



Dave Yost • Auditor of State

**IRONTON CITY SCHOOL DISTRICT
LAWRENCE COUNTY**

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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, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ironton City School District, Lawrence County, Ohio, as of June 30, 2010, 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 March 15, 2011, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Dave Yost
Auditor of State

March 15, 2011

Ironton City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

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

Financial Highlights

Key financial highlights for the fiscal year 2010 are as follows:

- Net assets of governmental activities decreased \$297,497.
- General revenues accounted for \$12,261,889 or 72 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$4,830,730 or 28 percent of total revenues of \$17,092,619.
- The School District had \$17,390,116 in expenses related to governmental activities; \$4,830,730 of these expenses was offset by program specific charges for services, grants, contributions, and interest. General revenues of \$12,261,889 were not adequate to provide for the rest of these programs.
- The School District has three major funds: the General Fund, the Bond Retirement Fund, and the School Facilities Fund. The General Fund had \$12,108,902 in revenues and \$12,673,651 in expenditures. The General Fund's balance decreased \$585,406. The Bond Retirement Fund had \$1,087,764 in revenues and \$1,059,777 in expenditures. The Bond Retirement Fund's balance increased \$192,895. The School Facilities Fund had \$2,225,657 in revenues and \$10,165,536 expenditures. Its fund balance decreased \$4,939,879.

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 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 at the School District's most significant funds 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, 2010
Unaudited

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 2010?" 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, all of the School District's activities are reported as Governmental Activities, including instruction, support services, operation of non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Fiduciary Funds The School District's fiduciary funds are a private purpose trust fund and an agency fund. All of the School District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its

Ironton City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds use the accrual basis of accounting.

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 2010 compared to 2009.

Table 1
Net Assets

	Governmental Activities		
	2010	2009	Change
Assets			
Current and Other Assets	\$15,322,009	\$26,086,438	(\$10,764,429)
Capital Assets	49,516,242	40,460,186	9,056,056
Total Assets	<u>64,838,251</u>	<u>66,546,624</u>	<u>(1,708,373)</u>
Liabilities			
Long-term Liabilities	18,873,023	16,098,726	2,774,297
Other Liabilities	<u>6,137,471</u>	<u>10,322,644</u>	<u>(4,185,173)</u>
Total Liabilities	<u>25,010,494</u>	<u>26,421,370</u>	<u>(1,410,876)</u>
Net Assets			
Invested in Capital Assets, Net of Debt	32,102,592	32,898,349	(795,757)
Restricted	7,923,750	7,327,551	596,199
Unrestricted (Deficit)	<u>(198,585)</u>	<u>(100,646)</u>	<u>(97,939)</u>
Total Net Assets	<u><u>\$39,827,757</u></u>	<u><u>\$40,125,254</u></u>	<u><u>(\$297,497)</u></u>

Total assets decreased \$1,708,373, primarily due to decreases in cash and investments and increases in depreciation, as the School District completed its construction programs related to the Ohio School Facilities Program. The School District has reduced its cash balances and intergovernmental receivables as the construction project has progressed. Total liabilities decreased \$1,410,876, primarily due to a decrease in contracts payable related to the construction projects.

Ironton City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2010, and comparisons to fiscal year 2009.

Table 2
Changes in Net Assets

	Governmental Activities		
	2010	2009	Change
Revenues			
Program Revenues			
Charges for Services	\$1,546,177	\$1,282,946	\$263,231
Operating Grants, Contributions and Interest	3,284,553	2,827,925	456,628
Capital Grants	0	23,724	(23,724)
Total Program Revenues	4,830,730	4,134,595	696,135
General Revenues			
Property Taxes	3,214,250	3,562,658	(348,408)
Grants and Entitlements	8,756,900	10,287,309	(1,530,409)
Gain on Sale of Fixed Assets	131,350	0	131,350
Investment Earnings	55,809	419,047	(363,238)
Miscellaneous	103,580	85,540	18,040
Total General Revenues	12,261,889	14,354,554	(2,092,665)
Total Revenues	17,092,619	18,489,149	(1,396,530)
Program Expenses			
Instruction:			
Regular	7,082,664	6,259,133	823,531
Special	1,903,460	1,941,630	(38,170)
Vocational	169,560	170,489	(929)
Intervention	31,444	33,321	(1,877)
Support Services:			
Pupils	635,365	787,844	(152,479)
Instructional Staff	450,715	470,581	(19,866)
Board of Education	213,156	195,941	17,215
Administration	1,009,552	1,217,306	(207,754)
Fiscal	545,306	511,681	33,625
Operation and Maintenance of Plant	2,340,137	1,528,551	811,586
Pupil Transportation	584,996	544,822	40,174
Central	115,915	111,125	4,790
Operation of Non-Instructional Services:			
Food Service Operations	701,133	735,268	(34,135)
Community Services	171,746	141,667	30,079
Extracurricular Activities	651,915	592,717	59,198
Interest and Fiscal Charges	783,052	828,674	(45,622)
Total Expenses	17,390,116	16,070,750	1,319,366
Increase (Decrease) in Net Assets	(297,497)	2,418,399	(2,715,896)
Net Assets Beginning of Year	40,125,254	37,706,855	2,418,399
Net Assets End of Year	\$39,827,757	\$40,125,254	(\$297,497)

Ironton City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Grants and Entitlements decreased due to nearing the end of the Ohio School Facilities Project. Also, Regular Instruction increased due to the posting of negative adjustments related to tuition received through state foundation monies.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3
 Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2010	2010	2009	2009
Program Expenses				
Instruction:				
Regular	\$7,082,664	\$5,600,625	\$6,259,133	\$5,041,075
Special	1,903,460	1,089,961	1,941,630	551,130
Vocational	169,560	116,552	170,489	114,136
Other	31,444	31,444	33,321	33,321
Support Services:				
Pupils	635,365	467,506	787,844	659,144
Instructional Staff	450,715	182,612	470,581	272,788
Board of Education	213,156	206,297	195,941	195,941
Administration	1,009,552	1,007,151	1,217,306	1,212,252
Fiscal	545,306	452,273	511,681	463,451
Operation and Maintenance of Plant	2,340,137	2,007,602	1,528,551	1,523,338
Pupil Transportation	584,996	216,207	544,822	463,684
Central	115,915	110,915	111,125	98,051
Operation of Non-Instructional Services:				
Food Service Operations	701,133	13,389	735,268	178,682
Community Services	171,746	(28,522)	141,667	(44,387)
Extracurricular Activities	651,915	302,322	592,717	344,875
Interest and Fiscal Charges	783,052	783,052	828,674	828,674
Total	\$17,390,116	\$12,559,386	\$16,070,750	\$11,936,155

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 72 percent of all School District activities are supported through taxes and other general revenues.

The School District Funds

The School District has three major funds: the General Fund, Bond Retirement Fund, and the School Facilities Fund. The General Fund's balance decreased \$585,406. This is the third year in recent history that the School District had expenditures greater than revenues in the General Fund. This is partially attributable to negotiated salary increases of five percent. The Bond Retirement Fund's balance increased \$192,895 due to proceeds received from the sale of capital assets and as proceeds from the School District's tax levy are more than current obligations. The fund balance in the School Facilities Fund decreased \$4,939,879 due to the completion of the construction project.

Ironton City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

General Fund Budgeting Highlights

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

During the course of fiscal year 2010, the School District amended its General Fund budget. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, final budget basis estimated revenue was \$12,246,072, above original estimates of \$11,284,696. Of this \$961,376 difference, most was due to conservative estimates for all revenue types. Also, final budget basis estimated expenditures were \$12,741,662, above original estimates of \$12,077,694. This was due to conservative spending in light of revenue shortfalls.

The School District's ending unobligated General Fund balance was \$2,175,456.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the School District had \$49,516,242 invested in land, buildings, improvements, furniture and equipment, vehicles, and construction in progress. Table 4 shows fiscal year 2010 balances compared to 2009.

Table 4
 Capital Assets
 (Net of Depreciation)

	Governmental Activities	
	2010	2009
Land	\$321,591	\$321,591
Construction in Progress	97,944	38,743,124
Land Improvements	204,463	212,250
Buildings and Improvements	46,067,405	989,896
Furniture and Equipment	2,739,608	57,821
Vehicles	85,231	135,504
Totals	\$49,516,242	\$40,460,186

See Note 8 for more information on Capital Assets.

Ironton City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Debt

At June 30, 2010, the School District had the following debt outstanding:

Table 5
Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2010	2009
General Obligation Bonds	\$17,839,200	\$15,035,928
Bond Anticipation Note	0	3,000,000
Total	<u>\$17,839,200</u>	<u>\$18,035,928</u>

See Notes 13 and 14 for more information on debt.

Economic Factors

The School District depends on the State School Foundation Program. The School District must monitor its current spending levels, as unanticipated costs related to its school facilities project may arise. The 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, 2010

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$6,065,440
Cash and Cash Equivalents with Fiscal Agents	397,469
Cash and Cash Equivalents with Escrow Agents	782,401
Investments	1,858,351
Intergovernmental Receivable	2,677,864
Materials and Supplies Inventory	2,123
Property Taxes Receivable	3,389,764
Deferred Charges	148,597
Nondepreciable Capital Assets	419,535
Depreciable Capital Assets, Net	<u>49,096,707</u>
<i>Total Assets</i>	<u>64,838,251</u>
Liabilities	
Accounts Payable	51,680
Accrued Wages and Benefits Payable	1,082,211
Contracts Payable	980,539
Retainage Payable	782,401
Matured Compensated Absences Payable	21,299
Accrued Interest Payable	68,365
Vacation Benefits Payable	96,955
Deferred Revenue	2,617,357
Intergovernmental Payable	436,664
Long-Term Liabilities:	
Due within One Year	321,046
Due in More than One Year	<u>18,551,977</u>
<i>Total Liabilities</i>	<u>25,010,494</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	32,102,592
Restricted for:	
Capital Projects	4,978,295
Debt Service	403,856
Bus Purchases	35,379
Budget Stabilization	4,409
Textbooks	738,357
Other Purposes	1,763,454
Unrestricted (Deficit)	<u>(198,585)</u>
<i>Total Net Assets</i>	<u><u>\$39,827,757</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, 2010

	Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Revenue and Changes in Net Assets
Governmental Activities				Governmental Activities
Instruction:				
Regular	\$7,082,664	\$1,058,157	\$423,882	(\$5,600,625)
Special	1,903,460	0	813,499	(1,089,961)
Vocational	169,560	0	53,008	(116,552)
Intervention	31,444	0	0	(31,444)
Support Services:				
Pupils	635,365	0	167,859	(467,506)
Instructional Staff	450,715	0	268,103	(182,612)
Board of Education	213,156	0	6,859	(206,297)
Administration	1,009,552	0	2,401	(1,007,151)
Fiscal	545,306	0	93,033	(452,273)
Operation and Maintenance of Plant	2,340,137	0	332,535	(2,007,602)
Pupil Transportation	584,996	0	368,789	(216,207)
Central	115,915	0	5,000	(110,915)
Operation of Non-Instructional Services:				
Food Service Operations	701,133	138,502	549,242	(13,389)
Community Services	171,746	0	200,268	28,522
Extracurricular Activities	651,915	349,518	75	(302,322)
Interest and Fiscal Charges	783,052	0	0	(783,052)
Totals	<u>\$17,390,116</u>	<u>\$1,546,177</u>	<u>\$3,284,553</u>	<u>(12,559,386)</u>

General Revenues

Property Taxes Levied for:	
General Purposes	2,255,084
Debt Service	908,430
Classroom Facilities Maintenance	50,736
Grants and Entitlements not Restricted to Specific Programs	8,756,900
Gain on Sale of Capital Assets	131,350
Investment Earnings	55,809
Miscellaneous	103,580
Total General Revenues	<u>12,261,889</u>
Change in Net Assets	<u>(297,497)</u>
Net Assets Beginning of Year	<u>40,125,254</u>
Net Assets End of Year	<u>\$39,827,757</u>

See accompanying notes to the basic financial statements

Ironton City School District, Ohio

Balance Sheet

Governmental Funds

June 30, 2010

	General	Bond Retirement	School Facilities	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$1,554,925	\$646,378	\$2,083,573	\$1,002,419	\$5,287,295
Investments	0	0	1,858,351	0	1,858,351
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	778,145	0	0	0	778,145
Cash and Cash Equivalents With Fiscal Agents	0	0	397,469	0	397,469
Cash and Cash Equivalents With Escrow Agents	0	0	782,401	0	782,401
Receivables:					
Property Taxes	2,378,230	958,191	0	53,343	3,389,764
Intergovernmental	0	0	1,475,902	1,201,962	2,677,864
Interfund	60,045	0	0	0	60,045
Materials and Supplies Inventory	0	0	0	2,123	2,123
<i>Total Assets</i>	<u>\$4,771,345</u>	<u>\$1,604,569</u>	<u>\$6,597,696</u>	<u>\$2,259,847</u>	<u>\$15,233,457</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$18,522	\$0	\$0	\$33,158	\$51,680
Accrued Wages and Benefits Payable	913,630	0	0	168,581	1,082,211
Contracts Payable	0	0	980,539	0	980,539
Retainage Payable	0	0	782,401	0	782,401
Interfund Payable	0	0	0	60,045	60,045
Matured Compensated Absences Payable	21,299	0	0	0	21,299
Deferred Revenue	2,111,478	849,177	1,429,818	1,239,554	5,630,027
Intergovernmental Payable	345,197	0	0	91,467	436,664
<i>Total Liabilities</i>	<u>3,410,126</u>	<u>849,177</u>	<u>3,192,758</u>	<u>1,592,805</u>	<u>9,044,866</u>
Fund Balances					
Reserved for Encumbrances	140,123	0	381,140	353,140	874,403
Reserved for Property Taxes	266,752	109,014	0	5,983	381,749
Reserved for Textbooks	738,357	0	0	0	738,357
Reserved for Bus Purchases	35,379	0	0	0	35,379
Reserved for Budget Stabilization	4,409	0	0	0	4,409
Unreserved, Undesignated, Reported in:					
General Fund	176,199	0	0	0	176,199
Special Revenue Funds	0	0	0	279,782	279,782
Debt Service Fund	0	646,378	0	0	646,378
Capital Projects Funds	0	0	3,023,798	28,137	3,051,935
<i>Total Fund Balances</i>	<u>1,361,219</u>	<u>755,392</u>	<u>3,404,938</u>	<u>667,042</u>	<u>6,188,591</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,771,345</u>	<u>\$1,604,569</u>	<u>\$6,597,696</u>	<u>\$2,259,847</u>	<u>\$15,233,457</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, 2010*

Total Governmental Fund Balances		\$6,188,591
 <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.		49,516,242
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	390,658	
Grants	2,622,012	3,012,670
Unamortized issuance costs represent deferred charges which do not provide current financial resources and therefore are not reported in the funds.		148,597
Interest Payable is accrued for outstanding long-term liabilities while interest is not reported until due on the balance sheet.		(68,365)
Vacation Benefits Payable is recognized for earned vacation benefits that are to be used within one year but is not recognized on the balance sheet until due.		(96,955)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
School Improvement Bonds Payable	(17,839,200)	
Sick Leave Benefits Payable	(1,033,823)	(18,873,023)
Net Assets of Governmental Activities		\$39,827,757

See accompanying notes to the basic financial statements

Ironton City School District, Ohio
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Bond Retirement	School Facilities	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$2,252,845	\$907,898	\$0	\$50,667	\$3,211,410
Intergovernmental	8,703,291	175,482	2,170,409	2,517,643	13,566,825
Investment Earnings	33,681	4,384	17,744	75	55,884
Tuition and Fees	1,035,724	0	0	1,010	1,036,734
Rent	21,423	0	0	0	21,423
Charges for Services	0	0	0	138,502	138,502
Extracurricular	0	0	0	349,518	349,518
Miscellaneous	61,938	0	37,504	4,138	103,580
<i>Total Revenues</i>	<u>12,108,902</u>	<u>1,087,764</u>	<u>2,225,657</u>	<u>3,061,553</u>	<u>18,483,876</u>
Expenditures					
Current:					
Instruction:					
Regular	6,119,331	0	0	252,862	6,372,193
Special	1,372,936	0	0	531,886	1,904,822
Vocational	167,813	0	0	0	167,813
Intervention	31,444	0	0	0	31,444
Support Services:					
Pupils	446,140	0	0	204,845	650,985
Instructional Staff	276,604	0	0	184,518	461,122
Board of Education	182,477	0	0	30,679	213,156
Administration	988,855	0	0	2,326	991,181
Fiscal	473,808	32,200	0	37,920	543,928
Operation and Maintenance of Plant	1,667,291	0	0	372,927	2,040,218
Pupil Transportation	506,799	0	0	29,037	535,836
Central	106,981	0	0	8,857	115,838
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	699,889	699,889
Community Services	0	0	0	170,785	170,785
Extracurricular Activities	333,172	0	0	311,814	644,986
Capital Outlay	0	0	10,165,536	0	10,165,536
Debt Service:					
Principal Retirement	0	220,000	0	0	220,000
Interest and Fiscal Charges	0	773,919	0	0	773,919
Bond Issuance Costs	0	33,658	0	0	33,658
<i>Total Expenditures</i>	<u>12,673,651</u>	<u>1,059,777</u>	<u>10,165,536</u>	<u>2,838,345</u>	<u>26,737,309</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(564,749)</u>	<u>27,987</u>	<u>(7,939,879)</u>	<u>223,208</u>	<u>(8,253,433)</u>
Other Financing Sources (Uses)					
Transfers In	0	0	0	20,757	20,757
General Obligation Bonds Issued	0	0	3,000,000	0	3,000,000
Proceeds from the Sale of Capital Assets	100	131,250	0	0	131,350
Premium on Bonds Issued	0	63,658	0	0	63,658
Discount on Bonds Issued	0	(30,000)	0	0	(30,000)
Transfers Out	(20,757)	0	0	0	(20,757)
<i>Total Other Financing Sources (Uses)</i>	<u>(20,657)</u>	<u>164,908</u>	<u>3,000,000</u>	<u>20,757</u>	<u>3,165,008</u>
<i>Net Change in Fund Balance</i>	<u>(585,406)</u>	<u>192,895</u>	<u>(4,939,879)</u>	<u>243,965</u>	<u>(5,088,425)</u>
<i>Fund Balances Beginning of Year</i>	<u>1,946,625</u>	<u>562,497</u>	<u>8,344,817</u>	<u>423,077</u>	<u>11,277,016</u>
<i>Fund Balances End of Year</i>	<u>\$1,361,219</u>	<u>\$755,392</u>	<u>\$3,404,938</u>	<u>\$667,042</u>	<u>\$6,188,591</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, 2010*

Net Change in Fund Balances - Total Governmental Funds (\$5,088,425)

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

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

Capital Asset Additions	9,840,061	
Depreciation Expense	(784,005)	9,056,056

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

Grants	(1,525,447)	
Delinquent Taxes	2,840	(1,522,607)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 220,000

Bond proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of activities. Governmental funds report the effect of premiums and discounts when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities:

Premium on General Obligation Bonds	(63,658)	
General Obligation Bonds	(3,000,000)	
Discount on General Obligation Bonds	30,000	(3,033,658)

Issuance costs are reported as an expenditures when paid in the governmental funds, but is deferred and amortized on the statements of activities. This is the issuance costs on the bonds. 33,658

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. Premiums and discounts are reported as revenues and expenditures when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities:

Bond Premium	13,691	
Amortization of Issuance Costs	(4,824)	
Amortization of Discount	(3,305)	
Interest Payable	(14,695)	(9,133)

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

Vacation Benefits Payable	17,637	
Sick Leave Benefits Payable	28,975	46,612

Change in Net Assets of Governmental Activities (\$297,497)

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, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$2,019,924	\$2,389,638	\$2,389,638	\$0
Intergovernmental	8,351,295	8,703,291	8,703,291	0
Investment Earnings	30,000	34,058	34,058	0
Tuition and Fees	868,477	1,035,724	1,035,724	0
Rent	15,000	21,423	21,423	0
Miscellaneous	0	61,938	61,938	0
<i>Total Revenues</i>	<u>11,284,696</u>	<u>12,246,072</u>	<u>12,246,072</u>	<u>0</u>
Expenditures				
Current:				
Instruction:				
Regular	5,057,617	6,010,972	6,010,972	0
Special	1,167,363	1,345,603	1,345,603	0
Vocational	173,231	167,141	167,141	0
Intervention	59,543	41,184	41,184	0
Support Services:				
Pupils	542,939	455,707	455,707	0
Instructional Staff	248,921	287,458	287,458	0
Board of Education	244,149	205,651	205,651	0
Administration	1,204,313	1,031,752	1,031,752	0
Fiscal	507,162	487,069	487,069	0
Operation and Maintenance of Plant	1,888,044	1,746,588	1,746,588	0
Pupil Transportation	482,898	504,893	504,893	0
Central	118,506	107,947	107,947	0
Extracurricular Activities	328,468	348,407	348,407	0
Capital Outlay	54,540	1,290	1,290	0
<i>Total Expenditures</i>	<u>12,077,694</u>	<u>12,741,662</u>	<u>12,741,662</u>	<u>0</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(792,998)</u>	<u>(495,590)</u>	<u>(495,590)</u>	<u>0</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	100	100	0
Advances In	0	54,506	54,506	0
Transfers Out	(123,312)	(20,757)	(20,757)	0
Advances Out	(111,901)	(3,758)	(3,758)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(235,213)</u>	<u>30,091</u>	<u>30,091</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(1,028,211)</u>	<u>(465,499)</u>	<u>(465,499)</u>	<u>0</u>
<i>Fund Balance Beginning of Year</i>	2,392,639	2,392,639	2,392,639	0
Prior Year Encumbrances Appropriated	248,316	248,316	248,316	0
<i>Fund Balance End of Year</i>	<u>\$1,612,744</u>	<u>\$2,175,456</u>	<u>\$2,175,456</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

Ironton City School District, Ohio

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2010

	Private-Purpose	
	Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$87,385	<u>\$48,147</u>
Liabilities		
Due to Students	0	<u>\$48,147</u>
Net Assets		
Restricted for Endowments	72,959	
Held in Trust for Students	<u>14,426</u>	
Total Net Assets	<u>\$87,385</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, 2010

Additions	
Gifts and Contributions	\$1,000
Interest	<u>1,353</u>
Total Additions	2,353
Deductions	
Scholarships	<u>1,144</u>
Change in Net Assets	1,209
Net Assets Beginning of Year	<u>86,176</u>
Net Assets End of Year	<u><u>\$87,385</u></u>

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, 2010

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 five instructional/support facilities staffed by 80 classified employees, 115 certified teaching personnel, and nine administrators who provide services to 1,489 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 the School District, this includes general operations, food service, and student related activities of the School District.

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

The following activities are included within the reporting entity:

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

The School District participates in three jointly governed organizations and three insurance purchasing pools. These organizations are the South Central Ohio Computer Association, the Lawrence County Joint Vocational School District, the Educational Regional Service System (ERSS) Region 15, the Ohio School Plan, the Lawrence County Schools Insurance Purchasing Consortium, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 16 and 17 to the basic financial statements.

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. The statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, has no business-type activities.

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

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

B. Fund Accounting

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

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

General Fund The General Fund 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.

Bond Retirement Fund The Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of, general obligation bonds, interest, and related costs.

School Facilities Fund The School Facilities Fund accounts for transactions related to constructing and improving School District buildings with the assistance of the Ohio School Facilities program.

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.

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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 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 6). 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, 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, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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.

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, except for a portion of the School Facilities Fund, 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 2010, investments included non-negotiable certificates of deposit, Federal Farm Credit Bank Bonds, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Bonds, and Federal National Mortgage Association Bonds. Investments are reported at a fair value, except for non-negotiable certificates of deposit which are reported as 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 2010 amounted to \$33,681, which includes \$12,499 assigned from other School District funds.

The School District has segregated bank accounts for retainage held for its construction project. These accounts are presented as "cash and cash equivalents with escrow agents" since the cash is not deposited into the School District treasury.

A portion of the School District's investment accounts is held in the form of cash. Since this cash is not part of the School District's treasury balance, it is presented as "cash and cash equivalents with fiscal agents."

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. Inventory

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

G. 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.

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

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

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

H. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets include unexpended revenues restricted for the purchase of buses and 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. See Note 19 for additional information regarding set-asides.

I. 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, since 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 compensated absences liability is reported on the government-wide financial statements.

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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.

J. Accrued Liabilities and Long-term Obligations

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

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

K. Interfund Activity

Transfers within governmental activities were eliminated on the government-wide statements. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments of interfund services provided and used are not eliminated.

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

L. Interfund Balances

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

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 bus purchases, encumbrances, textbooks, budget stabilization, and property taxes.

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.

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

N. Net Assets

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

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

O. Unamortized Issuance Costs and Bond Premiums and Discounts

On government-wide financial statements, issuance costs and bond discounts and premiums are deferred and amortized over the term of the bonds using the straight-line method. Issuance costs are reported as deferred charges. Bond discounts are presented as a reduction of the face amount of bonds payable. Bond premiums are presented as an addition to the face amount of the bonds.

On the government fund financial statements, issuance costs, bond premiums, and bond discounts are recognized in the period in which bonds are issued.

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.

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 School District Treasurer has been given the authority to allocate appropriations among functions and objects within all funds.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original

Ironton City School District, Ohio
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For the Fiscal Year Ended June 30, 2010

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 fiscal year end.

Note 3 – Deficit Fund Balances

The following funds had deficit fund balances at June 30, 2010:

	<u>Deficit Fund Balances</u>
Special Revenue Funds:	
Food Service	\$111,573
Title II-D	1,429
Drug Free Schools	2,739
Improving Teacher Quality	16,920

These deficits are due to the recognition of accrued liabilities in accordance with generally accepted accounting principles. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

Note 4 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget 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).

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

4. Unrecorded interest represents amounts received but not included as revenue on the budget basis operating statement. These amounts are included as revenue on the GAAP basis operating statement.
5. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

Net Change in Fund Balance	
GAAP Basis	(\$585,406)
Revenue Accruals	136,793
Unreported Interest Beginning of Year	475
Unreported Interest End of Year	(98)
Advances In	54,506
Advances Out	(3,758)
Expenditure Accruals	89,482
Encumbrances	(157,493)
Budget Basis	<u><u>(\$465,499)</u></u>

Note 5 - Deposits and Investments

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

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

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

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

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

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

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agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$6,983,397 of the School District's bank balance of \$8,023,298 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all 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 FDIC.

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

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Investments

As of June 30, 2010, the School District had the following investments which are in an internal investment pool:

	Fair Value	Maturity	Percent of Total Investments
Federal National Mortgage Association Discount Note	\$249,766	12/1/2010	
Federal National Mortgage Association Discount Note	329,521	1/18/2011	31.17%
Federal Home Loan Bank Discount Note	264,886	9/2/2010	
Federal Home Loan Bank Discount Note	249,807	11/17/2010	
Federal Home Loan Bank Discount Note	249,539	2/23/2011	41.13%
Federal Home Loan Mortgage Corporation Discount Note	264,954	10/13/2010	
Federal Home Loan Mortgage Corporation Discount Note	249,878	10/26/2010	27.70%
Totals	<u>\$1,858,351</u>		<u>100.00%</u>

Interest Rate Risk. The School District’s investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years, and allows for the withdrawal of funds from approved public depositories or sale of negotiable instruments prior to maturity. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk. All of the investments listed above excluding money market funds, carry a rating of Aaa by Moody’s. The School District has no investment policy that addresses credit risk.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District’s investments in Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Bonds, and Federal National Mortgage Association Bonds are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty’s trust department or agent but not in the School District’s name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk. The School District places no limit on the amount it may invest in any one issuer. The percentage of total investments is listed in the table above.

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for

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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 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after October 1, 2009 and are collected in 2010 with real property taxes. Public utility real property is assessed at twenty-five percent of true value.

Tangible personal property tax revenue received during calendar 2010 (other than public utility property tax) represents the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid 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 Lawrence County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

The amount available as an advance at June 30, 2010 was \$266,752 in the General Fund, \$109,014 in the Bond Retirement Fund, and \$5,983 in the School Facilities Fund. The amount available as an advance at June 30, 2009, was \$403,545 in the General Fund, \$165,011 in the Bond Retirement Fund, and \$9,028 in the School Facilities Fund.

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

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$99,928,700	74%	\$99,906,120	74%
Public Utility Personal	29,737,720	22%	28,606,440	22%
General Business Personal	5,880,870	4%	5,900,790	4%
Total	\$135,547,290	100%	\$134,413,350	100%
Tax rate per \$1,000 of assessed valuation	\$33.70		\$33.70	

Note 7 - Receivables

Receivables at June 30, 2010, consisted of property taxes, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year, with the exception of delinquent property taxes deemed collectible by the County Auditor. A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Ohio School Facilities	\$1,475,902
Auxilliary	9,768
IDEA-B Grant	367,559
Title I Grant	674,088
Title II-A Grant	123,199
Title II-D Grant	7,681
Drug Free Schools Grant	19,667
Total Intergovernmental Receivables	\$2,677,864

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 8 - Capital Assets

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

	Balance 6/30/2009	Additions	Deductions	Balance 6/30/2010
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$321,591	\$0	\$0	\$321,591
Construction in Progress	38,743,124	97,944	(38,743,124)	97,944
Total Capital Assets not being Depreciated	<u>39,064,715</u>	<u>97,944</u>	<u>(38,743,124)</u>	<u>419,535</u>
Depreciable Capital Assets:				
Land Improvements	699,603	0	0	699,603
Buildings and Improvements	4,708,953	45,629,007	(324,924)	50,013,036
Furniture and Equipment	1,131,124	2,856,234	0	3,987,358
Vehicles	793,067	0	0	793,067
Total Capital Assets being Depreciated	<u>7,332,747</u>	<u>48,485,241</u>	<u>(324,924)</u>	<u>55,493,064</u>
Less Accumulated Depreciation				
Land Improvements	(487,353)	(7,787)	0	(495,140)
Buildings and Improvements	(3,719,057)	(551,498)	324,924	(3,945,631)
Furniture and Equipment	(1,073,303)	(174,447)	0	(1,247,750)
Vehicles	(657,563)	(50,273)	0	(707,836)
Total Accumulated Depreciation	<u>(5,937,276)</u>	<u>(784,005)</u>	<u>324,924</u>	<u>(6,396,357)</u>
Total Capital Assets being Depreciated, Net	<u>1,395,471</u>	<u>47,701,236</u>	<u>0</u>	<u>49,096,707</u>
Capital Assets, Net	<u>\$40,460,186</u>	<u>\$47,799,180</u>	<u>(\$38,743,124)</u>	<u>\$49,516,242</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$709,685
Vocational	1,241
Support Services:	
Instructional Staff	3,626
Administration	5,342
Operation and Maintenance of Plant	3,424
Pupil Transportation	50,431
Operation of Non-Instructional Services:	
Food Service Operations	3,327
Extracurricular Activities	6,929
Total Depreciation Expense	<u>\$784,005</u>

Note 9 - 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 2010, the

Ironton City School District, Ohio
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School District contracted with Hylant Administrative Services for property and fleet insurance. The type and amount of coverage provided follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$54,548,000
Automobile Liability (\$1,000 deductible):	
Bodily Injury and Property Damage – combined single limit	2,000,000
Medical Payments – each person	5,000
Uninsured Motorists	1,000,000

The School District has joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (see Note 17).

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

General Liability:	
Each Occurrence	\$2,000,000
Aggregate Limit	4,000,000
Products – Complete Operations Aggregate Limit	2,000,000
Fire Legal Liability	500,000
Medical Expense Limit – per person/accident	10,000
Employers Liability – Stop Gap:	
Per Accident	2,000,000
Per Disease Each Employee	2,000,000
Per Disease Policy Limit	2,000,000
Employee Benefits Liability:	
Per Claim	2,000,000
Aggregate Limit	4,000,000
Excess Liability:	
Each Occurrence	2,000,000
Aggregate Limit	4,000,000

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. Workers' Compensation

For fiscal year 2010, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

Ironton City School District, Ohio
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Note 10 - 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 76 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 Anthem Blue Cross/Blue Shield. Premiums for this coverage are \$1,682 for family coverage and \$681 for single coverage. The School District pays 85% of the premium for employees hired before May 1, 2009. For employees hired after May 1, 2009, the School District pays 70% of the premium. Dental insurance is provided by Sun Life and Health Insurance. Premiums are \$21 for individual coverage and \$71 for family coverage. The School District pays 100% of the individual premium. Employees opting for family coverage must pay the difference. Vision insurance is provided by Vision Service Plan. Premiums are \$7 for individual coverage and \$16 for family coverage. The School District pays 100% of the individual premium. Employees opting for family coverage must pay the difference.

Note 11 - Defined Benefit Pension Plans

A. School Employee Retirement System

Plan Description - 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.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations (the latest date information is available). The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent

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For the Fiscal Year Ended June 30, 2010

for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$284,699, \$189,831, and \$167,770 respectively; 48.83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan.

The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008, were \$792,734, \$827,789 and \$828,168 respectively; 83.58 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions

Ironton City School District, Ohio
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to the DC and Combined Plans for fiscal year 2010 were \$27,137 made by the School District and \$19,384 made by the plan members.

Note 12 - Postemployment Benefits

A. School Employee Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, .46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800.

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

The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008, were \$8,218, \$114,328, and \$128,496, respectively; 48.83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008, were \$16,195, \$12,233, and \$12,528, respectively; 46.34 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System

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

Ironton City School District, Ohio
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Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, (the latest date information is available) STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$60,980, \$63,676, and \$63,714 respectively; 83.58 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Note 13 – Notes Payable

The changes in the School District’s notes payable during the fiscal year consist of the following:

	Balance 6/30/2009	Additions	Reductions	Balance 6/30/2010
2009 Bond Anticipation Note - 3.375%	\$3,000,000	\$0	\$3,000,000	\$0

The note was issued on May 27, 2009, to pay off a note coming due. The School District issued general obligation bonds to redeem the 3.375 percent note when it matured on May 26, 2010.

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 6/30/2009	Additions	Reductions	Principal Outstanding 6/30/2010	Amounts Due in One Year
Governmental Activities					
School Facilities Construction and Improvement Bonds, 2006, 4.0-5.0%	\$14,775,000	\$0	\$220,000	\$14,555,000	\$225,000
Premium on Bonds	342,388	0	13,471	328,917	0
Discount on Bonds	(81,460)	0	(3,205)	(78,255)	0
School Facilities Construction and Improvement Bonds, 2010 2.0-5.0%	0	3,000,000	0	3,000,000	0
Premium on Bonds	0	63,658	220	63,438	0
Discount on Bonds	0	(30,000)	(100)	(29,900)	0
Total General Obligation Bonds	15,035,928	3,033,658	230,386	17,839,200	225,000
Sick Leave Benefits	1,062,798	100,821	129,796	1,033,823	96,046
Total Governmental Activities	16,098,726	3,134,479	360,182	18,873,023	321,046
Long-Term Liabilities	\$16,098,726	\$3,134,479	\$360,182	\$18,873,023	\$321,046

On May 19, 2010, the School District issued \$3,000,000 in voted general obligation bonds to pay off a note which had been issued to pay the local share of the school construction under the state of Ohio Classroom Facilities Assistance Program. On October 18, 2006, the School District issued \$15,000,000 in voted general obligation bonds to pay the local share of the school construction under the state of Ohio Classroom Facilities Assistance Program.

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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 general obligation bonds outstanding at June 30, 2010, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$225,000	\$799,231	\$1,024,231
2012	250,000	787,515	1,037,515
2013	255,000	777,465	1,032,465
2014	390,000	764,665	1,154,665
2015	405,000	748,865	1,153,865
2016-2020	2,455,000	3,454,053	5,909,053
2021-2025	3,560,000	2,798,527	6,358,527
2026-2030	4,430,000	1,923,599	6,353,599
2031-2035	5,585,000	725,625	6,310,625
	<u>\$17,555,000</u>	<u>\$12,779,545</u>	<u>\$30,334,545</u>

The School District exceeded its overall debt limitation of \$12,097,202 by \$5,457,799. The Board of Education has obtained consent from the State Tax Commissioner and the Superintendent of Public Instruction to issue debt beyond the nine percent debt limitation, as the School District qualifies as a "special needs district." The School District's unvoted debt margin was \$134,413 at June 30, 2010.

Note 15 – Interfund Balances and Transfers

Interfund receivables and payables at June 30, 2010, consist of the following individual balances, representing monies advanced to special revenue funds to be repaid to the General Fund when grant funds are received:

	Interfund Receivable	Interfund Payable
General Fund:	\$60,045	\$0
Special Revenue Funds:		
Food Service	0	56,287
Drug Free Schools	0	3,758
Total All Funds	<u>\$60,045</u>	<u>\$60,045</u>

During fiscal year 2010, the General Fund made a transfer in the amount of \$20,757 to the Food Service Special Revenue Fund to cover operating costs.

Note 16 - Jointly Governed Organizations

The South Central Ohio Computer Association (SCOCA) is a jointly governed organization among public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, and Lawrence Counties. The organization was formed with the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

the seven participating counties and one representative from the fiscal agent. Ironton City School District paid \$88,522 for services provided during fiscal year 2010. 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 2010. To obtain financial information write to the Lawrence County Joint Vocational School District, 11627 State Route 243, Chesapeake, OH 45619.

The Educational Regional Service System (ERSS) Region 15 is a jointly governed organization consisting of educational entities within Lawrence, Pike, Scioto, and Ross counties. The purpose of the ERSS is to provide support services to school districts, community schools, and chartered nonpublic schools within the region by supporting State and school initiatives and efforts to improve school effectiveness and student achievement with a specific reference to the provision of special education and related services. The ERSS is governed by an advisory council, which is the policymaking body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts. The Advisory Council is made up of the director of the ERSS, the superintendent of each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education and appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region), and one business representative. The degree of control exercised by any participating educational entity is limited to its representation on the Advisory Council. Financial information can be obtained from the South Central Educational Service Center, 411 Court Street, Portsmouth, Ohio 45662.

Note 17 - 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

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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 plan.

Note 18 – Donor Restricted Endowments

The School District's private purpose trust funds include donor restricted endowments. Total endowments, representing the principal portion are \$72,959. The amount of net appreciation in donor restricted investments that is available for expenditure by the School District is \$14,426 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 19 - 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.

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	Textbooks Instructional Materials Reserve	Capital Improvements Reserve
Set-aside Reserve Balance as of June 30, 2009	\$4,409	\$965,209	\$0
Current Year Set-aside Requirement	0	229,427	229,427
Qualifying Disbursements	0	(456,279)	(430,543)
Total	<u>\$4,409</u>	<u>\$738,357</u>	<u>(\$201,116)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$4,409</u>	<u>\$738,357</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2010	<u>\$4,409</u>	<u>\$738,357</u>	<u>\$0</u>

The School District had qualifying expenditures during the fiscal year that reduced the capital improvement set-aside amounts below zero. The extra amount may not be used to reduce the set-aside requirements of future years.

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 20 – Contractual Commitments

During fiscal years 2007, 2008, 2009, and 2010, the School District awarded several contracts relating to the school facilities project. Contractual commitments outstanding at June 30, 2010, are as follows:

Contractor	Project	Contract Amount	Paid as of 6/30/2010	Contract Remaining
Fanning/Howey Assoc. Inc.	Architecture & Engineering	\$2,391,740	\$2,235,325	\$156,415
J&H Erectors	Combined GTC (elementary)	10,885,707	10,590,444	295,263
J&H Erectors	Combined Masonry, Steel, and General Trades (high school)	9,603,364	9,562,241	41,123
BBL Construction Services	Construction Manager	2,538,764	2,327,739	211,025
Accurate Electric	Electric & Cabling	2,814,068	2,677,291	136,777
McDaniel Electric	Electric & Cabling	3,649,139	3,573,416	75,723
Brewer & Company	Fire Suppression (elementary)	267,523	258,113	9,410
Central Fire Protection	Fire Suppression (high school)	251,362	224,367	26,995
Great Lakes Hotel Supply Co.	Food Service Equipment (high school)	435,479	404,163	31,316
Continental	Loose Furnishings	99,496	94,679	4,817
OM Workspace	Loose Furnishings	219,059	154,245	64,814
BB&E	Plumbing & HVAC	4,200,747	4,194,918	5,829
Mechanical Construction	Plumbing & HVAC	3,546,407	3,206,103	340,304
Accurate Electric	Technology	790,000	758,752	31,248
Newtech Systems, Inc.	Technology	858,000	809,223	48,777
Boggs Roofing	Roofing (high school)	554,500	523,441	31,059
J&H Erectors	Bus Garage	450,000	97,944	352,056
Tom Sexton & Associates	Loose Furnishings	271,801	0	271,801
Gateway Environmental	Central School Demolition	59,200	45,025	14,175
Solid Rock Construction	Demolition and Site Improvement	671,900	0	671,900
Ohio Technical Services	Asbestos Abatement	195,169	0	195,169
Total		<u>\$44,753,425</u>	<u>\$41,737,429</u>	<u>\$3,015,996</u>

Note 21 - Contingencies

A. Grants

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

B. Litigation

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

Ironton City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 22 - Compliance

2 C.F.R. Section 215.22 and 31 C.F.R. 205.33 outline federal guidelines associated with cash management. When funds are advanced, recipient must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement. State Fiscal Stabilization Fund (SFSF) program funds were advanced to School Districts through the foundation program as indicated in the ODE Pathway to Student Success (PASS) form, a new form in FY 2010 that shows funding information for the components of the Evidence Based Funding Model (EBM). Foundation payments are automatically sent to School Districts on a bi-monthly basis. The School District did not ensure that SFSF monies were spent in a timely manner (i.e. within 30 days of receipt).

2 C.F.R. Part 225 (A-87) Appendix B, Part 8g states that: (1) Payments in addition to regular salaries and wages made to workers whose employment is being terminated are allowable to the extent that, in each case, they are required by (a) law, (b) employer employee agreement, or (c) established written policy.; (2) Severance payments (but not accruals) associated with normal turnover are allowable. Such payments shall be allocated to all activities of the governmental unit as an indirect cost.; and (3) Abnormal or mass severance pay will be considered on a case by case basis and is allowable only if approved by the cognizant Federal agency. OMB Circular A-133 Section .510(a)(3) states that questioned costs shall be issued where the amount in question is greater than \$10,000 for a type of compliance requirement for a major program. Title I Computer Intervention Teacher, Helen Beasley, retired from service effective at the end of fiscal year 2010. The School District paid her severance, \$19,548, directly from 2010 Title I monies. Charging severance payments as direct expenses resulted in questioned costs of \$19,548 in the Title I Grants to Local Educational Agencies.

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**IRONTON CITY SCHOOL DISTRICT
LAWRENCE COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2009/2010	10.555	\$ 26,388	\$ 26,388
Cash Assistance:				
School Breakfast Program	2009/2010	10.553	172,272	172,272
National School Lunch Program	2009/2010	10.555	309,966	309,966
Cash Assistance Subtotal			<u>482,238</u>	<u>482,238</u>
Total Child Nutrition Cluster			<u>508,626</u>	<u>508,626</u>
Total U.S. Department of Agriculture			508,626	508,626
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Cluster:				
Title I Grants to Local Educational Agencies	2009	84.010	101,239	116,861
Title I Grants to Local Educational Agencies	2010		536,047	484,162
Title I Grants to Local Educational Agencies - Delinquent	2009			499
Total Title I Grants to Local Educational Agencies			<u>637,286</u>	<u>601,522</u>
ARRA - Title I Grants to Local Educational Agencies	2010	84.389	<u>93,234</u>	<u>74,112</u>
Total Title I Cluster			730,520	675,634
Special Education Cluster:				
Special Education Grants to States	2009	84.027	75,772	59,778
	2010		<u>265,830</u>	<u>252,242</u>
Total Special Education Grants to States			341,602	312,020
ARRA - Special Education - Grants to States	2010	84.391	<u>146,484</u>	<u>46,498</u>
Total Special Education Cluster			488,086	358,518
Safe and Drug-Free Schools and Communities State Grants	2009	84.186	587	191
	2010		<u>1,048</u>	<u>2,800</u>
Total Safe and Drug-Free Schools and Communities State Grants			1,635	2,991
State Grants for Innovative Programs	2009	84.298	1,194	1,458
Education Technology State Grants	2009	84.318	5,324	7,068
	2010		<u>3,518</u>	<u>2,898</u>
Total Education Technology State Grants			8,842	9,966
Improving Teacher Quality State Grants	2009	84.367	30,329	40,604
	2010		<u>159,408</u>	<u>148,108</u>
Total Improving Teacher Quality State Grants			189,737	188,712
ARRA - State Fiscal Stabilization Fund - Education State Grants	2010	84.394	<u>514,159</u>	<u>402,204</u>
Total U.S. Department of Education			<u>1,934,173</u>	<u>1,639,483</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 2,442,799</u>	<u>\$ 2,148,109</u>

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

**IRONTON CITY SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C - FOOD DONATION PROGRAM

The School District reports commodities consumed on the Schedule at the fair value. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE D - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The School District transferred the following amounts from 2009 to 2010 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2009 to 2010</u>
Title I Grants to Local Educational Agencies	84.010	\$ 25,262
Improving Teacher Quality State Grants	84.367	13,182

NOTE E - REIMBURSEMENT OF FEDERAL GRANT MONIES

On July 1, 2009, the School District had \$3,442 remaining in the FY 09 Title I – Delinquent monies (CFDA Number 84.010). In FY 10, the School District disbursed \$499 of the FY 09 Title I – Delinquent monies which are included with expenditures on the Schedule. The remaining unspent balance, \$2,943, was reimbursed to the Treasurer of State of Ohio, on May 31, 2010, with check number 37264. This reimbursement of Federal monies was not included on the Schedule.



Dave Yost • Auditor of State

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, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 15, 2011. 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 as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting described in the accompanying Schedule of Findings and Questioned Costs that we consider a significant deficiency in internal control over financial reporting. We consider Finding 2010-01 to be a significant deficiency. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 we must report under *Government Auditing Standards*.

We noted certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated March 15, 2011.

The School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the School District's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State

March 15, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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 could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2010. The Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

As described in Finding 2010-02 in the accompanying Schedule of Findings and Questioned Costs, the School District did not comply with requirements regarding cash management applicable to its ARRA – State Fiscal Stabilization Fund – Education State Grants major federal program. Compliance with this requirement is necessary, in our opinion, for the School District to comply with requirements applicable to this program.

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

The results of our auditing procedures also disclosed another instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying Schedule of Findings and Questioned Costs lists this instance as Finding 2010-03.

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 opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and a deficiency that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questions Costs as item 2010-02 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2010-03 to be a significant deficiency.

The School District's responses to the findings we identified are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the School District's response and, accordingly, we express no opinion on it.

We also noted certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated March 15, 2011.

Ironton City School District
Lawrence County
Independent Accountants' Report on Compliance with Requirements
Applicable to Each Major Federal Program and on Internal Control Over
Compliance Required by OMB Circular A-133
Page 3

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

March 15, 2011

**IRONTON CITY SCHOOL DISTRICT
LAWRENCE COUNTY**

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

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 weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified – ARRA – State Fiscal Stabilization Fund – Education State Grants Unqualified – Title I, Part A Cluster; Special Education (IDEA) Cluster; Child Nutrition Cluster
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster: CFDA #10.553 and #10.555 Title I, Part A Cluster: CFDA #84.010 and #84.389 Special Education (IDEA) Cluster: CFDA #84.027 and #84.391 ARRA – State Fiscal Stabilization Fund – Education State Grants: CFDA #84.394
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**IRONTON CITY SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2010
(Continued)**

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

FINDING NUMBER 2010-01

Significant Deficiency

The School District implemented a new automated food service program in fiscal year 2010. This automated program allowed the School District to track all meals served to students, retain student's statuses in the system, and reduce the chances that errors could be made in the process of providing and reporting food service activity. However, with the implementation of the new system, the School District should have changed certain processes to ensure monies were still being reconciled and ensure that controls were still in place to account properly for all monies received. A vital control to ensure that all monies collected are deposited and accounted for properly is the balancing of each cash register at the end of the day. The new system had a report called the Daily Count/Cash Reconciliation Report which showed the total cash that was received each day per the system. This report should have been reconciled to the actual amount of cash deposited each day to ensure that monies collected were accounted for. However, this was not done during the year. Instead, the cashiers collecting the monies were only counting the cash they had on hand at the end of the day and then the Food Service Coordinator would take that cash to the bank. The Food Service Coordinator did run this report for each day and she included it with the deposit slip, but she never checked to see if the monies deposited did agree to the system generated report. When we reviewed a sample of sixty days deposits made throughout the year, we noted variances between the deposit amount and the Daily Count/Cash Reconciliation Report in 48 of the 60 deposits tested. The variances ranged from a few cents up to \$498, some days showing overages and some showing underage. These types of unreconciled variances could lead to loss or theft of cash.

We recommend the School District develop control procedures over the new automated system to ensure all monies are properly reconciled and that monitoring is being done of this on a daily basis. We recommend another individual (other than the cashier running the register) count the cash on hand at the end of the day. Then the cashiers should reconcile the system to cash on hand. Once this is done, the food service coordinator should review the Daily Count/Cash Reconciliation Report and ensure it agrees to the total amount deposited for that day. Any variances identified should be further investigated and corrected at that time. In addition to this, we would further recommend that the Food Service Coordinator provide the treasurer with her daily packets (which include the deposit slip, daily tally sheet, and Daily Count/Cash Reconciliation Report) at month end when she reports to the treasurer the amount of monies to post to the system for food service revenues. This would allow the School District Treasurer to monitor the daily activity of the food service program as well to ensure the reconciliations are being done.

Officials' Response: Upon implementation of the new automated food service program, the Cafeteria Supervisor was under the impression the new reporting system was sufficient in daily reconciliation. Steps have been taken to put in place a daily manual reconciliation of the system generated reports with monies collected and deposited.

**IRONTON CITY SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2010
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	2010-02
CFDA Title and Number	ARRA – State Fiscal Stabilization Fund – Education State Grants – CFDA #84.394
Federal Award Number / Year	2010
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Finding/Material Weakness

Cash Management

2 C.F.R. Section 215.22 and 31 CFR Section 205.33 outline federal guidelines associated with cash management. They state that when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government. When funds are advanced, recipient must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement. When advance payment procedures are used, recipients must establish similar procedures for subrecipients. Pass-through entities must establish reasonable procedures to ensure receipt of reports on subrecipients' cash balances and cash disbursements in sufficient time to enable the pass-through entities to submit complete and accurate cash transactions reports to the Federal awarding agency or pass-through entity. Pass-through entities must monitor cash drawdowns by their subrecipients to ensure that subrecipients conform substantially to the same standards of timing and amount as apply to the pass-through entity.

State Fiscal Stabilization Fund (SFSF) program funds were advanced to school districts through the foundation program as indicated in the ODE Pathway to Student Success (PASS) form, a new form in FY 2010 that shows funding information for the components of the Evidence Based Funding Model (EBM). Foundation payments are automatically sent to School Districts on a bi-monthly basis. The PASS form breaks out the individual components of EBM, including the amount representing SFSF. SFSF funds are required to be deposited into USAS Fund 532. School Districts must have an internal control system in place for ensure advance SFSF payments are spent timely (i.e., within 30 days).

The School District did not ensure that SFSF monies were spent in a timely manner (i.e., within 30 days of receipt). The School District maintained a balance of at least \$50,000 in their 532 fund from November 2009 through June 30, 2010. At year end, the School District had an ending balance in this account of \$121,018. The School District was not able to spend their monies within 30 days of receipt of their funding. This was mainly due to the fact that the School District expected its utility bills to increase substantially (and these are the costs the School District had planned to utilize their SFSF monies on) due to the construction of new school buildings; however, this increase did not occur and the School District did not charge any other type of expenditures to this fund in 2010.

We recommend the School District contact the Ohio Department of Education to determine allowable expenditures for this program and liquidate their monies as quickly as possible. We further recommend the School District Treasurer monitor this fund closely to ensure the cash management compliance guidelines are met in the future.

**IRONTON CITY SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2010
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	2010-02 (Continued)
CFDA Title and Number	ARRA – State Fiscal Stabilization Fund – Education State Grants – CFDA #84.394
Federal Award Number / Year	2010
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Finding/Material Weakness (Continued)

Cash Management (Continued)

Officials’ Response: Initial monies were being spent on utilities as allocated. Upon discovering the utility costs would be covered by the Ohio School Facilities Commission, prior monies that were expended for utilities were re-allocated to salaries. A correcting entry could not be made until the correct amount could be validated. Unfortunately, the time needed exceeded the June 30 deadline.

Finding Number	2010-03
CFDA Title and Number	Title I, Part A Cluster – CFDA #84.010 and #84.389
Federal Award Number / Year	2010
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Finding/Significant Deficiency/Questioned Cost – Allowable Costs/Cost Principles

2 C.F.R. Part 225 (A-87) Appendix B, Part 8g states that:

- (1) Payments in addition to regular salaries and wages made to workers whose employment is being terminated are allowable to the extent that, in each case, they are required by (a) law, (b) employer employee agreement, or (c) established written policy.
- (2) Severance payments (but not accruals) associated with normal turnover are allowable. Such payments shall be allocated to all activities of the governmental unit as an indirect cost.
- (3) Abnormal or mass severance pay will be considered on a case by case basis and is allowable only if approved by the cognizant Federal agency.

OMB Circular A-133 Section .510(a)(3) states that questioned costs shall be issued where the amount in question is greater than \$10,000 for a type of compliance requirement for a major program.

Title I Computer Intervention Teacher, Helen Beasley, retired from service effective at the end of fiscal year 2010. On June 25, 2010, the School District paid her severance, \$19,548, directly from 2010 Title I monies. Charging severance payments as direct expenses resulted in questioned costs of \$19,548 in the Title I, Part A Cluster.

**IRONTON CITY SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2010
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	2010-03 (Continued)
CFDA Title and Number	Title I, Part A Cluster – CFDA #84.010 and #84.389
Federal Award Number / Year	2010
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

**Noncompliance Finding/Significant Deficiency/Questioned Cost – Allowable Costs/Cost Principles
(Continued)**

We recommend the School District Treasurer review severance payouts to ensure that no such payment is made as a direct charge to federal funds.

Officials' Response: This severance payout to Helen Beasley was made based on approval of prior severance payouts to Title I personnel by a consultant of the Ohio Department of Education.

**IRONTON CITY SCHOOL DISTRICT
LAWRENCE COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315(c)
JUNE 30, 2010**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2010-01	Daily manual reconciliations of the system generate reports will be performed for monies collected and deposited.	6/30/11	Patty Wade, School District Treasurer
2010-02	Monies that were expended for utilities will be re-allocated to salaries through a correcting entry.	6/30/11	Patty Wade, School District Treasurer
2010-03	Severance payouts for employees normally paid from federal monies will not be directly charged to federal programs.	6/30/11	Patty Wade, School District Treasurer

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Dave Yost • Auditor of State

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
MARCH 29, 2011**