



**Auditor of State
Betty Montgomery**

**IRONTON CITY SCHOOL DISTRICT
LAWRENCE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) – General Fund.....	17
Statement of Fiduciary Net Assets.....	18
Statement of Changes in Fiduciary Net Assets	19
Notes to the Basic Financial Statements	21
Schedule of Federal Awards Receipts and Expenditures.....	45
Notes to the Schedule of Federal Awards Receipts and Expenditures.....	47
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	49
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	51
Schedule of Findings - <i>OMB Circular A-133 § .505</i>	53
Schedule of Prior Audit Findings - <i>OMB Circular A-133 § .315 (b)</i>	55

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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, each major fund and the aggregate remaining fund information of the Ironton City School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2004, 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ironton City School District, Lawrence County, Ohio, as of June 30, 2004, 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 5, 2005 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 controls 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 measurement and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the 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 also 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.

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 5, 2005

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

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, 2004. 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 2004 are as follows:

- Net assets of governmental activities increased \$152,484.
- General revenues accounted for \$9,095,080 or 68% of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$4,261,586 or 32% of total revenues of \$13,356,666.
- Cash increased \$739,636 and intergovernmental receivables decreased \$467,552.
- The School District had \$13,204,182 in expenses related to governmental activities; \$4,261,586 of these expenses was offset by program specific charges for services, grants, contributions, and interest. General revenues of \$9,095,080 plus carry-over balances were adequate to provide for these programs.
- The School District has one major fund, the General Fund. The General Fund had \$10,386,925 in revenues and \$9,711,035 in expenditures. The General Fund's balance increased \$551,426.

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 fund with all other non-major funds presented in total in one column.

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

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 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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, the School District's activities are all considered to be Governmental Activities. All of the School District's programs and services are reported here 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 fund. 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, 2004

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 2004 compared to 2003.

Table 1
Net Assets

	Governmental Activities	
	2004	2003
Assets		
Current and Other Assets	\$5,999,760	\$5,742,843
Capital Assets	1,536,216	1,406,785
Total Assets	7,535,976	7,149,628
Liabilities		
Long-term Liabilities	1,188,616	1,083,917
Other Liabilities	3,700,415	3,571,250
Total Liabilities	4,889,031	4,655,167
Net Assets		
Invested in Capital Assets, Net of Debt	1,337,283	1,208,607
Restricted	1,459,956	1,669,070
Unrestricted (Deficit)	(150,294)	(383,216)
Total Net Assets	\$2,646,945	\$2,494,461

Total assets increased \$386,348 due to an increase in cash offset by a decrease in intergovernmental receivables. Total liabilities increased \$233,864, due to increases in intergovernmental payables and compensated absences, as well as the issuance of new debt.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2004, and comparisons to fiscal year 2003.

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

Table 2
Changes in Net Assets

	Governmental Activities	
	2004	2003
Revenues		
Program Revenues		
Charges for Services	\$1,114,196	\$582,625
Operating Grants, Contributions and Interest	2,759,826	3,346,367
Capital Grants and Contributions	387,564	226,811
Total Program Revenues	<u>4,261,586</u>	<u>4,155,803</u>
General Revenues		
Property Taxes	2,278,735	2,266,398
Grants and Entitlements	6,718,846	6,664,778
Gifts and Donations	300	0
Investment Earnings	57,733	49,624
Miscellaneous	39,466	47,889
Total General Revenues	<u>9,095,080</u>	<u>9,028,689</u>
Total Revenues	<u>13,356,666</u>	<u>13,184,492</u>
Program Expenses		
Instruction:		
Regular	5,581,850	4,646,774
Special	1,691,690	1,511,782
Vocational	195,564	141,833
Adult/Continuing	114,450	119,708
Support Services:		
Pupil	623,836	656,450
Instructional Staff	482,385	464,940
Board of Education	91,124	159,384
Administration	1,019,919	926,897
Fiscal	402,658	357,070
Operation and Maintenance of Plant	1,492,281	1,510,521
Pupil Transportation	451,512	455,386
Central	71,218	86,375
Operation of Non-Instructional Services:		
Community Services	93,380	54,340
Food Service Operations	549,130	559,915
Extracurricular Activities	330,013	429,887
Interest and Fiscal Charges	13,172	12,721
Total Expenses	<u>13,204,182</u>	<u>12,093,983</u>
Increase (Decrease) in Net Assets	<u>\$152,484</u>	<u>\$1,090,509</u>

Instruction expenses increased due to contractual salary increases. General revenues increased \$66,391.

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

Property taxes made up approximately 17% of revenues for governmental activities for the Ironton City School District in fiscal year 2004, indicating a heavy reliance on revenues other than property taxes.

Table 3
 Governmental Activities

	<u>Total Cost of Services</u> 2004	<u>Net Cost of Services</u> 2004	<u>Total Cost of Services</u> 2003	<u>Net Cost of Services</u> 2003
Program Expenses				
Instruction:				
Regular	\$5,581,850	\$3,943,298	\$4,646,774	\$3,525,683
Special	1,691,690	799,640	1,511,782	384,366
Vocational	195,564	195,524	141,833	141,833
Adult/Continuing	114,450	(71,629)	119,708	(80,467)
Support Services:				
Pupil	623,836	536,539	656,450	433,317
Instructional Staff	482,385	316,311	464,940	200,143
Board of Education	91,124	91,124	159,384	159,313
Administration	1,019,919	1,013,022	926,897	909,509
Fiscal	402,658	397,463	357,070	349,049
Operation and Maintenance of Plant	1,492,281	1,124,138	1,510,521	1,230,394
Pupil Transportation	451,512	341,132	455,386	364,048
Central	71,218	66,656	86,375	85,386
Operation of Non-Instructional Services:				
Community Services	93,380	12,535	54,340	(11,962)
Food Service Operations	549,130	44,929	559,915	67,689
Extracurricular Activities	330,013	118,742	429,887	167,158
Interest and Fiscal Charges	13,172	13,172	12,721	12,721
Total	<u><u>\$13,204,182</u></u>	<u><u>\$8,942,596</u></u>	<u><u>\$12,093,983</u></u>	<u><u>\$7,938,180</u></u>

The dependence upon tax revenues and State subsidies for governmental activities is apparent. 64% of instruction activities are supported through taxes and other general revenues.

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 \$13,694,922 and expenditures of \$13,204,896. The School District has been able to continue to spend less than it receives, while maintaining the same levels of service.

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

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 2004, the School District amended its General Fund budget, but not significantly. 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 \$10,344,641, above original estimates of \$9,509,363. Of this \$835,278 difference, most was due to open enrollment and Parity Aid. Original appropriations of \$9,285,626 were increased \$630,701 to \$9,916,327, mostly due to open enrollment.

The School District's ending unobligated General Fund balance was \$2,021,798.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the School District had \$1,536,216 invested in land, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2004 balances compared to 2003.

Table 4
Capital Assets
(Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
Land and Land Improvements	\$321,591	\$321,591
Buildings and Improvements	580,145	529,465
Furniture and Equipment	324,985	363,283
Vehicles	309,495	192,446
Totals	<u>\$1,536,216</u>	<u>\$1,406,785</u>

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, 2004

Debt

At June 30, 2004 and 2003, the School District had the following debt outstanding:

Table 5
Outstanding Debt, at Fiscal Year End

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
Capital Leases Payable	\$14,185	\$9,462
Promissory Note	65,100	0
Energy Conservation Bonds	119,648	188,716
Total	<u>\$198,933</u>	<u>\$198,178</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, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,400,655
Accounts Receivable	193
Property Taxes Receivable	2,336,786
Intergovernmental Receivable	206,895
Prepaid Items	43,427
Materials and Supplies Inventory	11,804
Nondepreciable Capital Assets	321,591
Depreciable Capital Assets, Net	<u>1,214,625</u>
<i>Total Assets</i>	<u><u>7,535,976</u></u>
Liabilities	
Accounts Payable	101,645
Accrued Wages and Benefits Payable	1,111,234
Accrued Interest Payable	2,389
Vacation Benefits Payable	88,596
Matured Compensated Absences Payable	82,908
Deferred Revenue	1,822,984
Intergovernmental Payable	490,659
Long-Term Liabilities:	
Due within One Year	75,109
Due in More than One Year	<u>1,113,507</u>
<i>Total Liabilities</i>	<u><u>4,889,031</u></u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	1,337,283
Restricted for:	
Other Purposes	530,410
Bus Purchases	79,363
Budget Stabilization	4,409
Textbooks	525,399
Capital Projects	320,375
Unrestricted (Deficit)	<u>(150,294)</u>
<i>Total Net Assets</i>	<u><u>\$2,646,945</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, 2004

	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	\$5,581,850	\$680,322	\$921,930	\$36,300	(\$3,943,298)
Special	1,691,690	0	892,050	0	(799,640)
Vocational	195,564	0	40	0	(195,524)
Adult/Continuing	114,450	0	186,079	0	71,629
Support Services:					
Pupil	623,836	0	87,297	0	(536,539)
Instructional Staff	482,385	0	166,074	0	(316,311)
Board of Education	91,124	0	0	0	(91,124)
Administration	1,019,919	0	6,897	0	(1,013,022)
Fiscal	402,658	0	5,195	0	(397,463)
Operation and Maintenance of Plant	1,492,281	76	82,536	285,531	(1,124,138)
Pupil Transportation	451,512	19,239	25,408	65,733	(341,132)
Central	71,218	0	4,562	0	(66,656)
Operation of Non-Instructional Services:					
Food Service Operations	549,130	203,288	300,913	0	(44,929)
Community Services	93,380	0	80,845	0	(12,535)
Extracurricular Activities	330,013	211,271	0	0	(118,742)
Interest and Fiscal Charges	13,172	0	0	0	(13,172)
Totals	<u>\$13,204,182</u>	<u>\$1,114,196</u>	<u>\$2,759,826</u>	<u>\$387,564</u>	<u>(8,942,596)</u>
General Revenues					
Property Taxes Levied for					
General Purposes					2,278,735
Gifts and Donations					300
Grants and Entitlements not Restricted to Specific Programs					6,718,846
Investment Earnings					57,733
Miscellaneous					39,466
Total General Revenues					<u>9,095,080</u>
Change in Net Assets					152,484
Net Assets Beginning of Year					<u>2,494,461</u>
Net Assets End of Year					<u><u>\$2,646,945</u></u>

See accompanying notes to the basic financial statements

Ironton City School District, Ohio

Balance Sheet

Governmental Funds

June 30, 2004

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,745,719	\$1,045,765	\$2,791,484
Receivables:			
Property Taxes	2,336,786	0	2,336,786
Accounts	193	0	193
Interfund	16,367	0	16,367
Intergovernmental	123,882	281,353	405,235
Prepaid Items	43,427	0	43,427
Materials and Supplies Inventory	4,305	7,499	11,804
Restricted Assets:			
Cash and Cash Equivalents	609,171	0	609,171
<i>Total Assets</i>	<u>\$4,879,850</u>	<u>\$1,334,617</u>	<u>\$6,214,467</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$96,260	\$5,385	\$101,645
Accrued Wages and Benefits Payable	851,311	259,923	1,111,234
Matured Compensated Absences Payable	75,206	7,702	82,908
Interfund Payable	0	16,367	16,367
Intergovernmental Payable	175,254	81,889	257,143
Deferred Revenue	2,325,672	241,004	2,566,676
<i>Total Liabilities</i>	<u>3,523,703</u>	<u>612,270</u>	<u>4,135,973</u>
Fund Balances			
Reserved for Encumbrances	236,141	67,005	303,146
Reserved for Property Taxes	33,464	0	33,464
Reserved for Textbooks	525,399	0	525,399
Reserved for Bus Purchases	79,363	0	79,363
Reserved for Budget Stabilization	4,409	0	4,409
Designated	278,409	35,318	313,727
Unreserved, Undesignated, Reported in:			
General Fund	198,962	0	198,962
Special Revenue Funds	0	505,039	505,039
Capital Projects Funds	0	114,985	114,985
<i>Total Fund Balances</i>	<u>1,356,147</u>	<u>722,347</u>	<u>2,078,494</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,879,850</u>	<u>\$1,334,617</u>	<u>\$6,214,467</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, 2004*

Total Governmental Fund Balances		\$2,078,494
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,536,216
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	281,998	
Grants	263,354	545,352
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.		(88,596)
Interest Payable is accrued for outstanding long-term liabilities, while interest is not reported until due on the balance sheet.		(2,389)
Intergovernmental Payable includes contractually required pension contributions which are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(233,516)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Capital Leases Payable	(14,185)	
Promissory Note Payable	(65,100)	
Energy Conservation Bonds Payable	(119,648)	
Sick Leave Benefit Payable	(989,683)	(1,188,616)
Net Assets of Governmental Activities		\$2,646,945

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, 2004

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$2,337,202	\$0	\$2,337,202
Intergovernmental	7,310,496	2,835,529	10,146,025
Investment Earnings	57,653	80	57,733
Rent	15,933	0	15,933
Charges for Services	0	203,288	203,288
Tuition and Fees	611,856	9,618	621,474
Gifts and Donations	300	0	300
Extracurricular Activities	0	254,262	254,262
Miscellaneous	53,485	5,220	58,705
<i>Total Revenues</i>	<u>10,386,925</u>	<u>3,307,997</u>	<u>13,694,922</u>
Expenditures			
Current:			
Instruction:			
Regular	4,176,013	1,287,215	5,463,228
Special	1,027,773	649,804	1,677,577
Vocational	193,171	62	193,233
Adult/Continuing	0	114,450	114,450
Support Services:			
Pupil	515,761	91,620	607,381
Instructional Staff	185,289	261,152	446,441
Board of Education	90,852	0	90,852
Administration	999,797	7,849	1,007,646
Fiscal	381,929	5,133	387,062
Operation and Maintenance of Plant	1,352,239	114,405	1,466,644
Pupil Transportation	557,072	5,948	563,020
Central	68,154	5,132	73,286
Operation of Non-Instructional Services:			
Food Service Operations	3,385	518,999	522,384
Community Service	49	91,961	92,010
Extracurricular Activities	154,914	253,917	408,831
Debt Service:			
Principal	3,534	70,967	74,501
Interest and Fiscal Charges	1,103	15,247	16,350
<i>Total Expenditures</i>	<u>9,711,035</u>	<u>3,493,861</u>	<u>13,204,896</u>
<i>Excess of Revenues Over/(Under) Expenditures</i>	<u>675,890</u>	<u>(185,864)</u>	<u>490,026</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Notes	0	65,100	65,100
Transfers In	0	124,464	124,464
Transfers Out	(124,464)	0	(124,464)
Inception of Capital Lease	0	10,156	10,156
<i>Total Other Financing Sources (Uses)</i>	<u>(124,464)</u>	<u>199,720</u>	<u>75,256</u>
<i>Net Change in Fund Balance</i>	551,426	13,856	565,282
<i>Fund Balances Beginning of Year</i>	<u>804,722</u>	<u>708,490</u>	<u>1,513,212</u>
<i>Fund Balances End of Year</i>	<u>\$1,356,148</u>	<u>\$722,346</u>	<u>\$2,078,494</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, 2004*

Net Change in Fund Balances - Total Governmental Funds \$565,282

*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	253,031	
Depreciation Expense	<u>(123,600)</u>	129,431

Note proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net assets. In the current period, proceeds were received from:

Promissory notes issued		(65,100)
-------------------------	--	----------

Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the statement of activities, but rather constitute long-term liabilities in the statement of net assets.

(10,156)

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

Grants	(279,789)	
Delinquent Taxes	<u>(58,467)</u>	(338,256)

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

74,501

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

3,178

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 Payables	(90,683)	
Vacation Benefits Payable	(11,769)	
Sick Leave Benefits Payable	<u>(103,944)</u>	<u>(206,396)</u>

Change in Net Assets of Governmental Activities \$152,484

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, 2004*

	Budgeted Amounts		
	Original	Final	Actual
Revenues			
Taxes	\$2,255,714	\$2,385,065	\$2,385,065
Intergovernmental	7,088,628	7,218,556	7,218,556
Investment Earnings	47,720	57,664	57,664
Rent	19,111	15,933	15,933
Tuition and Fees	24,964	612,901	612,901
Gifts and Donations	2,550	300	300
Miscellaneous	70,676	54,222	54,222
<i>Total Revenues</i>	<u>9,509,363</u>	<u>10,344,641</u>	<u>10,344,641</u>
Expenditures			
Current:			
Instruction:			
Regular	3,888,932	3,828,784	3,828,784
Special	940,587	1,017,035	1,017,035
Vocational	146,538	194,355	194,355
Other	45,995	502,787	502,787
Support Services:			
Pupil	558,581	506,813	506,813
Instructional Staff	200,765	190,569	190,569
Board of Education	167,456	106,477	106,477
Administration	920,116	973,870	973,870
Fiscal	351,009	388,256	388,256
Operation and Maintenance of Plant	1,346,050	1,413,482	1,413,482
Pupil Transportation	500,823	572,494	572,494
Central	75,648	68,334	68,334
Food Service Operations	0	5	5
Extracurricular Activities	143,126	153,066	153,066
<i>Total Expenditures</i>	<u>9,285,626</u>	<u>9,916,327</u>	<u>9,916,327</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>223,737</u>	<u>428,314</u>	<u>428,314</u>
Other Financing Sources (Uses)			
Transfers Out	(122,223)	(124,464)	(124,464)
Advances Out	(34,154)	(10,601)	(10,601)
Advances In	0	28,718	28,718
<i>Total Other Financing Sources (Uses)</i>	<u>(156,377)</u>	<u>(106,347)</u>	<u>(106,347)</u>
<i>Net Change in Fund Balance</i>	67,360	321,967	321,967
<i>Fund Balance Beginning of Year</i>	1,623,620	1,623,620	1,623,620
Prior Year Encumbrances Appropriated	76,211	76,211	76,211
<i>Fund Balance End of Year</i>	<u>\$1,767,191</u>	<u>\$2,021,798</u>	<u>\$2,021,798</u>

See accompanying notes to the basic financial statements

Ironton City School District, Ohio

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2004

	Private-Purpose	
	Trust	Agency
	<u> </u>	<u> </u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$95,982	\$45,442
		<u> </u>
Liabilities		
Due to Students	0	\$45,442
	<u> </u>	<u> </u>
Net Assets		
Reserved for Scholarships	77,563	
Held in Trust for Students	18,419	
	<u> </u>	
Total Net Assets	\$95,982	
	<u> </u>	

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, 2004

Additions	
Gifts and Contributions	\$1,400
Interest	1,937
	<hr/>
Total Additions	3,337
 Deductions	
Scholarships	3,169
	<hr/>
Change in Net Assets	168
Net Assets Beginning of Year	95,814
	<hr/>
Net Assets End of Year	\$95,982
	<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, 2004

Note 1 - Description of the School District and Reporting Entity

Ironton City School District (the 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 78 classified employees, 112 certified teaching personnel, and nine administrators, who provide services to 1,625 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, the Pilasco-Ross Special Education Regional Resource Center, the Ohio School Plan, the Lawrence County Schools Insurance 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, 2004

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 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.

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.

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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.

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

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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, 2004, but which were levied to finance fiscal year 2005 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 2004, investments were limited to nonnegotiable certificates of deposit, which are reported at cost.

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 2004 amounted to \$57,653, which includes \$19,584 assigned from other School District funds.

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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, 2004, 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 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 expensed/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. 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, 2004

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 imposed by creditors, contributors, grantors, or laws of other government or imposed by 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, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds, 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.

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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 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. 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.

N. Designated Fund Balance

The School District has a designation of fund balance on the balance sheet of \$278,409 in the general fund and \$35,318 in special revenue funds for money set aside by the Board of Education for the potential payment of future health insurance premiums.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. 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 School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

P. 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, 2004

Q. 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.

R. 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 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 fiscal year 2004, the School District has implemented GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units". This Statement further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity". The implementation of this new statement had no effect on the School District's financial statements for fiscal year 2004.

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 4 – Accountability

The following funds had deficit fund balances at June 30, 2004:

	<u>Deficit Fund Balances</u>
Special Revenue Funds:	
Food Service	\$6,465
Adult Basic Literacy Education	\$18,916
Title I	\$7,693
Improving Teacher Quality	\$1,135

The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance 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).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Net Change in Fund Balance

GAAP Basis	\$551,426
Revenue Accruals	(42,295)
Beginning of Year:	
Prepaid Items	49,440
Unreported Interest	172
End of Year	
Unreported Interest	(161)
Prepaid Items	(43,427)
Advances In	28,718
Advances Out	(10,601)
Expenditure Accruals	121,626
Encumbrances	<u>(332,931)</u>
Budget Basis	<u><u>\$321,967</u></u>

Note 6 - Deposits and Investments

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 of Education 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.

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

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

1. United States Treasury Notes, Bill, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, 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

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

- government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and marked to market daily, and that the term of the agreement must not exceed thirty days;
 4. Bonds and other obligations of the State of Ohio;
 5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
 6. The State Treasurer's investment pool (STAROhio);
 7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
 8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits At fiscal year end, the carrying amount of the School District's deposits was \$3,542,079 and the bank balance was \$3,650,520. Of the bank balance:

1. \$107,500 was covered by federal depository insurance; and
2. \$3,543,020 was collateralized with securities held by the pledging financial institution's trust department in the School District's name.

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, 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.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 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 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. 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, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004, was \$33,464 in the General Fund. The amount available as an advance at June 30, 2003, was \$81,327 in the General Fund.

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$79,685,160	65%	\$80,396,080	64%
Public Utility Personal	18,393,810	15%	18,159,660	14%
Tangible Personal Property	24,613,030	20%	26,965,400	22%
Total	<u>\$122,692,000</u>	<u>100%</u>	<u>\$125,521,140</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$25.00		\$25.00	

Note 8 - Receivables

Receivables at June 30, 2004, consisted of property taxes, accounts, 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:	
Community Alternative Funding System	<u>\$123,882</u>
Special Revenue Funds:	
Public School Preschool	40,349
IDEA-B Grant	8,732
Title I Grant	32,511
Preschool Disabilities	821
Improving Teacher Quality	<u>600</u>
Total Special Revenue Funds	83,013
Capital Projects Fund:	
Emergency Repair Grant	<u>198,340</u>
Total Intergovernmental Receivables	<u><u>\$405,235</u></u>

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<u>Balance</u> <u>6/30/2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2004</u>
Capital Assets:				
Capital Assets not being Depreciated:				
Land and Land Improvements	\$321,591	\$0	\$0	\$321,591
Depreciable Capital Assets:				
Buildings and Improvements	2,779,150	85,150	0	2,864,300
Furniture and Equipment	1,155,262	10,156	0	1,165,418
Vehicles	522,912	157,725	(16,871)	663,766
Total Capital Assets being Depreciated	<u>4,457,324</u>	<u>253,031</u>	<u>(16,871)</u>	<u>4,693,484</u>
Less Accumulated Depreciation				
Buildings and Improvements	(2,249,686)	(34,469)	0	(2,284,155)
Furniture and Equipment	(791,979)	(48,454)	0	(840,433)
Vehicles	(330,465)	(40,677)	16,871	(354,271)
Total Accumulated Depreciation	<u>(3,372,130)</u>	<u>(123,600) *</u>	<u>16,871</u>	<u>(3,478,859)</u>
Total Capital Assets being Depreciated, Net	<u>1,085,194</u>	<u>129,431</u>	<u>0</u>	<u>1,214,625</u>
Capital Assets, Net	<u>\$1,406,785</u>	<u>\$129,431</u>	<u>\$0</u>	<u>\$1,536,216</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$52,585
Special	5,361
Vocational	487
Support Services:	
Pupil	1,787
Instructional Staff	1,624
Administration	8,382
Fiscal	487
Operation and Maintenance of Plant	3,411
Pupil Transportation	42,301
Central	325
Operation of Non-Instructional Services	
Food Service Operations	162
Community Services	2,600
Extracurricular Activities	4,088
Total Depreciation Expense	<u>\$123,600</u>

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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 2004, the School District contracted with Marsh USA for property and fleet insurance. The type and amount of coverage provided follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$50,313,688
Automobile Liability (\$500 deductible):	
Bodily Injury and Property Damage – combined single limit	\$2,000,000
Medical Payments – each person	\$5,000
Uninsured Motorists	\$1,000,000

During fiscal year 2004, the School District 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).

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	\$3,000,000

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 2004, 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

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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 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 \$1,093 for family coverage and \$443 for single coverage. The School District pays 85% of the premium.

Note 12 - Defined Benefit Pension Plans

A. 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 43215-3771, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% 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, 2004, 2003, and 2002, were \$551,387, \$810,759, and \$551,121, respectively; 78.06 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$3,967 made by the School District and \$4,048 made by the plan members.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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.

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 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 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 a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002, were \$164,293, \$165,818, and \$66,935, respectively; 42.60 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 13 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), 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 on a pay-as-you-go basis.

Retirees who participated in the DB or Combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$52,513 for fiscal year 2004.

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

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. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

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, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. 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 2004, the minimum pay was established at \$25,400. For the School District, the amount contributed to fund health care benefits during the 2004 fiscal year equaled \$214,252.

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 the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, 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.

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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 6/30/2003	Additions	Reductions	Principal Outstanding 6/30/2004	Amounts Due in One Year
Governmental Activities					
Capital Leases	\$9,462	\$10,156	\$5,433	\$14,185	\$9,073
Energy Conservation Bonds, 1998-5.90%	188,716	0	69,068	119,648	0
Promissory Note, 2004-3.67%	0	65,100	0	65,100	11,696
Sick Leave Benefits	885,739	218,131	114,187	989,683	54,340
Total Governmental Activities					
Long-Term Liabilities	<u>\$1,083,917</u>	<u>\$293,387</u>	<u>\$188,688</u>	<u>\$1,188,616</u>	<u>\$75,109</u>

On June 27, 1997, the School District issued school energy conservation improvement 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. The note will be paid from District Managed Activity Fund revenue. Sick leave benefits will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund and Food Service, Auxiliary, IDEA-B, and Title I Special Revenue Funds.

Principal and interest requirements to retire the energy conservation bonds outstanding at June 30, 2004, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2005	\$0	\$3,530	\$3,530
2006	37,620	5,950	43,570
2007	39,839	3,665	43,504
2008	42,189	1,245	43,434
	<u>\$119,648</u>	<u>\$14,390</u>	<u>\$134,038</u>

Principal and interest requirements to retire the promissory note outstanding at June 30, 2004, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2005	\$11,696	\$2,920	\$14,616
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>\$65,100</u>	<u>\$7,980</u>	<u>\$73,080</u>

The overall debt margin of the School District as of June 30, 2004, was \$11,076,628, with an unvoted debt margin of \$60,421.

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 15 - Capitalized Leases - Lessee Disclosure

In the current and 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, 2004, is \$19,277.

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, 2004.

Fiscal Year Ending June 30,	Amount
2005	\$10,452
2006	5,320
Total minimum lease payments	15,772
Less: amount representing interest	(1,587)
Present value of minimum lease payments	<u>\$14,185</u>

Note 16 – Interfund Balances and Transfers

Interfund receivables and payables at June 30, 2004, 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:	\$16,367	\$0
Special Revenue Funds:		
Adult Basic Literacy Education	0	15,367
Title I	0	1,000
Total Special Revenue Funds	0	16,367
Total All Funds	<u>\$16,367</u>	<u>\$16,367</u>

During fiscal year 2004, the General Fund made transfers to other non-major governmental funds, in the amount of \$124,464, to subsidize various programs in other funds. \$40,674 was transferred to the Lunch Room Special Revenue Fund to support food service operations. \$83,790 was transferred to the Building Fund to cover a debt service payment.

Note 17 - Jointly Governed Organizations

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

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

governing board of SCOCA consists of two representatives from each of the seven participating counties and one representative from the fiscal agent. All revenues are generated from an annual fee of \$2.00 per student to participating districts and State funding. Ironton City School District paid \$71,044 for services provided during fiscal year 2004. 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 2004. 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 is a special education center which 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 school district is limited to its representation on the Board. During fiscal year 2004, the School District paid \$37,711 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.

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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 \$18,419 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.

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, 2003	\$106,941	(\$29,254)	\$380,302
Current Year Set-aside Requirement	0	220,352	220,352
Qualifying Disbursements	(102,532)	(219,145)	(75,255)
Total	\$4,409	(\$28,047)	\$525,399
Set-aside Balance Carried Forward to Future Fiscal Years	\$4,409	(\$28,047)	\$525,399
Set-aside Reserve Balance as of June 30, 2004	\$4,409	\$0	\$525,399

The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for the capital improvements set-aside. This extra amount may be used to reduce the set-aside requirement of future fiscal years. The total reserve balance for budget stabilization and textbook set-asides at the end of the fiscal year was \$529,808.

Note 21 – State School Funding Decision

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

The Supreme Court relinquished jurisdiction over the case and directed “...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...”

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

The School District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

Note 22 - 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, 2004.

B. Litigation

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

Note 23 - Contractual Commitments

The School District entered into contracts in fiscal year 2004 with Shawn Walker and Associates, Architect, and General Heating and Air Conditioning, Inc. for a boiler replacement project for Whitwell Elementary School and Kingsbury Elementary School, totaling \$238,771. Outstanding purchase commitments at June 30, 2004 totaled \$222,554.

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**IRONTON CITY SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR JUNE 30, 2004**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass-Through Entity's Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster: Food Donation	N/A	10.550	\$	\$ 26,544	\$	\$ 26,544
School Breakfast Program	05PU-2003 05PU-2004	10.553	7,101 62,400		7,101 62,400	
Total School Breakfast Program			69,501	0	69,501	0
National School Lunch Program	LLP1-2003 LLP1-2004 LLP4-2003 LLP4-2004	10.555	970 7,919 29,730 174,498		970 7,919 29,730 174,498	
Total National School Lunch Program			213,117	0	213,117	0
Total Nutrition Cluster			282,618	26,544	282,618	26,544
Team Nutrition Grants	TWAD-2004	10.574	10,000			
Total United States Department of Agriculture			292,618	26,544	282,618	26,544
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Adult Education-State Grant Program	ABS1-2001 ABS1-2003 ABS1-2004	84.002			595 4,235 221,665	
Total Adult Education-State Grant Program			152,388	0	226,495	0
Title I Grants to Local Educational Agencies	C1S1-2003 C1S1-2004 C1SD-2004	84.010	86,767 554,369 23,659		78,745 498,436 21,497	
Total Title I Grants to Local Educational Agencies			664,795	0	598,678	0
Special Education Cluster: Special Education-Grants to States	6BSF-2000 6BSF-2002 6BSF-2003 6BSF-2004	84.027			765 2,519 15,849 164,893	
Total Special Education-Grants to States			189,318	0	184,026	0
Special Education-Preschool Grants	PGS1-2001 PGS1-2002 PGS1-2003-P PGS1-2004	84.173			11,084 110 10,361 34,891	
Total Special Education-Preschool Grants			44,074	0	56,446	0
Total Special Education Cluster			233,392	0	240,472	0
Safe and Drug-Free Schools and Communities- State Grants	DRS1-2001 DRS1-2003 DRS1-2004	84.186	(2,585) (3,792) 17,114			14,654
Total Safe and Drug-Free Schools and Communities- State Grants			10,737	0	14,654	0

**IRONTON CITY SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR JUNE 30, 2004
(Continued)**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass-Through Entity's Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF EDUCATION (Continued)						
<i>Passed Through Ohio Department of Education (Continued):</i>						
Goals 2000	G2S2-2000 G2S2-2001	84.276	(21,000) (11,800)		2,786	
Total Goals 2000			(32,800)	0	2,786	0
Eisenhower Professional Development State Grants	MSS1-2000 MSS1-2001 MSS1-2002	84.281	(10,119)		200 546 456	
Total Eisenhower Professional Development State Grants			(10,119)	0	1,202	0
State Grants for Innovative Programs	C2S1-2001 C2S1-2003 C2S1-2004	84.298	(1,483) (1,662) 3,722		1,922 691	
Total State Grants for Innovative Programs			577	0	2,613	0
Education Technology State Grants	TJS1-2003 TJS1-2004	84.318	(3,186) 12,223		7,465	
Total Education Technology State Grants			9,037	0	7,465	0
Special Education - State Program Improvement Grants for Children with Disabilities	STS1-2001	84.323	(18,582)			
School Renovation Grants	44-149-1, 2-04	84.352A	87,191			
Improving Teacher Quality State Grants	TRS1-2003 TRS1-2004	84.367	(24,040) 124,635		13,560 105,270	
Total Improving Teacher Quality State Grants			100,595	0	118,830	0
Total United States Department of Education			1,197,211	0	1,213,195	0
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program	N/A	93.778	48,999		48,999	
Total United States Department of Health and Human Services			48,999	0	48,999	0
Total Schedule of Federal Awards Receipts and Expenditures			<u>\$1,538,828</u>	<u>\$26,544</u>	<u>\$1,544,812</u>	<u>\$26,544</u>

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, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary 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 nonmonetary 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 the 2002 and 2004 and the 2003 and 2004 grant years as follows:

Program:	Amount:	From Grant Year:	To Grant Year:
CFDA 84.002	\$ 1,408	2003	2004
CFDA 84.010	\$ 8,311	2003	2004
CFDA 84.027	\$ 852	2002	2004
CFDA 84.173	\$ 15	2003	2004
CFDA 84.186	\$ 3,792	2003	2004
CFDA 84.298	\$ 1,662	2003	2004
CFDA 84.318	\$ 3,186	2003	2004
CFDA 84.367	\$24,040	2003	2004

NOTE D – REFUND OF GRANT MONEY

During fiscal year 2004, there were refunds of money to the Ohio Department of Education due to the expiration of the periods of availability. These refunds are not reflected as expenditures on the Schedule. The refunds are shown as negative receipts. Refunds were made as follows:

From:	Amount:	Passthrough Number:
CFDA 84.186	\$ 2,585	DRS1-2001
CFDA 84.276	\$21,000	G2S2-2000
CFDA 84.276	\$11,800	G2S2-2001
CFDA 84.281	\$10,119	MSS1-2001
CFDA 84.298	\$ 1,483	C2S1-2001
CFDA 84.323	\$18,582	STS1-2001

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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, each major fund, and the aggregate remaining fund information of the Ironton City School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements and have issued our report thereon dated May 5, 2005. 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 to express our opinions on the 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 5, 2005, 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 financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*. In a separate letter to the School District's management dated May 5, 2005, 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 the audit committee, 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 5, 2005



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 the 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 its major federal program for the year ended June 30, 2004. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to its 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 as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2004.

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.

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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 the audit committee, the Board of Education, management and 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 5, 2005

**IRONTON CITY SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004**

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)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title I Grants to Local Educational Agencies – CFDA #84.010
(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, 2004
(Continued)**

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

**IRONTON CITY SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	The Board should adopt a policy to address fund raising/extracurricular activity issues.	Yes.	Board policy was adopted and has been placed in the policy manual.



**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

MAY 31, 2005