM

Cash receipts from the U.S. Department of Health and Human Services for the Medical Assistance Program-CAFS are commingled with local funds. It is assumed federal monies are expended first.

NOTE D – TRANSFERABILITY OF FEDERAL FUNDS

During 2003, the District made the following reallocations from original budgeted federal programs to other federal programs approved by the Ohio Department of Education:

<u>Fund</u>	<u>CFDA Number</u>	<u>Reallocations</u>
Title I	84.010	\$42,632
Title IV – Innovative Programs	84.298	(4,693)
Title 11 D - Technology	84.318	(3,716)
Title II-A - Improving Teacher Quality	84.367	<u>(34,223)</u>
Total		<u><u>\$0</u></u>

The Schedule reports the reallocated expenditures in the receiving program ultimately authorized to receive and disburse the monies.



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

We have audited the basic financial statements of Indian Valley Local School District, Tuscarawas County, Ohio, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated February 24, 2004, in which we noted the District adopted Governmental Accounting Standards Board Statement No. 34. In addition, the District increased its capitalization threshold for capital assets from \$500 to \$2,500. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

However, we noted other immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 24, 2004.

Internal Control Over Financial Reporting

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

111 Second St., NW / Fourth Floor / Canton, OH 44702
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 24, 2004.

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

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

Betty Montgomery
Auditor of State

February 24, 2004



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Indian Valley Local School District, Tuscarawas County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

111 Second St., NW / Fourth Floor / Canton, OH 44702
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

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

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

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

Betty Montgomery
Auditor of State

February 24, 2004

**INDIAN VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I - CFDA # 84.010
<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.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
2002-11279-001	Reportable Condition – Service Organization not having a SAS 70 performed.	Yes	Hometown Health Network had a SAS 70 audit performed.



**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

INDIAN VALLEY LOCAL SCHOOL DISTRICT

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 15, 2004**