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STATE OF OHIO



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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

**IRONTON CITY SCHOOL DISTRICT
LAWRENCE COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Ironton City School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Ironton City School District, Lawrence County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust 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 November 26, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

November 26, 2002

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IRONTON CITY SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2002

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types
	General	Special Revenue	Capital Projects	Enterprise	Trust and Agency
<u>Assets and Other Debits:</u>					
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$727,275	\$940,197	\$114,205	\$2,736	\$139,700
Receivables:					
Accounts	0	89	0	0	0
Property Taxes	2,356,013	0	0	0	0
Intergovernmental	26,560	208,893	0	0	0
Accrued Interest	0	536	0	0	0
Interfund	1,000	0	0	0	0
Due from Other Funds	339	0	0	0	0
Inventory Held for Resale	0	0	0	8,598	0
Materials and Supplies Inventory	2,523	0	0	1,372	0
Prepaid Items	33,703	546	6,502	0	0
Restricted Assets:					
Cash and Cash Equivalents	370,732	0	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	65,690	0
<u>Other Debit:</u>					
Amount to be Provided from General Government Resources	0	0	0	0	0
Total Assets and Other Debits	\$3,518,145	\$1,150,261	\$120,707	\$78,396	\$139,700

Account Groups			
General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)	
\$0	\$0	\$1,924,113	
0	0	89	
0	0	2,356,013	
0	0	235,453	
0	0	536	
0	0	1,000	
0	0	339	
0	0	8,598	
0	0	3,895	
0	0	40,751	
0	0	370,732	
8,803,150	0	8,868,840	
0	1,429,377	1,429,377	
<u>\$8,803,150</u>	<u>\$1,429,377</u>	<u>\$15,239,736</u>	

(Continued)

IRONTON CITY SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2002
(Continued)

	Governmental Fund Types			Proprietary	Fiduciary
	General	Special Revenue	Capital Projects	Fund Type	Fund Types
				Enterprise	Trust and Agency
<u>Liabilities, Fund Equity and Other Credits:</u>					
<u>Liabilities:</u>					
Accounts Payable	\$3,318	\$4,195	\$0	\$1,414	\$0
Accrued Wages and Benefits Payable	866,586	174,471	0	40,529	0
Compensated Absences Payable	28,535	15,173	0	23,030	0
Interfund Payable	0	1,000	0	0	0
Due to Other Funds	0	339	0	0	0
Intergovernmental Payable	182,476	23,250	0	19,665	0
Deferred Revenue	2,326,198	107,467	0	0	0
Due to Students	0	0	0	0	42,315
Capital Leases Payable	0	0	0	0	0
Energy Conservation Notes Payable	0	0	0	0	0
Energy Conservation Bonds Payable	0	0	0	0	0
Total Liabilities	3,407,113	325,895	0	84,638	42,315
<u>Fund Equity and Other Credits:</u>					
Investment in General Fixed Assets	0	0	0	0	0
Contributed Capital	0	0	0	169,829	0
Retained Earnings:					
Unreserved (Deficit)	0	0	0	(176,071)	0
Fund Balance:					
Reserved for Encumbrances	40,802	18,948	0	0	0
Reserved for Inventory	2,523	0	0	0	0
Reserved for Textbooks	228,780	0	0	0	0
Reserved for Budget Stabilization	106,941	0	0	0	0
Reserved for Property Taxes	36,952	0	0	0	0
Reserved for Bus Purchases	35,011	0	0	0	0
Reserved for Contributions	0	0	0	0	77,563
Reserved for Unclaimed Monies	12,952	0	0	0	0
Unreserved:					
Designated	49,876	1,382	0	0	0
Undesignated (Deficit)	(402,805)	804,036	120,707	0	19,822
Total Fund Equity (Deficit) and Other Credits	111,032	824,366	120,707	(6,242)	97,385
Total Liabilities, Fund Equity and Other Credits	\$3,518,145	\$1,150,261	\$120,707	\$78,396	\$139,700

See accompanying notes to the general purpose financial statements

Account Groups		
General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)
\$0	\$0	\$8,927
0	0	1,081,586
0	1,081,574	1,148,312
0	0	1,000
0	0	339
0	106,610	332,001
0	0	2,433,665
0	0	42,315
0	13,252	13,252
0	7,549	7,549
0	220,392	220,392
0	1,429,377	5,289,338
8,803,150	0	8,803,150
0	0	169,829
0	0	(176,071)
0	0	59,750
0	0	2,523
0	0	228,780
0	0	106,941
0	0	36,952
0	0	35,011
0	0	77,563
0	0	12,952
0	0	51,258
0	0	541,760
8,803,150	0	9,950,398
<u>\$8,803,150</u>	<u>\$1,429,377</u>	<u>\$15,239,736</u>

IRONTON CITY SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 2002

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
<u>Revenues:</u>					
Property Taxes	\$2,212,875	\$0	\$0	\$0	\$2,212,875
Intergovernmental	6,989,006	2,989,544	48,826	0	10,027,376
Interest	54,295	1,046	0	0	55,341
Tuition and Fees	10,084	0	0	0	10,084
Rent	90,309	0	0	0	90,309
Extracurricular Activities	0	271,204	0	0	271,204
Miscellaneous	30,012	26,175	0	523	56,710
Total Revenues	9,386,581	3,287,969	48,826	523	12,723,899
<u>Expenditures:</u>					
Current:					
Instruction					
Regular	3,588,871	1,133,354	0	0	4,722,225
Special	893,215	628,528	0	0	1,521,743
Vocational	182,313	0	0	0	182,313
Adult/Continuing	0	109,143	0	0	109,143
Other	5,710	0	0	0	5,710
Support Services					
Pupils	488,603	154,488	0	0	643,091
Instructional Staff	308,097	152,393	0	0	460,490
Board of Education	151,735	26,425	0	733	178,893
Administration	883,467	40,924	0	0	924,391
Fiscal	355,143	2,470	0	0	357,613
Operation and Maintenance of Plant	1,293,606	19,779	0	0	1,313,385
Pupil Transportation	370,686	1,476	0	0	372,162
Central	70,600	1,580	0	0	72,180
Non-Instructional Services	0	70,584	0	0	70,584
Extracurricular Activities	155,538	245,753	0	0	401,291
Capital Outlay	0	0	182,165	0	182,165
Debt Service					
Principal Retirement	8,194	0	45,010	0	53,204
Interest and Fiscal Charges	2,281	0	13,885	0	16,166
Total Expenditures	8,758,059	2,586,897	241,060	733	11,586,749
Excess of Revenues Over (Under) Expenditures	628,522	701,072	(192,234)	(210)	1,137,150
<u>Other Financing Sources (Uses):</u>					
Operating Transfers In	0	29,797	65,397	0	95,194
Operating Transfers Out	(238,356)	0	0	0	(238,356)
Total Other Financing Sources (Uses)	(238,356)	29,797	65,397	0	(143,162)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	390,166	730,869	(126,837)	(210)	993,988
Fund Balance at Beginning of Year	(279,690)	93,497	247,544	287	61,638
Increase in Reserve for Inventory	556	0	0	0	556
Fund Balance at End of Year	\$111,032	\$824,366	\$120,707	\$77	\$1,056,182

See accompanying notes to the general purpose financial statements

IRONTON CITY SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 2002

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<u>Revenues:</u>			
Property Taxes	\$2,189,329	\$2,189,329	\$0
Intergovernmental	6,978,364	6,978,364	0
Interest	53,934	53,934	0
Tuition and Fees	9,334	9,334	0
Rent	90,309	90,309	0
Extracurricular Activities	0	0	0
Miscellaneous	29,673	29,673	0
Total Revenues	9,350,943	9,350,943	0
<u>Expenditures:</u>			
<u>Current:</u>			
<u>Instruction</u>			
Regular	3,625,201	3,625,201	0
Special	918,964	918,964	0
Vocational	186,360	186,360	0
Adult/Continuing	0	0	0
Other	22,900	22,900	0
<u>Support Services:</u>			
Pupils	495,878	495,878	0
Instructional Staff	309,224	309,224	0
Board of Education	160,653	160,653	0
Administration	913,148	913,148	0
Fiscal	359,091	359,091	0
Operation and Maintenance of Plant	1,338,566	1,338,566	0
Pupil Transportation	384,641	384,641	0
Central	71,469	71,469	0
Non-Instructional Services	0	0	0
Extracurricular Activities	156,099	156,099	0
Capital Outlay	0	0	0
<u>Debt Service</u>			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	8,942,194	8,942,194	0
Excess of Revenues Over (Under) Expenditures	408,749	408,749	0
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	0	0	0
Advances In	757,412	757,412	0
Operating Transfers Out	(238,356)	(238,356)	0
Advances Out	0	0	0
Total Other Financing Sources (Uses)	519,056	519,056	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	927,805	927,805	0
Fund Balance at Beginning of Year	23,415	23,415	0
Prior Year Encumbrance Appropriated	102,347	102,347	0
Fund Balance at End of Year	\$1,053,567	\$1,053,567	\$0

(Continued)

IRONTON CITY SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 2002
(Continued)

	Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property Taxes	\$0	\$0	\$0
Intergovernmental	2,919,729	2,919,729	0
Interest	1,219	1,219	0
Tuition and Fees	0	0	0
Rent	0	0	0
Extracurricular Activities	271,115	271,115	0
Miscellaneous	26,175	26,175	0
Total Revenues	3,218,238	3,218,238	0
<u>Expenditures:</u>			
Current:			
Instruction			
Regular	1,072,210	1,072,210	0
Special	623,352	623,352	0
Vocational	0	0	0
Adult/Continuing	110,042	110,042	0
Other	0	0	0
Support Services:			
Pupils	153,868	153,868	0
Instructional Staff	157,472	157,472	0
Board of Education	26,425	26,425	0
Administration	41,291	41,291	0
Fiscal	2,509	2,509	0
Operation and Maintenance of Plant	20,181	20,181	0
Pupil Transportation	1,149	1,149	0
Central	1,580	1,580	0
Non-Instructional Services	70,848	70,848	0
Extracurricular Activities	258,206	258,206	0
Capital Outlay	0	0	0
Debt Service			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	2,539,133	2,539,133	0
Excess of Revenues Over (Under) Expenditures	679,105	679,105	0
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	29,797	29,797	0
Advances In	0	0	0
Operating Transfers Out	0	0	0
Advances Out	(621,540)	(621,540)	0
Total Other Financing Sources (Uses)	(591,743)	(591,743)	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	87,362	87,362	0
Fund Balance at Beginning of Year	728,390	728,390	0
Prior Year Encumbrance Appropriated	98,052	98,052	0
Fund Balance at End of Year	\$913,804	\$913,804	\$0

Capital Projects Funds			Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0	\$2,189,329	\$2,189,329	\$0
48,826	48,826	0	0	0	0	9,946,919	9,946,919	0
0	0	0	0	0	0	55,153	55,153	0
0	0	0	0	0	0	9,334	9,334	0
0	0	0	0	0	0	90,309	90,309	0
0	0	0	0	0	0	271,115	271,115	0
0	0	0	542	542	0	56,390	56,390	0
48,826	48,826	0	542	542	0	12,618,549	12,618,549	0
0	0	0	0	0	0	4,697,411	4,697,411	0
0	0	0	0	0	0	1,542,316	1,542,316	0
0	0	0	0	0	0	186,360	186,360	0
0	0	0	0	0	0	110,042	110,042	0
0	0	0	0	0	0	22,900	22,900	0
0	0	0	0	0	0	649,746	649,746	0
0	0	0	0	0	0	466,696	466,696	0
0	0	0	733	733	0	187,811	187,811	0
0	0	0	0	0	0	954,439	954,439	0
0	0	0	0	0	0	361,600	361,600	0
0	0	0	0	0	0	1,358,747	1,358,747	0
0	0	0	0	0	0	385,790	385,790	0
0	0	0	0	0	0	73,049	73,049	0
0	0	0	0	0	0	70,848	70,848	0
0	0	0	0	0	0	414,305	414,305	0
186,770	186,770	0	0	0	0	186,770	186,770	0
45,010	45,010	0	0	0	0	45,010	45,010	0
20,387	20,387	0	0	0	0	20,387	20,387	0
252,167	252,167	0	733	733	0	11,734,227	11,734,227	0
(203,341)	(203,341)	0	(191)	(191)	0	884,322	884,322	0
65,397	65,397	0	0	0	0	95,194	95,194	0
0	0	0	0	0	0	757,412	757,412	0
0	0	0	0	0	0	(238,356)	(238,356)	0
(53,488)	(53,488)	0	0	0	0	(675,028)	(675,028)	0
11,909	11,909	0	0	0	0	(60,778)	(60,778)	0
(191,432)	(191,432)	0	(191)	(191)	0	823,544	823,544	0
242,797	242,797	0	245	245	0	994,847	994,847	0
62,840	62,840	0	23	23	0	263,262	263,262	0
\$114,205	\$114,205	\$0	\$77	\$77	\$0	\$2,081,653	\$2,081,653	\$0

See accompanying notes to the general purpose financial statements

IRONTON CITY SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Statement of Revenues,
Expenses and Changes in Fund Equity
Proprietary Fund Type and Non-Expendable Trust Fund
For the Fiscal Year Ended June 30, 2002

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Non-Expendable Trust	
<u>Operating Revenues:</u>			
Sales	\$281,070	\$0	\$281,070
Interest	0	5,179	5,179
Other Revenues	4,151	0	4,151
Contributions and Donations	0	1,245	1,245
Total Operating Revenues	285,221	6,424	291,645
<u>Operating Expenses:</u>			
Salaries	230,030	0	230,030
Fringe Benefits	88,131	0	88,131
Purchased Services	8,810	0	8,810
Materials and Supplies	95,050	0	95,050
Cost of Sales	206,987	0	206,987
Depreciation	6,847	0	6,847
Other Expenses	0	2,400	2,400
Total Operating Expenses	635,855	2,400	638,255
Operating Income (Loss)	(350,634)	4,024	(346,610)
<u>Non-Operating Revenues (Expenses):</u>			
Federal Donated Commodities	31,455	0	31,455
Interest	5	0	5
Federal and State Subsidies	241,575	0	241,575
Total Non-Operating Revenues (Expenses)	273,035	0	273,035
Net Income (Loss) Before Operating Transfers	(77,599)	4,024	(73,575)
Operating Transfers In	143,162	0	143,162
Net Income	65,563	4,024	69,587
Retained Earnings (Deficit)/ Fund Balance at Beginning of Year	(241,634)	93,284	(148,350)
Retained Earnings (Deficit)/ Fund Balance at End of Year	(176,071)	97,308	(78,763)
Contributed Capital at Beginning and End of Year	169,829	0	169,829
Total Fund Equity (Deficit) at End of Year	(\$6,242)	\$97,308	\$91,066

See accompanying notes to the general purpose financial statements

IRONTON CITY SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Statement of Revenues, Expenses and
Changes in Fund Equity - Budget and Actual (Budget Basis)
Proprietary Fund Type and Non-Expendable Trust Fund
For the Fiscal Year Ended June 30, 2002

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Sales	\$281,183	\$281,183	\$0
Interest	5	5	0
Other Revenues	4,151	4,151	0
Contributions and Donations	0	0	0
Federal and State Subsidies	241,575	241,575	0
Total Revenues	526,914	526,914	0
<u>Expenses:</u>			
Salaries	208,838	208,838	0
Fringe Benefits	104,104	104,104	0
Purchased Services	8,810	8,810	0
Materials and Supplies	273,616	273,616	0
Other	0	0	0
Capital Outlay	1,606	1,606	0
Total Operating Expenses	596,974	596,974	0
Excess of Revenues Over (Under) Expenses	(70,060)	(70,060)	0
Transfers In	143,162	143,162	0
Advances Out	(82,384)	(82,384)	0
Excess of Revenues Over (Under) Expenses, Transfers and Advances	(9,282)	(9,282)	0
Fund Equity at Beginning of Year	(38,806)	(38,806)	0
Prior Year Encumbrances Appropriated	50,824	50,824	0
Fund Equity at End of Year	\$2,736	\$2,736	\$0

IRONTON CITY SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Statement of Revenues, Expenses and
Changes in Fund Equity - Budget and Actual (Budget Basis)
Proprietary Fund Type and Non-Expendable Trust Fund
For the Fiscal Year Ended June 30, 2002
(Continued)

	Non-Expendable Trust Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Sales	\$0	\$0	\$0
Interest	5,150	5,150	0
Other Revenues	0	0	0
Contributions and Donations	1,245	1,245	0
Federal and State Subsidies	0	0	0
Total Revenues	6,395	6,395	0
<u>Expenses:</u>			
Salaries	0	0	0
Fringe Benefits	0	0	0
Purchased Services	0	0	0
Materials and Supplies	0	0	0
Other	2,400	2,400	0
Capital Outlay	0	0	0
Total Operating Expenses	2,400	2,400	0
Excess of Revenues Over (Under) Expenses	3,995	3,995	0
Transfers In	0	0	0
Advances Out	0	0	0
Excess of Revenues Over (Under) Expenses, Transfers and Advances	3,995	3,995	0
Fund Equity at Beginning of Year	93,284	93,284	0
Prior Year Encumbrances Appropriated	0	0	0
Fund Equity at End of Year	\$97,279	\$97,279	\$0

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$281,183	\$281,183	\$0
5,155	5,155	0
4,151	4,151	0
1,245	1,245	0
241,575	241,575	0
533,309	533,309	0
208,838	208,838	0
104,104	104,104	0
8,810	8,810	0
273,616	273,616	0
2,400	2,400	0
1,606	1,606	0
599,374	599,374	0
(66,065)	(66,065)	0
143,162	143,162	0
(82,384)	(82,384)	0
(5,287)	(5,287)	0
54,478	54,478	0
50,824	50,824	0
<u>\$100,015</u>	<u>\$100,015</u>	<u>\$0</u>

IRONTON CITY SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Statement of Cash Flows
Proprietary Fund Type and Non-Expendable Trust Fund
For the Fiscal Year Ended June 30, 2002

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Non-Expendable Trust	
Increase (Decrease) in Cash and Cash Equivalents:			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$285,334	\$1,274	\$286,608
Cash Payments to Suppliers for Goods and Services	(282,426)	(2,400)	(284,826)
Cash Payments for Employee Services and Benefits	(312,942)	0	(312,942)
Net Cash Used for Operating Activities	<u>(310,034)</u>	<u>(1,126)</u>	<u>(311,160)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Grants Received	241,575	0	241,575
Advances Out	(82,384)	0	(82,384)
Operating Transfers In	143,162	0	143,162
Net Cash Provided by Noncapital Financing Activities	<u>302,353</u>	<u>0</u>	<u>302,353</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Payments for Capital Acquisitions	(1,606)	0	(1,606)
<u>Cash Flows from Investing Activities:</u>			
Interest on Investments	5	5,150	5,155
Net Increase (Decrease) in Cash and Cash Equivalents	(9,282)	4,024	(5,258)
Cash and Cash Equivalents at Beginning of Year	12,018	93,284	105,302
Cash and Cash Equivalents at End of Year	<u>\$2,736</u>	<u>\$97,308</u>	<u>\$100,044</u>
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:			
Operating Income (Loss)	<u>(\$350,634)</u>	<u>\$4,024</u>	<u>(\$346,610)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities:			
Depreciation	6,847	0	6,847
Interest Income	0	(5,150)	(5,150)
Donated Commodities Used During Year	25,792	0	25,792
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	113	0	113
Decrease in Inventory Held for Resale	744	0	744
Decrease in Materials and Supplies Inventory	471	0	471
Increase in Accounts Payable	1,414	0	1,414
Increase in Accrued Wages and Benefits Payable	4,133	0	4,133
Increase in Compensated Absences	1,285	0	1,285
Decrease in Intergovernmental Payable	(199)	0	(199)
Total Adjustments	<u>40,600</u>	<u>(5,150)</u>	<u>35,450</u>
Net Cash Used for Operating Activities	<u>(\$310,034)</u>	<u>(\$1,126)</u>	<u>(\$311,160)</u>
Cash and Cash Equivalents - All Fiduciary Funds		\$139,700	
Cash and Cash Equivalents - Expendable Trust Fund		(77)	
Cash and Cash Equivalents - Agency Fund		<u>(42,315)</u>	
Cash and Cash Equivalents - Non-Expendable Trust Fund		<u>\$97,308</u>	

Noncash noncapital financing activities:
Ironton City School District received \$31,455 in federal donated commodities

See accompanying notes to the general purpose financial statements

Ironton City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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 mandated by state and/or federal agencies. This Board of Education controls the School District's six instructional/support facilities staffed by 78 noncertified, 120 certificated full time teaching personnel and nine administrators who provide services to 1,640 students.

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

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

The following activities are included within the reporting entity.

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

The School District participates in four organizations, two of which are defined as jointly governed organizations and two as insurance purchasing pools. These organizations are presented in Note 9 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations:

- Lawrence County Joint Vocational School District
- South Central Ohio Computer Association
- Pilasco-Ross Special Education Regional Resource Center

Insurance Purchasing Entity Risk Pools:

- Ohio School Boards Association Workers' Compensation Group Rating Program
- Lawrence County Schools Insurance Purchasing Consortium

Ironton City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 2 - Summary of Significant Accounting Policies

The financial statements of Ironton City 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 proprietary 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 - Fund Accounting

The School District uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

Special Revenue Funds Special revenue funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specified purposes.

Capital Projects Funds Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Type Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Ironton City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Enterprise Funds Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Fund Types Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The School District's fiduciary funds include an agency fund, an expendable trust fund and a non-expendable trust fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Non-expendable trust funds are accounted for in essentially the same manner as proprietary funds.

Account Groups To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term obligations related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and the non-expendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund types and non-expendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. The full accrual basis of accounting is followed for the proprietary and nonexpendable trust funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough

Ironton City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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 year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 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 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 non-exchange transactions must also be available before it can be recognized.

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

Deferred revenue 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, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities received during the year is reported in the operating statement as donated commodities revenue and as an expense when used.

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.

C. Budgetary Data

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

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes

Ironton City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Lawrence County Budget Commission for rate determination.

Estimated Resources By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001. Prior to June 30, the Board requested and received an amended certificate in which estimated revenue equaled actual revenue.

Appropriations Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriations or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. Prior to June 30, the Board passed an appropriation resolution which matched actual expenditures during the fiscal year plus encumbrances outstanding at year-end.

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

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

Ironton City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

D. Cash and Cash Equivalents

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

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 considered to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

During fiscal year 2002, investments were limited to nonnegotiable certificates of deposit, which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$54,295, which includes \$52,781 assigned from other School District funds.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred 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 capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Ironton City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment and vehicles in the proprietary fund types is computed using the straight-line method over an estimated useful life of five to twenty years.

H. Short-term Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables".

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributed 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 School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payments 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 employees after 15 years of service.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. In general, amounts paid after sixty days are considered not to have been paid with current available financial resources. Bonds, notes, and capital leases are recognized as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly

Ironton City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. Fund Balance Reserves

The School District reserves fund balance for amounts that are legally segregated for specific purpose or which are not available for appropriation. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventory, unclaimed monies, textbook and instructional materials, budget stabilization, school bus purchases, contributions 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 money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for contributions represents the non-expendable portion of the School District's scholarship funds. The reserve for unclaimed monies is established because by law unclaimed monies are not available for appropriation until they have remained unclaimed for five years.

M. Contributed Capital

Contributed capital represents resources from other funds, other governments and private sources provided to the enterprise funds that are not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. There was no change in contributed capital during the fiscal year.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1994, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying financial statements. After June 30, 2001, any contributions of capital are reported on the Combined Statement of Revenues, Expenses and Changes in Fund Equity as part of retained earnings.

N. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of school bus and amounts required by statute to be set-aside to create reserves for textbook and instructional materials, budget stabilization and capital acquisition. See Note 19 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

Ironton City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

O. Designation of Fund Balance

The School District has a fund balance designation on the balance sheet of \$22,309 in the general fund and \$1,382 in special revenue funds for money set aside by the Board of Education for the potential payment of future health insurance premiums. The School District also has a fund balance designation of \$27,567 in the general fund for capital acquisition.

P. 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.

Q. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 3 – Accountability and Compliance

A. Accountability

The following funds had deficit fund balance/retained earnings at June 30, 2002:

	<u>Deficit Fund Balance/ Retained Earnings</u>
Special Revenue Funds:	
Disadvantage Pupils Impact Aid	\$20,428
Adult Basic Literacy	\$1,283
Enterprise Fund:	
Food Service	\$177,362

The deficits in the special revenue funds were created by the application of generally accepted accounting principles. The general fund is liable for any deficit in the special revenue funds and provides operating transfers when cash is required, not when accruals occur.

The deficit in the food service enterprise fund is the result of accumulated losses. The School District is analyzing the enterprise fund operations to determine appropriate steps to alleviate the deficit.

B. Compliance

The School District had several funds during the year with negative fund balances contrary to Ohio Rev. Code Section 5705.10.

Ironton City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 4 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis)-All Governmental Fund Types and Expendable Trust Fund and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type and Non-Expendable Trust Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Expendable Trust Fund

	General	Special Revenue	Capital Projects	Expendable Trust
GAAP Basis	\$390,166	\$730,869	(\$126,837)	(\$210)
Revenue Accruals	(35,277)	(66,281)	0	19
Prepaid Items	(33,703)	(546)	(6,502)	0
Unrecorded Cash	(361)	(3,450)	0	0
Advances In	757,412	0	0	0
Expenditure Accruals	(106,925)	71,253	(4,605)	0
Advances Out	0	(621,540)	(53,488)	0
Encumbrances	(43,507)	(22,943)	0	0
Budget Basis	\$927,805	\$87,362	(\$191,432)	(\$191)

Ironton City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Net Income/ Excess of Revenues and
Operating Transfers Over (Under) Expenses
Proprietary Fund Type and Non-Expendable Trust Fund

	Enterprise	Non-Expendable Trust
GAAP Basis	\$65,563	\$4,024
Revenue Accruals	(31,342)	0
Unrecorded Cash	0	(29)
Expense Accruals	32,034	0
Depreciation Expense	6,847	0
Advances Out	(82,384)	0
Budget Basis	(\$9,282)	\$3,995

Note 5 - Deposits and Investments

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

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

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

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

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

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

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

Ironton City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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

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

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

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

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$2,294,845 and the bank balance was \$2,417,549. Of the bank balance:

1. \$157,500 was covered by federal depository insurance; and
2. \$2,260,049 was uninsured and uncollateralized. The School District's bank balances exceeded coverage in the amount of \$60,048 at June 30, 2002. Non compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Ironton City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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 located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002 and are collected in 2003 with real property taxes. 2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values upon which the fiscal year 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$95,929,970	78%	\$94,580,930	77%
Public Utility Personal	9,330,500	7	9,198,880	7
Tangible Personal Property	18,188,930	15	19,557,460	16
Total	<u>\$123,449,400</u>	<u>100%</u>	<u>\$123,337,270</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation		\$25.00		\$25.00

The School District receives property taxes from Lawrence County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Ironton City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property and public utility taxes which became measurable as of June 30, 2002 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002, was \$36,952 and is recognized as revenue in the General Fund.

Note 7 - Receivables

Receivables at June 30, 2002, consisted of taxes, accounts (rent and tuition), intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
General Fund:	
Community Alternative Funding System	\$26,560
Special Revenue Funds:	
Eisenhower Grant	1,599
Title VI-B	114,771
Title I	35,703
Title VI	5,618
Drug Free Schools	1,494
Preschool Disabilities	33,116
Class Size Reduction	16,592
Total Special Revenue Funds	<u>208,893</u>
Total Intergovernmental Receivables	<u><u>\$235,453</u></u>

Note 8 - Fixed Assets

A summary of the enterprise fund's fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$215,315
Less: accumulated depreciation	<u>(149,625)</u>
Net Fixed Assets	<u><u>\$65,690</u></u>

Ironton City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

A summary of the changes in general fixed assets during fiscal year 2002 follows:

	Balance 6/30/01	Additions	Deletions	Balance 6/30/02
Land and Improvements	\$321,591	\$0	\$0	\$321,591
Buildings and Improvements	3,512,357	0	0	3,512,357
Furniture, Fixtures and Equipment	2,891,022	163,973	0	3,054,995
Vehicles	816,146	3,500	0	819,646
Textbooks	996,314	98,247	0	1,094,561
Total General Fixed Assets	<u>\$8,537,430</u>	<u>\$265,720</u>	<u>\$0</u>	<u>\$8,803,150</u>

Note 9 - Jointly Governed Organizations and Insurance Purchasing Pools

A. Jointly Governed Organizations

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. To obtain financial information write to the Lawrence County Joint Vocational School District, 11627 State Route 243, Chesapeake, Ohio 45619.

South Central Ohio Computer Association (SCOCA) is a jointly governed organization among public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross and Lawrence Counties. The organization was formed with the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the seven participating counties and one representative from the fiscal agent. All revenues are generated from an annual fee of \$2.00 per student to participating districts and State funding. Ironton City School District paid \$3,280 for services provided during fiscal year 2002. 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 Pilasco-Ross Special Education Regional Resource Center (SERRC) is a special education service center which represents Lawrence, Pike, Ross and Scioto Counties. The SERRC selects its own governing board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The SERRC is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of county boards of MR/DD, Joint Vocational Schools, Pickaway-Ross CTC, Shawnee State University, and Pike, Ross, Lawrence, and South Central Ohio Educational Service Centers, whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The Ironton City School District's superintendent is on the SERRC Board. The fiscal agent for the SERRC is Dawson-Bryant LSD. Financial information can be obtained by contacting Donald Washburn, Director of Pilasco-Ross, at the South Central Ohio Educational Service Center, 411 Court Street, Portsmouth, Ohio 45663.

Ironton City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

B. Insurance Purchasing Pools

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

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

Note 10 - Risk Management

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2002, the School District contracted with Nationwide Insurance Company for property insurance and boiler and machinery coverage. The policies include a \$1,000 deductible.

Professional liability is protected by The Nationwide Insurance Company with a \$1,000,000 single occurrence limit and no deductible. Vehicles are covered by Nationwide Insurance and hold no deductible for comprehensive and \$100 deductible for collision. Automobile liability has a \$1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past five years. There has not been a significant reduction in coverage from the prior year.

For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 9). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

The School District participates in the Lawrence County Schools Insurance Purchasing Consortium, an insurance purchasing pool (Note 9). The intent of the consortium is to achieve the benefit of a reduced health insurance premium for the School District by virtue of its grouping and representation with other participants in the consortium. Each participant pays its health insurance premium to the insurance provider. Participation in the consortium is limited to school districts that can meet the criteria outlined in the consortium's operating articles. The firm of Cross and Associates provides administrative services to the consortium.

Ironton City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 11 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (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, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 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 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$66,935, \$56,744, and \$88,074, respectively; 43.09 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$38,092 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$551,121, \$570,189, and \$281,386, respectively; 83.96 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$88,423 represents the unpaid contribution for fiscal year 2002 and is recorded as a liability within the respective funds.

Ironton City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 12 - Postemployment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$261,057 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3,256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent for fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$200,280.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Note 13 - Other 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 five to twenty-five days of vacation per year, depending upon length of service. 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,

Ironton City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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 of 65 days.

B. Life Insurance and Health Care Benefits

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

Health insurance is provided by Medical Mutual of Ohio. Premiums for this coverage are \$889 for family coverage and \$360 for single coverage. The School District pays 85% of the premium.

Note 14 - Capitalized Leases - Lessee Disclosure

In prior years, the School District entered into capitalized leases for six copiers and computer equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the general purpose financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis. Fixed assets acquired by lease have been capitalized in the general fixed assets account group in the amount of \$37,932, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2002.

Fiscal Year Ending June 30,	General Long-Term Obligations
2003	\$5,377
2004	4,637
2005	4,637
2006	1,933
Total minimum lease payments	16,584
Less: amount representing interest	(3,332)
Present value of minimum lease payments	\$13,252

Ironton City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 15 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2002, were as follows:

	Principal Outstanding 6/30/01	Additions	Deductions	Principal Outstanding 6/30/02
Capital Leases	\$21,446	\$0	\$8,194	\$13,252
Energy Conservation Bonds 1998 5.90%	250,303	0	29,911	220,392
Energy Conservation Note 1998 0.00%	22,648	0	15,099	7,549
Compensated Absences	1,136,482	128,415	183,323	1,081,574
Intergovernmental Payable	165,302	106,610	165,302	106,610
Total General Long-Term Obligations	\$1,596,181	\$235,025	\$401,829	\$1,429,377

The capital lease obligation will be paid from the general fund. The energy conservation bonds and note will be paid from the Energy Conservation capital projects fund. Compensated absences will be paid from the fund from which the person is paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the fund from which the person is paid.

The School District's overall legal debt margin was \$11,100,354, with an unvoted debt margin of \$123,337 at June 30, 2002. Principal and interest requirements to retire the energy conservation bonds and notes outstanding at June 30, 2002, are as follows:

Fiscal Year Ending June 30,	Note Principal	Bond Principal	Interest	Total
2003	\$7,549	\$31,676	\$5,567	\$44,792
2004	0	33,544	10,145	43,689
2005	0	35,524	8,108	43,632
2006	0	37,620	5,950	43,570
2007	0	39,839	3,665	43,504
2008	0	42,189	1,245	43,434
	<u>\$7,549</u>	<u>\$220,392</u>	<u>\$34,680</u>	<u>\$262,621</u>

Note 16 - Segment Information for Enterprise Funds

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2002.

Ironton City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$274,532	\$10,689	\$285,221
Depreciation	6,847	0	6,847
Operating Income (Loss)	(351,214)	580	(350,634)
Donated Commodities	31,455	0	31,455
Operating Grants	241,575	0	241,575
Interest Income	5	0	5
Operating Transfers In	143,162	0	143,162
Net Income	64,983	580	65,563
Net Working Capital	(50,193)	1,290	(48,903)
Fixed Asset Additions	1,606	0	1,606
Total Assets	77,106	1,290	78,396
Long-Term Compensated Absences Payable	23,030	0	23,030
Total Equity (Deficit)	(7,532)	1,290	(6,242)
Encumbrances, June 30, 2002	0	0	0

Note 17 - Interfund Balances

Interfund receivables and payables, and amounts due to and due from other funds at June 30, 2002, consist of the following individual balances:

	Interfund Receivable	Interfund Payable	Due from Other Funds	Due to Other Funds
General Fund:	\$1,000	\$0	\$339	\$0
Special Revenue Funds:				
Public School Support Fund	0	0	0	339
Title I	0	1,000	0	0
Total Special Revenue Funds	0	1,000	0	339
Total All Funds	\$1,000	\$1,000	\$339	\$339

Note 18 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

B. Litigation

The School District is not currently party to legal proceedings.

Ironton City School District
Notes to the General Purpose Financial Statements
June 30, 2002

Note 19 - Set-Aside Calculations and Fund Reserves

The Ironton City 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 year must be held in cash at year end. These amounts must be carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2002, only the unspent portion of certain workers' compensation refunds continues to be set aside.

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

	Budget		Capital
	Stabilization	Textbooks	Acquisition
Set-aside Reserve Balance as of June 30, 2001	\$106,941	\$124,865	\$16,318
Current Year Set-aside Requirement	0	202,330	202,330
Qualifying Disbursements	0	(98,415)	(229,833)
Totals	<u>\$106,941</u>	<u>\$228,780</u>	<u>(\$11,185)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$106,941</u>	<u>\$228,780</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2002	<u>\$106,941</u>	<u>\$228,780</u>	<u>\$0</u>

The total reserve balance for set-asides at the end of the fiscal year was \$335,721.

Note 20 - State School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

Ironton City School District
Notes to the General Purpose Financial Statements
June 30, 2002

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

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**IRONTON CITY SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass-Through Entity's Number	Federal CFDA Number	Receipts	NonCash Receipts	Disbursements	NonCash Disbursements
<u>UNITED STATES DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$ 26,559	\$0	\$ 25,376
National School Breakfast Program	05PU-01/02	10.553	32,641	0	32,641	0
National School Lunch Program	LLP1-2000 LLP4-2002	10.555	190,619	0	190,619	0
Total Nutrition Cluster			223,260	26,559	223,260	25,376
Total United States Department of Agriculture			223,260	26,559	223,260	25,376
<u>UNITED STATES DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
ABLE	ABS1 01/02	84.002	260,728	0	229,298	0
Title I Program	C1SD 2002 C1S1 2002	84.010	1,101,845	0	591,306	0
Special Education Cluster:						
Education of Handicapped - Title VI-B	6BSF 01/02	84.027	146,229	0	96,204	0
Handicapped Preschool & School Program	PGS1 01/02	84.173	45,320	0	41,816	0
Total Special Education Cluster			191,549	0	138,020	0
Drug Free Schools Program	DRS1 2002	84.186	28,068	0	10,309	0
Goals 2000	N/A	84.276	0	0	554	0
Eisenhower Professional Development Grant	MSS1-2002	84.281	14,393	0	1,901	0
Innovative Education Program - Title VI	C2S1 01/02	84.298	29,230	0	15,387	0
Technology Literacy Challenge Fund - Raising the Bar	N/A	84.318	0	0	23,670	0
State Program Improvement Grants	N/A	84.323	0	0	43,888	0
Comprehensive School Reform Grant	RFS2 2001	84.332	50,000	0	46,715	0
Class Size Reduction Grant	044149-CRS1 2001/02	84.340	98,620	0	61,804	0
Total United States Department of Education			1,774,433	0	1,162,852	0
<u>UNITED STATES DEPARTMENT OF MENTAL RETARDATION</u>						
<i>Passed Through Ohio Department of Mental Retardation</i>						
Medical Assistance Program - Title XIX	N/A	93.778	105,461	0	105,461	0
Total United States Department of Mental Retardation			105,461	0	105,461	0
<u>CORPORATION FOR NATIONAL SERVICE</u>						
<i>Passed through Ohio Department of Education</i>						
Learn and Serve America	044149-SVS1- 2000	94.004	0	0	2,827	0
Total Corporation for National Service			0	0	2,827	0
Total Federal Awards Receipts and Expenditures			2,103,154	26,559	1,494,400	25,376

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

**IRONTON CITY SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the School District's Federal Award Programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the United States Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the United States Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the School District had food commodities valued at \$6,079.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL 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 accompanying general purpose financial statements of Ironton City School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2002, and have issued our report thereon dated November 26, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2002-10744-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated November 26, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated November 26, 2002.

Ironton City School District
Lawrence County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

November 26, 2002



STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the Board of Education:

Compliance

We have audited the compliance of Ironton City School District, Lawrence County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The School District's major federal programs are identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002. We noted certain instances of noncompliance that do not require inclusion in this report that we have reported to management of the School District in a separate letter dated November 26, 2002.

Internal Control over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operations that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated November 26, 2002.

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



Jim Petro
Auditor of State

November 26, 2002

**IRONTON CITY SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Local Education Agencies – Title I – CFDA #84.010 Nutrition Cluster – CFDA #10.550, 10.553, 10.555
(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
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

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

FINDING NUMBER 2002-10744-001

Noncompliance Citation

Ohio Rev. Code Section 5705.10 states that money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expense of another fund.

The School District had the following negative fund balances throughout the year:

Fund 001	General	November 2001	(\$719,840)
Fund 004	Energy Conservation	November 2001	(\$43,586)
Fund 004	Energy Conservation	April 2002	(\$56,379)
Fund 006	Food Service	November 2001	(\$73,779)
Fund 006	Food Service	April 2002	(\$133,291)
Fund 501-9001	Adult Education	November 2001	(\$123,651)
Fund 572-9001	Title I	November 2001	(\$582,017)
Fund 572-9001	Title I	April 2002	(\$118,202)

We recommend the School Treasurer not use funds from one fund to cover the expenses of another fund. If necessary, the School Treasurer should make interfund advances using the procedures described in Auditor of State Bulletin 1997-003.

3. FINDINGS FOR FEDERAL AWARDS

None

**IRONTON CITY SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 §.315 (b)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-10744-001	Ohio Rev. Code Section 5705.10 – negative fund balances	No	A noncompliance citation is included in the current report as Item # 2002-10744-001.
2001-10744-002	Ohio Rev. Code Section 5705.36 – estimated exceeded actual receipts	Yes	
2001-10744-003	Ohio Rev. Code Section 5705.39 – appropriations exceeding estimated resources	No	Partially corrected. Immaterial variances were noted. Noncompliance citation was included in the management letter.
2001-10744-004	Ohio Rev. Code Section 5705.41(B) – expenditures exceeded appropriations	No	Partially corrected. Immaterial variances were noted. Noncompliance citation was included in the management letter.
2001-10774-005	Finding for Recovery. A band booster sponsor embezzled monies from the school.	Yes	Case was tried in court and the band booster sponsor was found guilty. She is currently incarcerated for her crime. However, not all funds were recovered.

**IRONTON CITY SCHOOL DISTRICT
LAWRENCE COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 §.315 (c)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2002-10744-001	The School Treasurer will not use funds from one fund to cover the expenses of another fund.	June 30, 2003	Patty Wade, Treasurer



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IRONTON CITY SCHOOL DISTRICT

LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 30, 2003**