



**Auditor of State
Betty Montgomery**

**IRONTON CITY SCHOOL DISTRICT
LAWRENCE COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Ironton City School District
Lawrence County
105 South Fifth Street
Ironton, Ohio 45638

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Ironton City School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Ironton City School District, Lawrence County, Ohio, as of June 30, 2005, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2006, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is 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 the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

May 31, 2006

Ironton City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

The discussion and analysis of the Ironton City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2005 are as follows:

- Net assets of governmental activities increased \$659,817.
- General revenues accounted for \$9,747,220 or 66% of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$4,963,553 or 34% of total revenues of \$14,710,773.
- The School District had \$14,050,956 in expenses related to governmental activities; \$4,963,553 of these expenses was offset by program specific charges for services, grants, contributions, and interest. General revenues of \$9,747,220 were adequate to provide for the rest of these programs.
- The School District has one major fund, the General Fund. The General Fund had \$11,163,728 in revenues and \$10,541,751 in expenditures. The General Fund's balance increased \$520,687.

Using this Annual Financial Report

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

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 as the School District's most significant funds with all other non-major funds presented in total in one column.

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2005?" 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

Ironton City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

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.

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 restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are reported as Governmental Activities, including instruction, support services, operation of non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major fund begins on page 7. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for multiple financial transactions. However, these fund financial statements focus on the School District's most significant fund. The School District's major governmental fund is the General 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 fiscal 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 governmental 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.

Ironton City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
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 2005 compared to 2004.

Table 1
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Current and Other Assets	\$7,064,948	\$5,999,760
Capital Assets	1,468,410	1,536,216
Total Assets	8,533,358	7,535,976
Liabilities		
Long-term Liabilities	1,124,572	1,188,616
Other Liabilities	4,102,024	3,700,415
Total Liabilities	5,226,596	4,889,031
Net Assets		
Invested in Capital Assets, Net of Debt	1,327,866	1,337,283
Restricted	1,245,909	1,459,956
Unrestricted	732,987	(150,294)
Total Net Assets	\$3,306,762	\$2,646,945

Total assets increased \$997,382, primarily due to an increase in cash. Total liabilities increased \$337,565, primarily due to an increase in accrued wages and benefits, as well as an increase in deferred revenue, offset by debt repayments.

Ironton City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
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Table 2 shows the changes in net assets for the fiscal year ended June 30, 2005, and comparisons to fiscal year 2004.

Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Revenues		
Program Revenues		
Charges for Services	\$1,588,357	\$1,114,196
Operating Grants, Contributions and Interest	3,358,885	2,759,826
Capital Grants and Contributions	16,311	387,564
Total Program Revenues	<u>4,963,553</u>	<u>4,261,586</u>
General Revenues		
Property Taxes	2,528,476	2,278,735
Grants and Entitlements	7,115,514	6,718,846
Gifts and Donations	1,995	300
Investment Earnings	57,043	57,733
Gain on Sale of Capital Assets	1,975	0
Miscellaneous	42,217	39,466
Total General Revenues	<u>9,747,220</u>	<u>9,095,080</u>
Total Revenues	<u>14,710,773</u>	<u>13,356,666</u>
Program Expenses		
Instruction:		
Regular	5,595,530	5,581,850
Special	1,786,814	1,691,690
Vocational	250,901	195,564
Adult/Continuing	16,126	114,450
Support Services:		
Pupils	698,047	623,836
Instructional Staff	365,413	482,385
Board of Education	130,658	91,124
Administration	1,086,683	1,019,919
Fiscal	364,382	402,658
Operation and Maintenance of Plant	1,796,622	1,492,281
Pupil Transportation	540,223	451,512
Central	262,112	71,218
Operation of Non-Instructional Services:		
Food Service Operations	573,478	549,130
Community Services	158,161	93,380
Extracurricular Activities	415,204	330,013
Interest and Fiscal Charges	10,602	13,172
Total Expenses	<u>14,050,956</u>	<u>13,204,182</u>
Increase in Net Assets	659,817	152,484
Net Assets Beginning of Year	2,646,945	2,494,461
Net Assets End of Year	<u>\$3,306,762</u>	<u>\$2,646,945</u>

Ironton City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
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The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3
 Governmental Activities

	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
Program Expenses				
Instruction:				
Regular	\$5,595,530	\$3,451,415	\$5,581,850	\$3,943,298
Special	1,786,814	574,641	1,691,690	799,640
Vocational	250,901	182,621	195,564	195,524
Adult/Continuing	16,126	16,126	114,450	(71,629)
Support Services:				
Pupils	698,047	534,613	623,836	536,539
Instructional Staff	365,413	181,255	482,385	316,311
Board of Education	130,658	130,658	91,124	91,124
Administration	1,086,683	1,066,177	1,019,919	1,013,022
Fiscal	364,382	355,167	402,658	397,463
Operation and Maintenance of Plant	1,796,622	1,753,843	1,492,281	1,124,138
Pupil Transportation	540,223	458,706	451,512	341,132
Central	262,112	258,176	71,218	66,656
Operation of Non-Instructional Services:				
Food Service Operations	573,478	4,946	549,130	12,535
Community Services	158,161	(5,488)	93,380	44,929
Extracurricular Activities	415,204	113,945	330,013	118,742
Interest and Fiscal Charges	10,602	10,602	13,172	13,172
Total	<u>\$14,050,956</u>	<u>\$9,087,403</u>	<u>\$13,204,182</u>	<u>\$8,942,596</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 55% of instruction activities are supported through taxes and other general revenues. The most significant increase in expenses occurred in Operation and Maintenance of Plant. The age of the school district's buildings necessitates continually higher maintenance costs.

The School District Funds

The School District's funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$14,722,637 and expenditures of \$14,299,026. The School District has continued to spend less than it receives, while maintaining the same levels of service.

General Fund – The General Fund is the primary operating fund and the only major fund of the School District. At the end of 2005, unreserved fund balance was \$1,112,338, while total fund balance was \$1,876,834. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures. Unreserved fund balance represents 10.55 percent to total General Fund expenditures, while total fund balance represents 17.8 percent of General Fund Expenditures. The fund balance of the School District's General Fund increased \$520,687 during

Ironton City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

the current fiscal year. The key factor in this increase is an increase in cash due to increased property tax, intergovernmental, and other revenue.

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 2005, the School District amended its General Fund budget. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis revenue was \$11,187,026, above original estimates of \$9,419,343. Of this \$1,767,683 difference, most was due to low original estimates for intergovernmental revenue, which was based on anticipated State budget cuts.

Final appropriations were \$10,375,798, which exceeded the original budget by \$114,898. This was mainly due to conservative estimates at the beginning of the year. The final appropriations were then set equal to the actual expenditures at year end.

The School District's ending unobligated General Fund balance was \$3,049,997.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the School District had \$1,468,410 invested in land, buildings, improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2005 balances compared to 2004.

Table 4
 Capital Assets
 (Net of Depreciation)

	Governmental Activities	
	2005	2004
Land and Land Improvements	\$321,591	\$321,591
Buildings and Improvements	543,546	580,145
Furniture and Equipment	267,408	324,985
Vehicles	335,865	309,495
Totals	\$1,468,410	\$1,536,216

See Note 9 for more information on Capital Assets.

Ironton City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Debt

At June 30, 2005, the School District had the following debt outstanding:

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Capital Leases Payable	\$5,112	\$14,185
Promissory Note	53,404	65,100
Energy Conservation Bonds	82,028	119,648
Total	<u>\$140,544</u>	<u>\$198,933</u>

See Note 14 for more information on debt.

Economic Factors

As the preceding information shows, the School District depends on the State School Foundation Program. The Ironton City School District must maintain its current spending habits to maintain its healthy financial situation. The Ironton City School District is in a low economic growth area, so dependence on local tax revenue must be minimized.

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the 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 Patty Wade, Treasurer at Ironton City School District, 105 South Fifth Street, Ironton, Ohio 45638.

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Ironton City School District, Ohio

Statement of Net Assets

June 30, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$4,298,544
Intergovernmental Receivable	202,350
Prepaid Items	35,570
Property Taxes Receivable	2,515,712
Materials and Supplies Inventory	12,772
Nondepreciable Capital Assets	321,591
Depreciable Capital Assets, Net	<u>1,146,819</u>
<i>Total Assets</i>	<u>8,533,358</u>
Liabilities	
Accounts Payable	273,229
Accrued Wages and Benefits Payable	1,329,648
Accrued Interest Payable	1,633
Vacation Benefits Payable	83,661
Matured Compensated Absences Payable	32,100
Deferred Revenue	2,057,724
Intergovernmental Payable	324,029
Long-Term Liabilities:	
Due within One Year	167,924
Due in More than One Year	<u>956,648</u>
<i>Total Liabilities</i>	<u>5,226,596</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	1,327,866
Restricted for:	
Other Purposes	624,226
Bus Purchases	21,064
Budget Stabilization	4,409
Textbooks	575,973
Capital Projects	20,237
Unrestricted	<u>732,987</u>
<i>Total Net Assets</i>	<u><u>\$3,306,762</u></u>

See accompanying notes to the basic financial statements

Ironton City School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2005

	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Interest		
Governmental Activities					
Instruction:					
Regular	\$5,595,530	\$901,262	\$1,242,853	\$0	(\$3,451,415)
Special	1,786,814	0	1,212,173	0	(574,641)
Vocational	250,901	0	68,280	0	(182,621)
Adult/Continuing	16,126	0	0	0	(16,126)
Support Services:					
Pupils	698,047	0	163,434	0	(534,613)
Instructional Staff	365,413	0	184,158	0	(181,255)
Board of Education	130,658	0	0	0	(130,658)
Administration	1,086,683	0	20,506	0	(1,066,177)
Fiscal	364,382	0	9,215	0	(355,167)
Operation and Maintenance of Plant	1,796,622	0	42,779	0	(1,753,843)
Pupil Transportation	540,223	14,804	50,402	16,311	(458,706)
Central	262,112	0	3,936	0	(258,176)
Operation of Non-Instructional Services:					
Food Service Operations	573,478	371,032	197,500	0	(4,946)
Community Services	158,161	0	163,649	0	5,488
Extracurricular Activities	415,204	301,259	0	0	(113,945)
Interest and Fiscal Charges	10,602	0	0	0	(10,602)
Totals	<u>\$14,050,956</u>	<u>\$1,588,357</u>	<u>\$3,358,885</u>	<u>\$16,311</u>	<u>(9,087,403)</u>
General Revenues					
Property Taxes Levied for General Purposes					2,528,476
Gifts and Donations					1,995
Grants and Entitlements not Restricted to Specific Programs					7,115,514
Gain on Sale of Capital Assets					1,975
Investment Earnings					57,043
Miscellaneous					42,217
Total General Revenues					<u>9,747,220</u>
Change in Net Assets					659,817
Net Assets Beginning of Year					<u>2,646,945</u>
Net Assets End of Year					<u><u>\$3,306,762</u></u>

See accompanying notes to the basic financial statements

Ironton City School District, Ohio

Balance Sheet

Governmental Funds

June 30, 2005

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,527,356	\$1,169,742	\$3,697,098
Receivables:			
Property Taxes	2,515,712	0	2,515,712
Intergovernmental	44,877	157,473	202,350
Interfund	31,037	0	31,037
Prepaid Items	35,570	0	35,570
Materials and Supplies Inventory	4,873	7,899	12,772
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	601,446	0	601,446
<i>Total Assets</i>	<u>\$5,760,871</u>	<u>\$1,335,114</u>	<u>\$7,095,985</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$152,816	\$120,413	\$273,229
Accrued Wages and Benefits Payable	1,010,252	319,396	1,329,648
Matured Compensated Absences Payable	32,100	0	32,100
Interfund Payable	0	31,037	31,037
Deferred Revenue	2,448,716	140,521	2,589,237
Intergovernmental Payable	240,153	83,876	324,029
<i>Total Liabilities</i>	<u>3,884,037</u>	<u>695,243</u>	<u>4,579,280</u>
Fund Balances			
Reserved for Encumbrances	59,344	133,280	192,624
Reserved for Property Taxes	81,290	0	81,290
Reserved for Textbooks	575,973	0	575,973
Reserved for Bus Purchases	21,064	0	21,064
Reserved for Budget Stabilization	4,409	0	4,409
Unreserved:			
Designated for Capital Maintenance	22,416	0	22,416
Unreserved, Undesignated, Reported in:			
General Fund	1,112,338	0	1,112,338
Special Revenue Funds	0	486,354	486,354
Capital Project Funds	0	20,237	20,237
<i>Total Fund Balances</i>	<u>1,876,834</u>	<u>639,871</u>	<u>2,516,705</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,760,871</u>	<u>\$1,335,114</u>	<u>\$7,095,985</u>

See accompanying notes to the basic financial statements

Ironton City School District, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2005*

Total Governmental Fund Balances	\$2,516,705
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*Amounts reported for governmental activities in the statement of
 net assets are different because*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,468,410
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property Taxes	376,698	
Grants	154,815	531,513

Vacation Benefits Payable is recognized for earned vacation benefits that are to be used within one year but are not recognized on the balance sheet until due.	(83,661)
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Interest payable is accrued for outstanding long-term liabilities, while interest is not reported until due on the balance sheet.	(1,633)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Capital Leases Payable	(5,112)	
Promissory Note Payable	(53,404)	
Energy Conservation Bonds Payable	(82,028)	
Sick Leave Benefits Payable	(984,028)	(1,124,572)

Net Assets of Governmental Activities	<u><u>\$3,306,762</u></u>
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See accompanying notes to the basic financial statements

Ironton City School District, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$2,433,776	\$0	\$2,433,776
Intergovernmental	7,738,608	3,034,173	10,772,781
Investment Earnings	56,951	92	57,043
Tuition and Fees	881,031	4,166	885,197
Rent	15,516	0	15,516
Charges for Services	0	197,500	197,500
Extracurricular	0	301,259	301,259
Gifts and Donations	1,995	0	1,995
Miscellaneous	35,851	21,719	57,570
<i>Total Revenues</i>	<u>11,163,728</u>	<u>3,558,909</u>	<u>14,722,637</u>
Expenditures			
Current:			
Instruction:			
Regular	4,345,248	1,281,292	5,626,540
Special	1,123,415	648,558	1,771,973
Vocational	238,349	0	238,349
Adult/Continuing	0	16,126	16,126
Support Services:			
Pupils	527,974	171,190	699,164
Instructional Staff	198,094	204,251	402,345
Board of Education	130,930	0	130,930
Administration	1,083,297	4,829	1,088,126
Fiscal	358,617	13,089	371,706
Operation and Maintenance of Plant	1,528,545	334,621	1,863,166
Pupil Transportation	556,151	29,218	585,369
Central	222,030	34,266	256,296
Operation of Non-Instructional Services:			
Food Service Operations	0	614,780	614,780
Community Services	5	153,836	153,841
Extracurricular Activities	224,460	186,108	410,568
Debt Service:			
Principal Retirement	4,062	54,327	58,389
Interest and Fiscal Charges	574	10,784	11,358
<i>Total Expenditures</i>	<u>10,541,751</u>	<u>3,757,275</u>	<u>14,299,026</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>621,977</u>	<u>(198,366)</u>	<u>423,611</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Capital Assets	2,400	12,200	14,600
Transfers In	0	103,690	103,690
Transfers Out	(103,690)	0	(103,690)
<i>Total Other Financing Sources (Uses)</i>	<u>(101,290)</u>	<u>115,890</u>	<u>14,600</u>
<i>Net Change in Fund Balance</i>	520,687	(82,476)	438,211
<i>Fund Balances Beginning of Year</i>	<u>1,356,147</u>	<u>722,347</u>	<u>2,078,494</u>
<i>Fund Balances End of Year</i>	<u>\$1,876,834</u>	<u>\$639,871</u>	<u>\$2,516,705</u>

See accompanying notes to the basic financial statements

Ironton City School District, Ohio
*Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2005*

Net Change in Fund Balances - Total Governmental Funds \$438,211

*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 outlays in the current period:

Capital Asset Additions	107,410	
Depreciation Expense	<u>(162,591)</u>	(55,181)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The net effect is to decrease net assets. (12,625)

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

Grants	(108,539)	
Delinquent Taxes	<u>94,700</u>	(13,839)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 58,389

In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due: 756

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

Intergovernmental Payable	233,516	
Vacation Benefits Payable	4,935	
Sick Leave Benefits Payable	<u>5,655</u>	<u>244,106</u>

Change in Net Assets of Governmental Activities \$659,817

See accompanying notes to the basic financial statements

Ironton City School District, Ohio
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$2,163,503	\$2,385,950	\$2,385,950	\$0
Intergovernmental	\$6,779,416	7,809,557	7,809,557	0
Investment Earnings	\$44,191	56,933	56,933	0
Tuition and Fees	\$379,036	881,181	881,181	0
Rent	\$3,000	15,516	15,516	0
Gifts and Donations	\$1,995	1,995	1,995	0
Miscellaneous	\$48,202	35,894	35,894	0
<i>Total Revenues</i>	<u>9,419,343</u>	<u>11,187,026</u>	<u>11,187,026</u>	<u>0</u>
Expenditures				
Current:				
Instruction:				
Regular	4,467,022	4,393,541	4,393,541	0
Special	1,054,443	1,100,325	1,100,325	0
Vocational	202,301	227,408	227,408	0
Support Services:				
Pupils	526,124	534,563	534,563	0
Instructional Staff	223,649	199,415	199,415	0
Board of Education	108,226	147,444	147,444	0
Administration	1,008,738	1,054,892	1,054,892	0
Fiscal	398,325	353,813	353,813	0
Operation and Maintenance of Plant	1,456,838	1,534,961	1,534,961	0
Pupil Transportation	588,062	530,928	530,928	0
Central	71,036	82,314	82,314	0
Operation of Non-Instructional Services:				
Community Services	5	5	5	0
Extracurricular Activities:				
Academic Oriented Activities	16,685	16,557	16,557	0
Sport Oriented Activities	117,424	180,005	180,005	0
School and Public Service Co-Curricular Activities	22,022	19,627	19,627	0
<i>Total Expenditures</i>	<u>10,260,900</u>	<u>10,375,798</u>	<u>10,375,798</u>	<u>0</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(841,557)</u>	<u>811,228</u>	<u>811,228</u>	<u>0</u>
Other Financing Sources (Uses)				
Transfers Out	(236,033)	(103,690)	(103,690)	0
Advances In	0	16,367	16,367	0
Advances Out	(31,844)	(31,037)	(31,037)	0
Proceeds from Sale of Capital Assets	0	2,400	2,400	0
<i>Total Other Financing Sources (Uses)</i>	<u>(267,877)</u>	<u>(115,960)</u>	<u>(115,960)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(1,109,434)	695,268	695,268	0
<i>Fund Balance Beginning of Year</i>	2,021,798	2,021,798	2,021,798	0
Prior Year Encumbrances Appropriated	332,931	332,931	332,931	0
<i>Fund Balance End of Year</i>	<u>\$1,245,295</u>	<u>\$3,049,997</u>	<u>\$3,049,997</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

Ironton City School District, Ohio

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2005

	Private-Purpose	
	Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$93,632	\$49,115
Liabilities		
Due to Students	\$0	\$49,115
Net Assets		
Restricted for Endowments	77,563	
Held in Trust for Students	16,069	
Total Net Assets	\$93,632	

See accompanying notes to the basic financial statements

Ironton City School District, Ohio
Statement of Changes in Fiduciary Net Assets
Private-Purpose Trust Funds
For the Fiscal Year Ended June 30, 2005

Additions	
Gifts and Contributions	\$1,334
Interest	1,779
	<hr/>
Total Additions	3,113
 Deductions	
Scholarships	5,463
	<hr/>
Change in Net Assets	(2,350)
Net Assets Beginning of Year	95,982
	<hr/>
Net Assets End of Year	\$93,632
	<hr/> <hr/>

See accompanying notes to the basic financial statements

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Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 1 - Description of the School District and Reporting Entity

Ironton City School District is a body politic and corporate 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 operates under a locally-elected five-member Board form of government and provides educational services as authorized by State statute and federal guidelines. This Board of Education controls the School District's six instructional/support facilities staffed by 76 classified employees, 136 certified teaching personnel, and nine administrators who provide services to 1,640 students and other community members.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the 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 Ironton City School District, this includes general operations, food service, and student related activities of the School District.

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

The following activities are included within the reporting entity:

Parochial Schools - Within the School District boundaries, St. Lawrence Elementary and St. Joseph High School are operated through the Steubenville Catholic Diocese. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. This activity is reflected in a special revenue fund for financial reporting purposes.

The School District participates in three jointly governed organizations and three insurance purchasing pools. These organizations are the South Central Ohio Computer Association, the Lawrence County Joint Vocational School District, the Pilasco-Ross Special Education Regional Resource Center, the Ohio School Plan, the Lawrence County Schools Insurance Purchasing Consortium, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the basic financial statements.

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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 governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more 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.

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 the fiduciary funds. The statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and therefore 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. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are two categories of funds used by this School District: governmental and fiduciary.

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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

General Fund The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

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

Fiduciary Fund Types 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 include private-purpose trust funds, which account for student college scholarships, and an agency fund, which accounts 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. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

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

Private purpose trust funds are accounted for using a flow of economic resources measurement focus.

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. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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. Measurable means the amount of the transaction can be determined. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

The 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, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2005, investments were limited to nonnegotiable certificates of deposit, which are reported at cost.

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2005 amounted to \$56,951, which includes \$21,469 assigned from other School District funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, 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 fiscal year in which services are consumed.

G. Inventory

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

H. Capital Assets

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

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

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

Description	Governmental Activities Estimated Lives
Buildings and Improvements	50 years
Furniture and Equipment	5 - 20 years
Vehicles	3 - 10 years

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

I. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets include amounts required by statute to be set-aside by the School District for the purchase of textbooks and for the creation of a reserve for budget stabilization, and unexpended revenues restricted for the purchase of buses. See Note 20 for additional information regarding set-asides.

J. 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 School District will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as vacation benefits payable, rather than long-term liabilities, as the balances are usually used by employees within the calendar year earned. At the employee's request, any carry-over may be paid to the employees each year, or carried over.

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

The entire sick leave benefit liability is reported on the government-wide financial statements.

On the governmental fund financial statements, sick leave benefits are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

K. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences 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, notes, and capital leases that will be paid from governmental funds are recognized as an expenditure and liability in the governmental fund financial statements when due.

L. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

M. Interfund Balances

Interfund receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

N. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, textbooks, budget stabilization, property taxes, and bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

O. Fund Balance Designation

The School District has a designation of fund balance on the balance sheet of \$22,416 in the General Fund for money set aside by the Board of Education for capital maintenance.

P. 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 enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations and federal and state grants restricted to expenditure for specified purposes. The government-wide statement of net assets reports \$1,245,909 of restricted net assets. Of the restricted net assets, \$580,382 has resulted from enabling legislation.

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

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.

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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 Process

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statement reflect the amounts on the certificate of estimated resources in effect when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed. Prior to June 30, the Board requested and received an amended certificate in which estimated revenue equaled actual revenue.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year. Prior to June 30, the Board passed an appropriation resolution which matched actual expenditures during the fiscal year plus encumbrances outstanding at year end.

Note 3 - Change in Accounting Principle

For the fiscal year ended June 30, 2005, the School District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures", GASB Technical Bulletin No. 2004-02, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost Sharing Employers", and early-implemented GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation".

GASB Statement No. 40 identifies the disclosure requirements for deposits and investments.

GASB Technical Bulletin No. 2004-02 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other post-employment benefit (OPEB) plans. The effect of the implementation of this technical bulletin had no material effect on fund balances and net assets.

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets.

Note 4 – Accountability and Compliance

The following issues were noted with accountability and compliance violations during the fiscal year:

1. The following funds had deficit fund balances at June 30, 2005:

	<u>Deficit Fund Balances</u>
Special Revenue Funds:	
Nutrition Cluster	\$21,996
Title I Grants to Local Educational Agencies	41,634
Improving Teacher Quality State Grants	8,872

These deficits are due to adjustments for accrued liabilities. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

2. The School District had \$233,917 uncollateralized at June 30, 2005, which is violation of Ohio Revised Code Section 135.18.
3. The School District had several funds where expenditures that exceeded appropriations during the fiscal year which were violations of Ohio Revised Code Section 5705.41(B).

Note 5 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Unrecorded interest represents amounts received but not included as revenue on the budget basis operating statement. These amounts are included as revenue on the GAAP basis operating statement.

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance	
GAAP Basis	\$520,687
Revenue Accruals	23,316
Beginning of Year:	
Prepaid Items	43,427
Unreported Interest	161
End of Year	
Unreported Interest	(179)
Prepaid Items	(35,570)
Advances In	16,367
Advances Out	(31,037)
Expenditure Accruals	236,722
Encumbrances	<u>(78,626)</u>
Budget Basis	<u><u>\$695,268</u></u>

Note 6 - Deposits and Investments

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

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

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

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

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

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

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4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio).
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$4,347,092 of the School District's bank balance of \$4,688,509 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, except for the \$233,917 noted above in Note 4, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Lawrence County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, personal property, and public utility taxes which are measurable as of June 30, 2005, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue is deferred.

The amount available as an advance at June 30, 2005, was \$81,290 and is recognized as revenue in the General Fund. The amount available as an advance to the General Fund at June 30, 2004, was \$33,464.

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

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$80,396,080	64%	\$87,734,370	65%
Public Utility Personal	26,965,400	21%	29,559,910	22%
Tangible Personal Property	18,159,660	15%	16,711,840	13%
Total	\$125,521,140	100%	\$134,006,120	100%
Tax rate per \$1,000 of assessed valuation		\$25.00		\$25.00

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For the Fiscal Year Ended June 30, 2005

Note 8 - Receivables

Receivables at June 30, 2005, consisted of property taxes, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year. A summary of principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
General Fund:	
Medical Assistance Program	\$44,877
Special Revenue Funds:	
Special Education Preschool Grants	20,813
Special Education Grants to States	23,175
Summer Intervention	7,566
Title I Grants to Local Educational Agencies	93,695
Safe and Drug Free Schools and Communities State Grants	3,369
Improving Teacher Quality State Grants	8,855
Total Special Revenue Funds	157,473
Total Intergovernmental Receivables	\$202,350

Note 9 - Capital Assets

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

	Balance 6/30/2004	Additions	Deductions	Balance 6/30/2005
Capital Assets:				
Capital Assets not being Depreciated:				
Land and Land Improvements	\$321,591	\$0	\$0	\$321,591
Depreciable Capital Assets:				
Buildings and Improvements	2,864,300	0	0	2,864,300
Furniture and Equipment	1,165,418	30,400	(31,249)	1,164,569
Vehicles	663,766	77,010	(40,684)	700,092
Total Capital Assets being Depreciated	4,693,484	107,410	(71,933)	4,728,961
Less Accumulated Depreciation				
Buildings and Improvements	(2,284,155)	(36,599)	0	(2,320,754)
Furniture and Equipment	(840,433)	(75,352)	18,624	(897,161)
Vehicles	(354,271)	(50,640)	40,684	(364,227)
Total Accumulated Depreciation	(3,478,859)	(162,591) *	59,308	(3,582,142)
Total Capital Assets being Depreciated, Net	1,214,625	(55,181)	(12,625)	1,146,819
Capital Assets, Net	\$1,536,216	(\$55,181)	(\$12,625)	\$1,468,410

Ironton City School District, Ohio
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* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$73,965
Special	5,412
Vocational	492
Support Services:	
Pupils	1,804
Instructional Staff	1,640
Administration	15,195
Fiscal	492
Operation and Maintenance of Plant	3,444
Pupil Transportation	52,401
Central	328
Operation of Non-Instructional Services:	
Community Services	164
Food Service Operations	2,618
Extracurricular Activities	4,636
Total Depreciation Expense	<u>\$162,591</u>

Note 10 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the School District contracted with Harcum Schulett Insurance for property and fleet insurance. The type and amount of coverage provided follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$47,911,500
Automobile Liability (\$1,000 deductible):	
Bodily Injury and Property Damage – combined single limit	2,000,000
Medical Payments – each person	5,000
Uninsured Motorists	1,000,000

The School District has joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 18).

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The types and amounts of coverage provided by the Ohio School Plan are as follows:

General Liability:	
Each Occurrence	\$1,000,000
Aggregate Limit	3,000,000
Products – Complete Operations Aggregate Limit	1,000,000
Fire Legal Liability	500,000
Medical Expense Limit – per person/accident	10,000
Employers Liability – Stop Gap:	
Per Accident	1,000,000
Per Disease Each Employee	1,000,000
Per Disease Policy Limit	1,000,000
Employee Benefits Liability:	
Per Claim	1,000,000
Aggregate Limit	3,000,000
Excess Liability:	
Each Occurrence	1,000,000
Aggregate Limit	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

B. Worker's Compensation

For fiscal year 2005, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (See Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

Note 11 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Employees who earn vacation can carry over unused vacation for one year. If vacation is unused after that year, upon employee request, the employee may be paid for it at that time. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who are not on a twelve month contract do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. There is no limit to the amount of sick leave

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that may be accumulated. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum payment of 69 days.

B. Life Insurance and Health Care Benefits

The School District provides life insurance and accidental death and dismemberment insurance to certified and classified employees through Anthem Insurance Inc., in the amount of \$30,000 and \$10,000, respectively.

Health insurance is provided by Medical Mutual of Ohio. Premiums for this coverage are \$1,072 for family coverage and \$434 for single coverage. The School District pays 85% of the premium.

Note 12 - Defined Benefit Pension Plans

A. 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent 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 statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$177,197, \$164,293 and \$165,818; 41 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 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 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

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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 the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003, were \$734,109, \$551,387, and \$810,759, respectively; 83.13 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$3,769 made by the School District and \$5,876 made by the plan members.

Note 13 - 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-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS retirees who participated in the DB or combined plans and their 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. All benefit recipients pay a portion of 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 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$56,470 for fiscal year 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

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For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2005 fiscal year, School District paid \$86,755 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

Note 14 - Long Term Obligations

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

	Principal Outstanding 6/30/2004	Additions	Reductions	Principal Outstanding 6/30/2005	Amounts Due in One Year
Governmental Activities					
Capital Leases	\$14,185	\$0	\$9,073	\$5,112	\$5,112
Energy Conservation Bonds, 1998-5.90%	119,648	0	37,620	82,028	0
Promissory Note, 2004-3.67%	65,100	0	11,696	53,404	12,629
Sick Leave Benefits	989,683	132,568	138,223	984,028	150,183
Total Governmental Activities					
Long-Term Liabilities	<u>\$1,188,616</u>	<u>\$132,568</u>	<u>\$196,612</u>	<u>\$1,124,572</u>	<u>\$167,924</u>

On June 27, 1997, the School District issued school energy conservation bonds in the amount of \$330,506 for energy efficiency improvements to School District buildings. The bonds will be paid from savings generated from reduced energy costs. On July 3, 2003, the School District issued a promissory note in the amount of \$65,100 for stadium lighting. The capital lease payments will be made from the General Fund and the District Managed Activity Special Revenue Fund. The note will be paid from the District Managed Activity Special Revenue Fund. Sick leave benefits will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund and Nutrition Cluster, Auxiliary, Special Education Grants to States, and Title I Grants to Local Educational Agencies Special Revenue Funds.

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Principal and interest requirements to retire the energy conservation bonds outstanding at June 30, 2005, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2006	\$0	\$2,420	\$2,420
2007	39,839	3,665	43,504
2008	42,189	1,245	43,434
	<u>\$82,028</u>	<u>\$7,330</u>	<u>\$89,358</u>

Principal and interest requirements to retire the promissory note outstanding at June 30, 2005, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2006	\$12,629	\$1,987	\$14,616
2007	13,099	1,517	14,616
2008	13,586	1,030	14,616
2009	14,090	526	14,616
	<u>\$53,404</u>	<u>\$5,060</u>	<u>\$58,464</u>

The overall debt margin of the School District as of June 30, 2005, was \$11,925,119, with an unvoted debt margin of \$134,006.

Note 15 - Capitalized Leases - Lessee Disclosure

In prior years, the School District entered into capitalized leases for six copiers and computer equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures on the statement of revenues, expenses and changes in fund balances for governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis. Capital assets acquired by lease have been capitalized in the amount of \$34,548, which is equal to the present value of the future minimum lease payments at the time of acquisition. The carrying value of these assets at June 30, 2005, is \$16,321.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2005:

Fiscal Year Ending June 30, 2006	Amount
Total minimum lease payments	5,320
Less: amount representing interest	(208)
Present value of minimum lease payments	<u>\$5,112</u>

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Note 16 – Interfund Balances and Transfers

Interfund receivables and payables at June 30, 2005, consist of the following individual balances, representing monies advanced to federal grant funds to be repaid when grant funds are received:

	Interfund Receivable	Interfund Payable
General Fund:	\$31,037	\$0
Special Revenue Funds:		
Special Education Preschool Grants	0	20,813
Ohio Reads	0	2,255
Special Education Grants to States	0	1,583
Title I Grants to Local Educational Agencies	0	272
Safe and Drug Free Schools and Communities State Grants	0	6,114
Total Special Revenue Funds	0	31,037
Total All Funds	\$31,037	\$31,037

During fiscal year 2005, the General Fund made transfers to other non-major governmental funds, in the amount of \$103,690, to subsidize various programs in other funds. \$58,011 was transferred to the Adult Basic Literacy Education Special Revenue Fund to close out the program. \$44,679 was transferred to the Building Fund to cover a debt service payment. Also, \$1,000 was transferred to the Title I Special Revenue Fund.

Note 17 - Jointly Governed Organizations

The South Central Ohio Computer Association (SCOCA) is a jointly governed organization among public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, and Lawrence Counties. The organization was formed with the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the seven participating counties and one representative from the fiscal agent. Ironton City School District paid \$56,826 for services provided during fiscal year 2005. To obtain financial information write to the Pike County Joint Vocational School District, P.O. Box 577, 23365 State Route 124, Piketon, Ohio 45661.

The Lawrence County Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from Chesapeake Union Exempted Village School District, two from the Ironton City School District, and two from the Lawrence County Educational Service Center, which possesses its own budgeting and taxing authority. Ironton City School District made no payments to the Joint Vocational School District in fiscal year 2005. To obtain financial information write to the Lawrence County Joint Vocational School District, 11627 State Route 243, Chesapeake, OH 45619.

The Pilasco-Ross Special Education Regional Resource Center selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. Pilasco-Ross is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representatives of county boards of MR/DD, Shawnee State University, and the South Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating

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school district is limited to its representation on the Board. During fiscal year 2005, the School District paid \$29,537 to Pilasco-Ross. Dawson-Bryant Local School District serves as the fiscal agent for Pilasco-Ross. To obtain financial information write to the Dawson Bryant Local School District, 222 Lane Street, Coal Grove, Ohio 45638.

Note 18 - Insurance Purchasing Pools

The School District participates in the **Ohio School Plan (OSP)**, an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

The School District participates in the **Lawrence County Schools Insurance Purchasing Consortium**, an insurance purchasing pool. The consortium's business and affairs are conducted by a nine member Board of Directors consisting of the superintendents of member school districts and educational service centers.

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

Note 19 – Donor Restricted Endowments

The School District's private purpose trust funds include donor restricted endowments. Total endowments, representing the principal portion are \$77,563. The amount of net appreciation in donor restricted investments that is available for expenditure by the School District is \$16,069 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowments' intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowments indicate that interest should be used to provide scholarships each year.

Note 20 - Set asides

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

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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

	Budget Stabilization Reserve	Capital Improvements Reserve	Textbooks Instructional Materials Reserve
Set-aside Reserve Balance as of June 30, 2004	\$4,409	(\$28,047)	\$525,399
Current Year Set-aside Requirement	0	226,128	226,128
Qualifying Disbursements	0	(214,416)	(175,554)
Total	<u>\$4,409</u>	<u>(\$16,335)</u>	<u>\$575,973</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$4,409</u>	<u>(\$16,335)</u>	<u>\$575,973</u>
Set-aside Reserve Balance as of June 30, 2005	<u>\$4,409</u>	<u>\$0</u>	<u>\$575,973</u>

The School District had qualifying expenditures during the fiscal years that reduced the capital improvements set-aside amounts below zero. This extra amount may be used to reduce the set-aside requirements for future years.

Note 21 - 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

B. Litigation

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

**IRONTON CITY SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR JUNE 30, 2005**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass-Through Entity's Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	N/A	10.550	\$	\$ 28,213	\$	\$ 28,213
School Breakfast Program	05PU-2004	10.553	16,874		16,874	
	05PU-2005		85,136		85,136	
Total School Breakfast Program			102,010	0	102,010	0
National School Lunch Program	LLP1 - 2005	10.555	5,782		5,782	
	LLP4 -2004		43,052		43,052	
	LLP4- 2005		202,208		202,208	
Total National School Lunch Program			251,042	0	251,042	0
Total Nutrition Cluster			353,052	28,213	353,052	28,213
Team Nutrition Grants	TWAD- 2004	10.574			9,999	
Total U.S. Department of Agriculture			353,052	28,213	363,051	28,213
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Adult Education_State Grant Program	ABS1-2004	84.002			160	
Title I Grants to Local Educational Agencies	C1S1 2004	84.010	32,511		88,443	
	C1S1 2005		687,032		639,235	
	C1SD 2004		(2,162)			
	C1SD 2005		30,084		30,356	
Total Title I Grants to Local Educational Agencies			747,465	0	758,034	0
Special Education Cluster:						
Special Education_Grants to States	6BSF 2004	84.027	8,732		32,314	
	6BSF 2005		360,488		264,063	
Total Special Education_Grants to States			369,220	0	296,377	0
Special Education_Preschool Grants	PGS1-2004	84.173	821		4,263	
Total Special Education Cluster			370,041	0	300,640	0
Safe and Drug Free Schools and Communities_State Grants	DRS1 2004	84.186	(2,460)			
	DRS1 2005		8,419		6,532	
Total Safe and Drug Free Schools and Communities_State Grants			5,959	0	6,532	0
State Grants for Innovative Programs	C2S1 2004	84.298	(3,287)			
	C2S1 2005		13,059		11,044	
Total State Grants for Innovative Programs			9,772	0	11,044	0
Education Technology State Grants	TJS1 2004	84.318	(5,013)		23	
	TJS1 2005		26,416		22,895	
Total Education Technology State Grants			21,403	0	22,918	0
School Renovation Grants	44-149-1, 2-03	84.352A	198,340		285,470	
Improving Teacher Quality State Grants	TRS1-2004	84.367	599		19,964	
	TRS1 2005		137,586		121,130	
Total Improving Teacher Quality State Grants			138,185	0	141,094	0
Total U.S. Department of Education			1,491,165	0	1,525,892	0
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
State Children's Insurance Program	N/A	93.767	4,467		4,467	
Medical Assistance Program	N/A	93.778	179,249		179,249	
Total U.S. Department of Health and Human Services			183,716	0	183,716	0
Total Federal Awards, Receipts and Expenditures			\$2,027,933	\$28,213	\$2,072,659	\$28,213

The Notes to the Schedule of Federal Awards Receipts and Expenditures is an integral part of the Schedule.

**IRONTON CITY SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C - TRANSFERS BETWEEN GRANT YEARS

During fiscal year 2003, the grant periods changed to agree with the fiscal year of school districts. The grant periods were changed from a 27 month period ending in September 30 to a 12 month period ending in June 30. These transfers were reflected as negative receipts under the old grant year and positive receipts under the new grant year on the Schedule. Transfers were made between grant years as follows:

Program:	Amount:	From Grant Year:	To Grant Year:
CFDA 84.010	\$ 2,162	2004	2005
CFDA 84.186	2,460	2004	2005
CFDA 84.298	3,287	2004	2005
CFDA 84.318	5,013	2004	2005



**Auditor of State
Betty Montgomery**

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

Ironton City School District
Lawrence County
105 South Fifth Street
Ironton, Ohio 45638

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Ironton City School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements and have issued our report thereon dated May 31, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School District's management dated May 31, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the School District's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2005-001 and 2005-002. In a separate letter to the School District's management dated May 31, 2006, we reported other matters related to noncompliance we deemed immaterial.

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Ironton City School District
Lawrence County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

May 31, 2006



Auditor of State Betty Montgomery

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

Ironton City School District
Lawrence County
105 South Fifth Street
Ironton, Ohio 45638

To the Board of Education:

Compliance

We have audited the compliance of Ironton City School District, Lawrence County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2005. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures 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 School District's compliance with those requirements.

In our opinion, the Ironton City School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2005. In a separate letter to the School District's management dated May 31, 2006, we reported other matters related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

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

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

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



Betty Montgomery
Auditor of State

May 31, 2006

**IRONTON CITY SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster – CFDA # 10.550, 10.553, 10.555 Special Education_Grants to States - CFDA # 84.027
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**IRONTON CITY SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005
(Continued)**

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

FINDING NUMBER 2005-001

Non Compliance Citation

Ohio Rev. Code Section 135.18 states the treasurer of a political subdivision must require the depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities.

The School District had \$233,917 uncollateralized at June 30, 2005.

We recommend the School District increase the amount of collateral maintained by the bank so a sufficient amount is maintained to cover all the monies held at the bank at any given time through out the year. We also recommend the School District Treasurer begin closely monitoring the pledged collateral statements received from the bank to ensure collateral remains sufficient at all times.

Officials' Response

School District Treasurer will contact bank to increase the level of collateral over the School District's funds.

FINDING NUMBER 2005-002

Non Compliance Citation

Ohio Rev. Code Section 5705.41(B) states that no subdivision is to expend money unless it has been appropriated.

Expenditures exceeded appropriations at December 31, 2004 as follow:

Fund	Appropriations	Expenditures	Variance
District Managed Activity Fund (300)	\$137,032	\$163,348	\$26,316
Emergency School Repair Fund (583)	\$290,641	\$522,843	\$232,202
Employee Benefits Fund (024)	\$149,000	\$308,637	\$159,637

We recommend the School District Treasurer not approve expenditures unless a proper amendment to appropriations has been approved by the Board of Education.

Officials' Response

School District Treasurer will begin a closer monitoring of expenditures against appropriations during review of monthly reports.

**IRONTON CITY SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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IRONTON CITY SCHOOL DISTRICT

LAWRENCE 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
JUNE 20, 2006**