

City of Ironton

Lawrence County, Ohio

Single Audit

January 1, 2011 through December 31, 2011

Fiscal Year Audited Under GAGAS: 2011



**Caudill & Associates, CPA**

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# Dave Yost • Auditor of State

Members of Council  
City of Ironton  
301 South Third Street  
Ironton, Ohio 45638

We have reviewed the *Independent Auditor's Report* of the City of Ironton, Lawrence County, prepared by Caudill & Associates, CPA, for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Ironton is responsible for compliance with these laws and regulations.

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Dave Yost  
Auditor of State

May 31, 2013

TABLE OF CONTENTS

**I** FINANCIAL SECTION

A Independent Auditor’s Report.....1

B Management’s Discussion and Analysis .....3

C Basic Financial Statements:

    Government-wide Financial Statements:

        Statement of Net Assets.....11

        Statement of Activities .....12

    Fund Financial Statements:

*Governmental Funds:*

            Balance Sheet .....14

            Reconciliation of Total Governmental Fund Balances to Net Assets of  
                Governmental Activities .....16

            Statement of Revenues, Expenditures and Changes in Fund Balances .....18

            Reconciliation of the Statement of Revenues, Expenditures and Changes  
                in Fund Balances of Governmental Funds to the Statement of Activities ....20

            Statement of Revenues, Expenditures and Changes in Fund Balance –  
                Budget and Actual (Non-GAAP Budgetary Basis):

                General Fund .....21

*Proprietary Funds:*

                    Statement of Net Assets.....22

                    Statement of Revenues, Expenses and Changes in Fund Net Assets .....26

                    Statement of Cash Flows .....28

*Fiduciary Funds:*

                    Statement of Assets and Liabilities.....32

Notes to the Basic Financial Statements.....33

**CITY OF IRONTON, OHIO**

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Schedule of Expenditures of Federal Awards ..... 66

Notes to the Schedule of Expenditures of Federal Awards ..... 67

Independent Auditors’ Report on Internal Control Over  
Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards* ..... 68

Independent Auditors’ Report on Compliance with  
Requirements Applicable to Each Major Federal  
Programs and on Internal Control Over  
Compliance in Accordance with OMB Circular A-133 ..... 70

Schedule of Findings and Questioned Costs - *OMB Circular A-133 §.505* ..... 72

Schedule of Prior Audit Findings – *OMB Circular A-133 § .315(b)* ..... 77

Corrective Action Plan – *OMB Circular A-133 § .315(c)* ..... 78



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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Ironton  
Lawrence County  
301 South Third Street  
P.O. Box 704  
Ironton, OH 45638

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Ironton, Lawrence County, Ohio, (the "City"), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The City did not attempt to update capital assets on their current financial statements. They showed no change from the prior year and as noted in the prior year, we were not able to obtain adequate support for the amounts reported as the City's capital assets and invested in capital assets net of related debt in the Statement of Net Assets for Governmental Type Activities, Business Type Activities, Ironton Port Authority (Component Unit), Water Fund, Sewer Fund, Sanitation Fund, and the Storm Water Fund. We also did not receive support for the capital assets footnote and contractual commitments footnote which would allow us to determine if the amounts reported were complete and accurate.

In our opinion, except for the lack of support for capital assets and invested in capital assets net of related debt as described above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ironton, Ohio as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

City of Ironton  
Lawrence County, Ohio  
Independent Auditor's Report

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in blue ink that reads "Caudill & Associates, CPA". The signature is written in a cursive style and is centered within a light gray rectangular box.

Caudill & Associates, CPA  
January 31, 2013

Except for the Schedule of Expenditures of Federal Awards, as to which is dated May 17, 2013.

***CITY OF IRONTON, OHIO***

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**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2011**

*Prepared by:*  
**Kristen Martin**  
**Director of Finance**

# CITY OF IRONTON, OHIO

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*Management's Discussion and Analysis  
For the Fiscal Year Ended December 31, 2011*

*Unaudited*

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The discussion and analysis of the City of Ironton's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2011. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

## **FINANCIAL HIGHLIGHTS**

Key financial highlights for 2011 are as follows:

- ❑ In total, net assets decreased \$4,384,165. Net assets of governmental activities increased \$2,540,853, which represents a 10.7% increase from 2010. Net assets of business-type activities decreased 81.9%, or \$6,925,018 from 2010.
- ❑ General revenues accounted for \$4,885,923 in revenue, or 34.3% of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants and capital grants and contributions accounted for \$9,378,412, or 65.7% of total revenues of \$14,264,335.
- ❑ The City had \$7,106,474 in expenses related to governmental activities; only \$4,772,397 of these expenses were offset by program specific charges for services and sales, and operating grants and capital grants and contributions. General revenues and net assets (primarily taxes) of \$4,874,930 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$5,314,366 in revenues and \$5,531,274 in expenditures. The general fund's fund balance decreased \$42,281.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the City's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

# CITY OF IRONTON, OHIO

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*Management's Discussion and Analysis  
For the Fiscal Year Ended December 31, 2011*

*Unaudited*

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## **Government-Wide Financial Statements**

The government-wide statements report information about the City as a whole using accepted methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net-assets (the difference between the City's assets and liabilities) is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as the City's tax base and the condition of the City's capital assets.

The government-wide financial statements of the City are divided into two categories:

- *Governmental Activities* – Most of the City's programs and services are reported here including general government, public safety, street maintenance, construction and repair, health and social services, and recreation.
- *Business-Type Activities* – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water, sewer, refuse collection, and storm water services are reported as business-type activities.
- *Component Unit* – The City's financial statements include financial data for the Ironton Port Authority. The Component Unit is described in the notes to the financial statements.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

**Governmental Funds** – Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance operations. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

## CITY OF IRONTON, OHIO

**Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2011**

**Unaudited**

**Proprietary Funds** – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities.

### FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of the City's net assets at December 31, 2011 and 2010:

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$5,684,212	\$3,349,395	\$6,194,677	\$2,108,437	\$11,878,889	\$5,457,832
Capital assets, Net	24,305,013	24,305,013	11,566,732	11,566,732	35,871,745	35,871,745
Total assets	29,989,225	27,654,408	17,761,409	13,675,169	47,750,634	41,329,577
Long-term debt outstanding	2,923,969	3,085,133	15,736,339	4,801,161	18,660,308	7,886,294
Other liabilities	743,038	787,910	504,361	428,281	1,247,399	1,216,191
Total liabilities	3,667,007	3,873,043	16,240,700	5,229,442	19,907,707	9,102,485
Net assets						
Invested in capital assets, net of related debt	22,060,899	21,974,876	7,132,104	7,299,956	29,193,003	29,274,832
Restricted	4,171,510	1,617,343	0	0	4,171,510	1,617,343
Unrestricted	89,809	189,146	(5,611,395)	1,145,771	(5,521,586)	1,334,917
Total net assets	<u>\$26,322,218</u>	<u>\$23,781,365</u>	<u>\$1,520,709</u>	<u>\$8,445,727</u>	<u>\$27,842,927</u>	<u>\$32,227,092</u>

## CITY OF IRONTON, OHIO

**Management's Discussion and Analysis  
For the Fiscal Year Ended December 31, 2011**

**Unaudited**

**Changes in Net Assets** – The following table shows the changes in net assets for the fiscal year 2011 and 2010:

	Governmental Activities		Business-type Activities		Total	Total
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues:						
Charges for Services and Sales	\$1,759,424	\$1,807,624	\$4,128,791	\$3,862,542	\$5,888,215	\$5,670,166
Operating Grants and Contributions	3,012,973	989,944	0	0	3,012,973	989,944
Capital Grants and Contributions	0	0	477,224	3,772,032	477,224	3,772,032
Total Program Revenues	4,772,397	2,797,568	4,606,015	7,634,574	9,378,412	10,432,142
General Revenues:						
Taxes	2,629,908	2,265,429	0	0	2,629,908	2,265,429
Intergovernmental, Unrestricted	640,133	874,486	0	0	640,133	874,486
Investment Earnings	15,726	35,141	10,993	30,689	26,719	65,830
Miscellaneous	1,589,163	51,266	0	0	1,589,163	51,266
Total General Revenues	4,874,930	3,226,322	10,993	30,689	4,885,923	3,257,011
Total Revenues	9,647,327	6,023,890	4,617,008	7,665,263	14,264,335	13,689,153
Program Expenses						
Security of Persons & Property	3,396,724	3,488,221	0	0	3,396,724	3,488,221
Public Health and Welfare Services	264,201	265,653	0	0	264,201	265,653
Leisure Time Activities	104,548	165,586	0	0	104,548	165,586
Community Environment	744,240	2,035,596	0	0	744,240	2,035,596
Transportation	656,391	966,544	0	0	656,391	966,544
General Government	1,823,369	3,106,530	0	0	1,823,369	3,106,530
Interest and Fiscal Charges	117,001	122,879	0	0	117,001	122,879
Water	0	0	2,561,942	1,894,986	2,561,942	1,894,986
Sewer	0	0	4,489,620	4,246,604	4,489,620	4,246,604
Sanitation	0	0	635,834	804,041	635,834	804,041
Storm Water	0	0	3,854,630	3,393,636	3,854,630	3,393,636
Total expenses	7,106,474	10,151,009	11,542,026	10,339,267	18,648,500	20,490,276
Total Change in Net Assets	2,540,853	(4,127,119)	(6,925,018)	(2,674,004)	(4,384,165)	(6,801,123)
Beginning Net Assets	23,781,365	27,908,484	8,445,727	11,119,731	32,227,092	39,028,215
Ending Net Assets	\$26,322,218	\$23,781,365	\$1,520,709	\$8,445,727	\$27,842,927	\$32,227,092

### **Governmental Activities**

Net assets of the City's Governmental Activities increased \$2,540,853. Clean Ohio grants for the cleanup of the downtown riverfront resulted in the increase in operating grants and contributions. Sewer bond proceeds were used to reimburse the Governmental Activities for payments made in 2010 for costs related to a sewer relining project. The total amount reimbursed to the Governmental Activities in 2011 was \$1,211,017, which is recorded in miscellaneous revenue. A decrease in capital costs resulted in a decrease in expenses.

## CITY OF IRONTON, OHIO

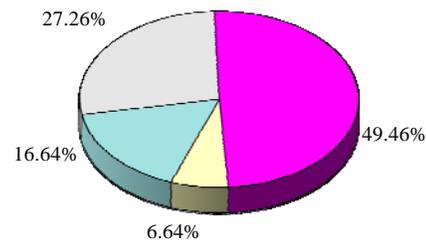
**Management's Discussion and Analysis  
For the Fiscal Year Ended December 31, 2011**

**Unaudited**

The City also receives an income tax, which is based on 1.0% of all salaries, wages, commissions and other compensation and on net profits earned from residents living within the City and businesses operating in the City.

Taxes made up 27.26% of revenues for governmental activities for the City in fiscal year 2011. The City's reliance upon tax revenues is demonstrated by the following graph:

Revenue Sources	2011	Percent of Total
Taxes	\$2,629,908	27.26%
Program Revenues	4,772,397	49.46%
Intergovernmental, Unrestricted	640,133	6.64%
General Other	1,604,889	16.64%
Total Revenue	<u>\$9,647,327</u>	<u>100.00%</u>



### **Business-type Activities**

Net assets of the City's business-type activities decreased \$6,925,018. OWDA grants received in the prior year resulted in the decrease in capital grants and contributions in the current year.

### **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The City's governmental funds reported a combined fund balance of \$2,235,827, which is an increase from last year's balance of \$1,352,204. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2011 and 2010:

	Fund Balance December 31, 2011	Restated Fund Balance December 31, 2010	Increase (Decrease)
General	\$492,848	\$535,129	(\$42,281)
Capital Infrastructure Project	13,575	13,575	0
Clean Ohio	81,217	197,054	(115,837)
Other Governmental	1,648,187	606,446	1,041,741
Total	<u>\$2,235,827</u>	<u>\$1,352,204</u>	<u>\$883,623</u>

## CITY OF IRONTON, OHIO

*Management's Discussion and Analysis  
For the Fiscal Year Ended December 31, 2011*

*Unaudited*

General Fund – The City's General Fund balance change is due to many factors. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2011	Restated 2010	Increase
	<u>Revenues</u>	<u>Revenues</u>	<u>(Decrease)</u>
Taxes	\$2,404,712	\$2,404,766	(\$54)
Intergovernmental Revenues	784,364	778,092	6,272
Charges for Services	1,232,119	1,227,677	4,442
Licenses and Permits	78,950	90,615	(11,665)
Investment Earnings	10,033	18,664	(8,631)
Special Assessments	3,994	3,640	354
Fines and Forfeitures	283,574	304,293	(20,719)
All Other Revenue	<u>516,620</u>	<u>315,961</u>	<u>200,659</u>
Total	<u>\$5,314,366</u>	<u>\$5,143,708</u>	<u>\$170,658</u>

General Fund revenues in 2011 remained stable when compared with the prior year, increasing \$170,658 or 3.3%.

	2011	Restated 2010	Increase
	<u>Expenditures</u>	<u>Expenditures</u>	<u>(Decrease)</u>
Security of Persons & Property	\$3,132,952	\$3,291,526	(\$158,574)
Public Health and Welfare Services	261,749	265,163	(3,414)
Community Environment	44,862	46,770	(1,908)
General Government	1,825,957	1,845,823	(19,866)
Capital Outlay	1,466	27,268	(25,802)
Debt Service:			
Principal Retirement	148,202	211,753	(63,551)
Interest and Fiscal Charges	<u>116,086</u>	<u>122,480</u>	<u>(6,394)</u>
Total	<u>\$5,531,274</u>	<u>\$5,810,783</u>	<u>(\$279,509)</u>

General Fund expenditures decreased \$279,509, or 5%. A decrease in salaries and related costs in the police and fire departments resulted in the decrease in security of persons and property.

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

For the General Fund, actual budget basis revenue of \$4.5 million did not significantly change from original and final budget estimates. Actual budget basis expenditures of \$5.1 million did not significantly change from original and final budget estimates. The General Fund had an adequate fund balance to cover expenditures.

## CITY OF IRONTON, OHIO

*Management's Discussion and Analysis  
For the Fiscal Year Ended December 31, 2011*

*Unaudited*

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### *Capital Assets*

At the end of fiscal 2011 the City had \$35,871,745 net of accumulated depreciation invested in land, construction in progress, buildings, land improvements, machinery and equipment, and infrastructure. Of this total, \$24,305,013 was related to governmental activities and \$11,566,732 to the business-type activities. The following table shows fiscal year 2011 and 2010 balances:

	Governmental Activities		Increase (Decrease)
	2011	2010	
Land	\$1,740,045	\$1,740,045	\$0
Construction in Progress	161,933	161,933	0
Buildings	3,150,900	3,150,900	0
Land Improvements	4,454,077	4,454,077	0
Machinery and Equipment	3,477,572	3,477,572	0
Infrastructure	35,825,162	35,825,162	0
Less: Accumulated Depreciation	(24,504,676)	(24,504,676)	0
Totals	\$24,305,013	\$24,305,013	\$0

	Business-Type Activities		Increase (Decrease)
	2011	2010	
Land	\$60,060	\$60,060	\$0
Construction in Progress	894,546	894,546	0
Land Improvements	6,534,456	6,534,456	0
Buildings and Improvements	4,051,851	4,051,851	0
Machinery and Equipment	5,627,138	5,627,138	0
Infrastructure	5,364,722	5,364,722	0
Less: Accumulated Depreciation	(10,966,041)	(10,966,041)	0
Totals	\$11,566,732	\$11,566,732	\$0

Additional information on the City's capital assets can be found in Note 9.

## **CITY OF IRONTON, OHIO**

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**Management's Discussion and Analysis  
For the Fiscal Year Ended December 31, 2011**

**Unaudited**

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### **Debt**

At December 31, 2011, the City had \$14,086,000 in bonds outstanding, \$218,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Governmental Activities:		
General Obligation Bonds	\$2,030,000	\$2,115,000
Installment Loans	103,687	13,477
General Obligation Notes	110,427	201,660
Police and Firemen's Accrued Pension	431,404	441,970
Compensated Absences	<u>248,451</u>	<u>313,026</u>
Total Governmental Activities	2,923,969	3,085,133
Business-Type Activities:		
Ohio Water Development Authority Loan	\$2,722,401	\$2,398,315
Ohio Public Works Commission Loan	328,125	346,875
General Obligation Notes	7,225	57,486
Installment Loans	483,059	619,751
General Obligation Bonds	12,056,000	1,245,000
Compensated Absences	<u>139,529</u>	<u>133,734</u>
Total Business-Type Activities	<u>15,736,339</u>	<u>4,801,161</u>
Totals	<u><u>\$18,660,308</u></u>	<u><u>\$7,886,294</u></u>

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.50% of the total assessed value of real and personal property. At December 31, 2011, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 13.

### **ECONOMIC FACTORS**

City Council continues to pursue new revenue sources, while reviewing the possibility of increasing existing sources, in addition to a continued review of reducing expenditures. A close watch of current economic conditions is ongoing to determine if increased revenues, or further reductions in expenditures, are necessary in order to maintain fiscal stability.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Finance Department by calling 740-533-0439 or writing to the City of Ironton Finance Department, 301 S. 3<sup>rd</sup> St. – 2<sup>nd</sup> Floor, PO Box 704, Ironton, Ohio 45638.

## CITY OF IRONTON, OHIO

### Statement of Net Assets December 31, 2011

	Governmental Activities	Business-Type Activities	Total	Component Unit Ironton Port Authority
<b>Assets:</b>				
Pooled Cash and Investments	\$ 1,759,231	\$ 4,910,514	\$ 6,669,745	\$ 0
Cash and Cash Equivalents	0	0	0	317,125
Receivables:				
Taxes	781,298	0	781,298	0
Accounts	114,985	341,248	456,233	0
Intergovernmental	2,325,900	0	2,325,900	0
Interest	0	32	32	0
Loans	682,656	0	682,656	0
Internal Balances	(1,294)	1,294	0	0
Prepays	21,436	8,623	30,059	0
Restricted Assets:				
Cash and Cash Equivalents	0	165,546	165,546	0
Cash and Cash Equivalents with Fiscal Agent	0	767,420	767,420	0
Capital Assets:				
Capital Assets Not Being Depreciated	1,901,978	954,606	2,856,584	0
Capital Assets Being Depreciated	22,403,035	10,612,126	33,015,161	0
<b>Total Assets</b>	<b>29,989,225</b>	<b>17,761,409</b>	<b>47,750,634</b>	<b>317,125</b>
<b>Liabilities:</b>				
Accounts Payable	53,275	102,146	155,421	0
Accrued Wages and Benefits	243,633	151,022	394,655	0
Intergovernmental Payable	337	0	337	0
Refundable Deposits	0	205,015	205,015	0
Deferred Revenue	435,000	0	435,000	0
Accrued Interest Payable	10,793	46,178	56,971	0
Long Term Liabilities:				
Due Within One Year	374,215	640,958	1,015,173	0
Due in More Than One Year	2,549,754	15,095,381	17,645,135	0
<b>Total Liabilities</b>	<b>3,667,007</b>	<b>16,240,700</b>	<b>19,907,707</b>	<b>0</b>
<b>Net Assets:</b>				
Invested in Capital Assets, Net of Related Debt	22,060,899	7,132,104	29,193,003	0
Restricted For:				
Capital Projects	316,313	0	316,313	0
Debt Service	30,062	0	30,062	0
Streets & Highways	335,839	0	335,839	0
Security of Persons & Property	850,177	0	850,177	0
Other Purposes	2,639,119	0	2,639,119	0
Unrestricted (Deficit)	89,809	(5,611,395)	(5,521,586)	317,125
<b>Total Net Assets</b>	<b>\$ 26,322,218</b>	<b>\$ 1,520,709</b>	<b>\$ 27,842,927</b>	<b>\$ 317,125</b>

See accompanying notes to the basic financial statements

## CITY OF IRONTON, OHIO

### Statement of Activities For the Year Ended December 31, 2011

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Security of Persons and Property	\$ 3,396,724	\$ 690,791	\$ 98,760	\$ 0
Public Health and Welfare Services	264,201	113,845	14,170	0
Leisure Time Activities	104,548	0	0	0
Community Environment	744,240	3,994	2,322,067	0
Transportation	656,391	0	522,373	0
General Government	1,823,369	950,794	55,603	0
Interest and Fiscal Charges	117,001	0	0	0
<b>Total Governmental Activities</b>	<b>7,106,474</b>	<b>1,759,424</b>	<b>3,012,973</b>	<b>0</b>
<b>Business-Type Activities:</b>				
Water	2,561,942	1,686,040	0	397,224
Sewer	4,489,620	1,186,413	0	40,000
Sanitation	635,834	697,857	0	0
Storm Water	3,854,630	558,481	0	40,000
<b>Total Business-Type Activities</b>	<b>11,542,026</b>	<b>4,128,791</b>	<b>0</b>	<b>477,224</b>
<b>Total Primary Government</b>	<b>\$ 18,648,500</b>	<b>\$ 5,888,215</b>	<b>\$ 3,012,973</b>	<b>\$ 477,224</b>
 <b>Component Unit:</b>				
Ironton Port Authority	\$ 102,748	\$ 380,567	\$ 0	\$ 0

#### General Revenues

Property Taxes  
Municipal Income Taxes  
Intergovernmental, Unrestricted  
Investment Earnings  
Miscellaneous  
Total General Revenues

Change in Net Assets

Net Assets Beginning of Year  
Net Assets End of Year

See accompanying notes to the basic financial statements

**CITY OF IRONTON, OHIO**

Net (Expense) Revenue and Changes in Net Assets			Component Unit
Governmental Activities	Business-Type Activities	Total	Ironton Port Authority
\$ (2,607,173)	\$ 0	\$ (2,607,173)	
(136,186)	0	(136,186)	
(104,548)	0	(104,548)	
1,581,821	0	1,581,821	
(134,018)	0	(134,018)	
(816,972)	0	(816,972)	
(117,001)	0	(117,001)	
<u>(2,334,077)</u>	<u>0</u>	<u>(2,334,077)</u>	
0	(478,678)	(478,678)	
0	(3,263,207)	(3,263,207)	
0	62,023	62,023	
0	(3,256,149)	(3,256,149)	
<u>0</u>	<u>(6,936,011)</u>	<u>(6,936,011)</u>	
\$ (2,334,077)	\$ (6,936,011)	\$ (9,270,088)	
			<u>\$ 277,819</u>
466,117	0	466,117	0
2,163,791	0	2,163,791	0
640,133	0	640,133	0
15,726	10,993	26,719	0
1,589,163	0	1,589,163	0
<u>4,874,930</u>	<u>10,993</u>	<u>4,885,923</u>	<u>0</u>
2,540,853	(6,925,018)	(4,384,165)	277,819
23,781,365	8,445,727	32,227,092	39,306
<u>\$ 26,322,218</u>	<u>\$ 1,520,709</u>	<u>\$ 27,842,927</u>	<u>\$ 317,125</u>

**CITY OF IRONTON, OHIO**

**Balance Sheet**  
**Governmental Funds**  
**December 31, 2011**

	General	Capital Infrastructure Project	Clean Ohio
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets:</b>			
Pooled Cash and Investments	\$ 251,063	\$ 13,575	\$ 0
Receivables:			
Taxes	534,243	0	0
Accounts	114,971	0	0
Intergovernmental	256,252	0	1,598,095
Loans	0	0	0
Prepaid Items	20,719	0	0
<b>Total Assets</b>	<u><u>\$ 1,177,248</u></u>	<u><u>\$ 13,575</u></u>	<u><u>\$ 1,598,095</u></u>
<b>Liabilities:</b>			
Accounts Payable	\$ 27,099	\$ 0	\$ 0
Accrued Wages and Benefits Payable	220,281	0	0
Intergovernmental Payable	337	0	0
Deferred Revenue	436,683	0	1,516,878
<b>Total Liabilities</b>	<u><u>684,400</u></u>	<u><u>0</u></u>	<u><u>1,516,878</u></u>
<b>Fund Balances:</b>			
Nonspendable	20,719	0	0
Restricted	11,121	13,575	81,217
Committed	337,595	0	0
Assigned	25,253	0	0
Unassigned	98,160	0	0
<b>Total Fund Balances</b>	<u><u>492,848</u></u>	<u><u>13,575</u></u>	<u><u>81,217</u></u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 1,177,248</u></u>	<u><u>\$ 13,575</u></u>	<u><u>\$ 1,598,095</u></u>

See accompanying notes to the basic financial statements

**CITY OF IRONTON, OHIO**

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Other Governmental Funds	Total Governmental Funds
\$ 1,491,576	\$ 1,756,214
247,055	781,298
14	114,985
471,553	2,325,900
682,656	682,656
717	21,436
<u>\$ 2,893,571</u>	<u>\$ 5,682,489</u>
\$ 25,035	\$ 52,134
23,352	243,633
0	337
<u>1,196,997</u>	<u>3,150,558</u>
<u>1,245,384</u>	<u>3,446,662</u>
717	21,436
1,665,009	1,770,922
0	337,595
0	25,253
<u>(17,539)</u>	<u>80,621</u>
<u>1,648,187</u>	<u>2,235,827</u>
<u>\$ 2,893,571</u>	<u>\$ 5,682,489</u>

**CITY OF IRONTON, OHIO**

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***Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities  
December 31, 2011***

---

**Total Governmental Fund Balances** \$ 2,235,827

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

Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.

Capital Assets used in the operation of Governmental Funds 24,305,013

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. 2,715,558

The internal service funds are used by management to charge the costs of services to individual funds. The assets and liabilities of the internal service funds are generally included in governmental activities in the statement of net assets, however a portion is also allocated to the business-type activities.

Internal Service Net Assets	1,876	
Allocation to Business-Type Activities	<u>(1,294)</u>	582

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

General Obligation Bonds Payable	(2,030,000)	
Installment Loans	(103,687)	
Long Term Notes	(110,427)	
Police Pension Accrued Liability	(431,404)	
Compensated Absences Payable related to Governmental Funds	(248,451)	
Accrued Interest Payable	<u>(10,793)</u>	<u>(2,934,762)</u>

***Net Assets of Governmental Activities*** **\$ 26,322,218**

See accompanying notes to the basic financial statements

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## CITY OF IRONTON, OHIO

### Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2011

	General	Capital Infrastructure Project	Clean Ohio
<b>Revenues:</b>			
Taxes	\$ 2,404,712	\$ 0	\$ 0
Intergovernmental Revenues	784,364	0	351,156
Charges for Services	1,232,119	0	0
Licenses and Permits	78,950	0	0
Investment Earnings	10,033	0	0
Special Assessments	3,994	0	0
Fines and Forfeitures	283,574	0	0
All Other Revenue	516,620	0	0
<b>Total Revenue</b>	<b>5,314,366</b>	<b>0</b>	<b>351,156</b>
<b>Expenditures:</b>			
Current:			
Security of Persons and Property	3,132,952	0	0
Public Health and Welfare Services	261,749	0	0
Leisure Time Activities	0	0	0
Community Environment	44,862	0	466,993
Transportation	0	0	0
General Government	1,825,957	0	0
Capital Outlay	1,466	0	0
Debt Service:			
Principal Retirement	148,202	3,214,461	0
Interest and Fiscal Charges	116,086	0	0
<b>Total Expenditures</b>	<b>5,531,274</b>	<b>3,214,461</b>	<b>466,993</b>
Excess (Deficiency) of Revenues Over Expenditures	(216,908)	(3,214,461)	(115,837)
<b>Other Financing Sources (Uses):</b>			
Sale of Capital Assets	1,130	0	0
Installment Loan Proceeds	93,000	0	0
Sale of Notes	0	3,214,461	0
Transfers In	80,497	0	0
Transfers Out	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>174,627</b>	<b>3,214,461</b>	<b>0</b>
Net Change in Fund Balances	(42,281)	0	(115,837)
<b>Fund Balances at Beginning of Year - Restated</b>	<b>535,129</b>	<b>13,575</b>	<b>197,054</b>
<b>Fund Balances End of Year</b>	<b>\$ 492,848</b>	<b>\$ 13,575</b>	<b>\$ 81,217</b>

See accompanying notes to the basic financial statements

**CITY OF IRONTON, OHIO**

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Other Governmental Funds	Total Governmental Funds
\$ 219,275	\$ 2,623,987
1,029,061	2,164,581
19	1,232,138
0	78,950
5,693	15,726
0	3,994
160,768	444,342
<u>1,032,708</u>	<u>1,549,328</u>
<u>2,447,524</u>	<u>8,113,046</u>
265,769	3,398,721
0	261,749
103,316	103,316
232,385	744,240
651,491	651,491
47,444	1,873,401
30,660	32,126
30,821	3,393,484
<u>2,105</u>	<u>118,191</u>
<u>1,363,991</u>	<u>10,576,719</u>
1,083,533	(2,463,673)
38,705	39,835
0	93,000
0	3,214,461
0	80,497
<u>(80,497)</u>	<u>(80,497)</u>
<u>(41,792)</u>	<u>3,347,296</u>
1,041,741	883,623
<u>606,446</u>	<u>1,352,204</u>
<u>\$ 1,648,187</u>	<u>\$ 2,235,827</u>

**CITY OF IRONTON, OHIO**

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***Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds  
To the Statement of Activities  
For the Fiscal Year Ended December 31, 2011***

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<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$ 883,623</b>
<i>Amounts reported for governmental activities in the statement of activities are different because</i>		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		1,494,446
The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets.		
Installment Loan Issued		(93,000)
Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
General Obligation Bond Principal Payment	85,000	
Installment Loan Principal Payment	2,790	
Long Term Notes Payable	91,233	
Police Accrued Pension Liability	<u>10,566</u>	189,589
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		1,190
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in Compensated Absences - governmental funds		64,575
The internal service funds, which are used by management to charge the costs of services to individual funds, are not included in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities and business-type activities.		
Change in Net Assets - internal service funds	723	
Change in portion of internal service fund net assets allocated to Business-Type Activities	<u>(293)</u>	<u>430</u>
<b><i>Change in Net Assets of Governmental Activities</i></b>		<b><u><u>\$ 2,540,853</u></u></b>

See accompanying notes to the basic financial statements

## CITY OF IRONTON, OHIO

**Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
General Fund  
For the Year Ended December 31, 2011**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 2,418,951	\$ 2,443,268	\$ 2,408,354	\$ (34,914)
Intergovernmental Revenue	844,421	852,910	746,313	(106,597)
Charges for Services	844,015	852,500	840,590	(11,910)
Licenses and Permits	19,801	20,000	18,852	(1,148)
Investment Earnings	7,425	7,500	7,567	67
Special Assessments	3,955	3,995	3,994	(1)
Fines and Forfeitures	299,120	302,127	284,280	(17,847)
All Other Revenues	213,477	215,622	212,306	(3,316)
Total Revenues	<u>4,651,165</u>	<u>4,697,922</u>	<u>4,522,256</u>	<u>(175,666)</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	3,066,914	3,066,914	3,054,131	12,783
Public Health and Welfare Services	4,136	4,136	3,827	309
Community Environment	46,595	46,595	45,216	1,379
General Government	1,914,004	1,914,004	1,881,975	32,029
Capital Outlay	1,466	1,466	1,466	0
Debt Service:				
Principal Retirement	80,156	80,156	79,936	220
Interest and Fiscal Charges	53,704	53,704	53,704	0
Total Expenditures	<u>5,166,975</u>	<u>5,166,975</u>	<u>5,120,255</u>	<u>46,720</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(515,810)	(469,053)	(597,999)	(128,946)
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	1,130	1,130	1,130	0
Installment Loan Proceeds	93,000	93,000	93,000	0
Transfers In	324,616	324,616	324,616	0
Transfers Out	(112,500)	(112,500)	(112,500)	0
Total Other Financing Sources (Uses):	<u>306,246</u>	<u>306,246</u>	<u>306,246</u>	<u>0</u>
Net Changes in Fund Balance	(209,564)	(162,807)	(291,753)	(128,946)
Fund Balance at Beginning of Year	142,830	142,830	142,830	0
Prior Year Encumbrances	46,218	46,218	46,218	0
Fund Balance at End of Year	<u>\$ (20,516)</u>	<u>\$ 26,241</u>	<u>\$ (102,705)</u>	<u>\$ (128,946)</u>

See accompanying notes to the basic financial statements

**CITY OF IRONTON, OHIO**

**Statement of Net Assets**  
**Proprietary Funds**  
**December 31, 2011**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Sanitation
<b>Assets:</b>			
<i>Current Assets:</i>			
Pooled Cash and Investments	\$ 0	\$ 2,473,771	\$ 110,489
Receivables:			
Accounts	139,530	96,455	65,853
Interest	0	32	0
Prepaid Items	8,179	444	0
Restricted Assets:			
Cash and Cash Equivalents	165,546	0	0
Cash and Cash Equivalents with Fiscal Agent	0	383,710	0
<i>Total Current Assets</i>	313,255	2,954,412	176,342
<i>Non Current Assets:</i>			
Capital Assets:			
Capital Assets Not Being Depreciated	481,030	402,976	0
Depreciable Capital Assets, Net	5,634,730	4,857,299	45,712
<b>Total Assets</b>	6,429,015	8,214,687	222,054
<b>Liabilities:</b>			
<i>Current Liabilities:</i>			
Accounts Payable	67,275	6,634	18,696
Accrued Wages and Benefits	102,288	22,270	26,411
Refundable Deposits	205,015	0	0
Accrued Interest Payable	5,046	20,536	0
Installment Loans Payable - Current	2,872	70,354	0
Compensated Absences Payable - Current	35,180	18,180	17,815
General Obligation Bonds - Current	73,000	27,500	0
OWDA Loans Payable - Current	275,099	0	0
OPWC Loans Payable - Current	15,000	3,750	0
Long Term Notes Payable - Current	0	0	551
<i>Total Current Liabilities</i>	780,775	169,224	63,473

**CITY OF IRONTON, OHIO**

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Storm Water	Total	Governmental Activities - Internal Service Funds
\$ 2,326,254	\$ 4,910,514	\$ 3,017
39,410	341,248	0
0	32	0
0	8,623	0
0	165,546	0
383,710	767,420	0
2,749,374	6,193,383	3,017
70,600	954,606	0
74,385	10,612,126	0
2,894,359	17,760,115	3,017
9,541	102,146	1,141
53	151,022	0
0	205,015	0
20,596	46,178	0
67,483	140,709	0
0	71,175	0
27,500	128,000	0
0	275,099	0
0	18,750	0
6,674	7,225	0
131,847	1,145,319	1,141

(Continued)

**CITY OF IRONTON, OHIO**

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**Statement of Net Assets**  
**Proprietary Funds**  
**December 31, 2011**

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	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Sanitation
<i>Long Term Liabilities:</i>			
Compensated Absences Payable	26,500	24,916	16,938
General Obligation Bonds Payable	1,103,000	5,412,500	0
Installment Loans Payable	7,815	171,175	0
OWDA Loans Payable	2,443,927	1,688	0
OPWC Loans Payable	255,000	54,375	0
<b>Total Liabilities</b>	<u>4,617,017</u>	<u>5,833,878</u>	<u>80,411</u>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	2,128,010	4,958,933	45,161
Unrestricted	(316,012)	(2,578,124)	96,482
<b>Total Net Assets</b>	<u>\$ 1,811,998</u>	<u>\$ 2,380,809</u>	<u>\$ 141,643</u>

Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.

Net Assets of Business-type Activities

See accompanying notes to the basic financial statements

**CITY OF IRONTON, OHIO**

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Storm Water	Total	Governmental Activities - Internal Service Funds
0	68,354	0
5,412,500	11,928,000	0
163,360	342,350	0
1,687	2,447,302	0
0	309,375	0
5,709,394	16,240,700	1,141
0	7,132,104	0
(2,815,035)	(5,612,689)	1,876
\$ (2,815,035)	\$ 1,519,415	\$ 1,876
	1,294	
	\$ 1,520,709	

**CITY OF IRONTON, OHIO**

**Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended December 31, 2011**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Sanitation
<b>Operating Revenues:</b>			
Charges for Services	\$ 1,674,549	\$ 1,164,906	\$ 691,765
Other Operating Revenue	0	0	0
<b>Total Operating Revenues</b>	<u>1,674,549</u>	<u>1,164,906</u>	<u>691,765</u>
<b>Operating Expenses:</b>			
Personal Services	929,797	585,473	381,575
Contractual Services	1,410,512	3,635,314	230,231
Materials and Supplies	85,480	0	23,983
<b>Total Operating Expenses</b>	<u>2,425,789</u>	<u>4,220,787</u>	<u>635,789</u>
Operating Income (Loss)	(751,240)	(3,055,881)	55,976
<b>Nonoperating Revenue (Expenses):</b>			
Investment Earnings	2,349	3,876	809
Interest Expense	(136,446)	(268,833)	(45)
Gain on Sale of Capital Assets	0	15,000	0
Other Nonoperating Revenue	11,491	6,507	6,092
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(122,606)</u>	<u>(243,450)</u>	<u>6,856</u>
Income (Loss) Before Capital Contributions	(873,846)	(3,299,331)	62,832
<b>Capital Contributions:</b>			
Capital Contributions	397,224	40,000	0
Change in Net Assets	(476,622)	(3,259,331)	62,832
Net Assets Beginning of Year	2,288,620	5,640,140	78,811
Net Assets End of Year	<u>\$ 1,811,998</u>	<u>\$ 2,380,809</u>	<u>\$ 141,643</u>

Change in Net Assets - Total Enterprise Funds

Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.

Change in Net Assets - Business-type Activities

See accompanying notes to the basic financial statements

**CITY OF IRONTON, OHIO**

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Storm Water	Total	Governmental Activities - Internal Service Funds
\$ 524,320	\$ 4,055,540	\$ 0
0	0	25,006
524,320	4,055,540	25,006
3,339	1,900,184	0
3,579,595	8,855,652	0
0	109,463	24,283
3,582,934	10,865,299	24,283
(3,058,614)	(6,809,759)	723
3,959	10,993	0
(271,696)	(677,020)	0
34,161	49,161	0
0	24,090	0
(233,576)	(592,776)	0
(3,292,190)	(7,402,535)	723
40,000	477,224	0
(3,252,190)	(6,925,311)	723
437,155	8,444,726	1,153
\$ (2,815,035)	\$ 1,519,415	\$ 1,876
	\$ (6,925,311)	
	293	
	\$ (6,925,018)	

**CITY OF IRONTON, OHIO**

**Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2011**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Sanitation
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$1,708,145	\$1,190,785	\$687,571
Cash Payments for Goods and Services	(1,463,020)	(3,674,863)	(251,535)
Cash Payments to Employees	(899,635)	(587,664)	(400,429)
Net Cash Provided (Used) by Operating Activities	<u>(654,510)</u>	<u>(3,071,742)</u>	<u>35,607</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Note Issuance	50,000	3,145,770	50,000
Intergovernmental Grants	397,224	40,000	0
Issuance of Bonds	0	5,440,000	0
Issuance of OWDA Loans	673,858	0	0
Principal Paid on OPWC Loans	(15,000)	(3,750)	0
Principal Paid on Installment Loans	(2,790)	(68,346)	0
Principal Paid on General Obligation Notes	(50,000)	(3,182,050)	(51,067)
Principal Paid on General Obligation Bonds	(69,000)	0	0
Principal Paid on OWDA Loans	(269,772)	(40,000)	0
Interest Paid on All Debt	(136,742)	(248,913)	(61)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>577,778</u>	<u>5,082,711</u>	<u>(1,128)</u>
<u>Cash Flows from Investing Activities:</u>			
Sale of Investments	50,000	33,095	0
Receipts of Interest	2,349	3,844	809
Net Cash Provided by Investing Activities	<u>52,349</u>	<u>36,939</u>	<u>809</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(24,383)	2,047,908	35,288
Cash and Cash Equivalents at Beginning of Year	189,929	809,573	75,201
Cash and Cash Equivalents at End of Year	<u>\$165,546</u>	<u>\$2,857,481</u>	<u>\$110,489</u>
<u>Reconciliation of Cash and Cash Equivalents per the Balance Sheet</u>			
Cash and Cash Equivalents	\$0	\$2,473,771	\$110,489
Restricted Cash and Cash Equivalents	165,546	0	0
Restricted Cash and Cash Equivalents with Fiscal Agent	0	383,710	0
Cash and Cash Equivalents at End of Year	<u>\$165,546</u>	<u>\$2,857,481</u>	<u>\$110,489</u>

**CITY OF IRONTON, OHIO**

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Storm Water	Total Enterprise Funds	Governmental Activities  Internal Service
\$560,390	\$4,146,891	\$25,006
(3,580,314)	(8,969,732)	(24,423)
(3,339)	(1,891,067)	0
(3,023,263)	(6,713,908)	583
3,245,769	6,491,539	0
40,000	477,224	0
5,440,000	10,880,000	0
0	673,858	0
0	(18,750)	0
(65,556)	(136,692)	0
(3,258,683)	(6,541,800)	0
0	(69,000)	0
(40,000)	(349,772)	0
(251,275)	(636,991)	0
5,110,255	10,769,616	0
0	83,095	0
3,959	10,961	0
3,959	94,056	0
2,090,951	4,149,764	583
619,013	1,693,716	2,434
\$2,709,964	\$5,843,480	\$3,017
\$2,326,254	\$4,910,514	\$3,017
0	165,546	0
383,710	767,420	0
\$2,709,964	\$5,843,480	\$3,017

(Continued)

**CITY OF IRONTON, OHIO**

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2011**

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Sanitation
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided (Used) by Operating Activities:</u>			
Operating Income (Loss)	(\$751,240)	(\$3,055,881)	\$55,976
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Miscellaneous Nonoperating Revenue	11,491	21,507	6,092
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(8,947)	4,372	(10,286)
Increase in Prepaid Items	(6,246)	(48)	0
Increase (Decrease) in Accounts Payable	53,218	(39,501)	2,679
Increase (Decrease) in Accrued Wages and Benefits	28,176	(2,721)	(22,133)
Decrease in Intergovernmental Payable	0	0	0
Increase in Customer Deposits Payable	17,052	0	0
Increase in Compensated Absences	1,986	530	3,279
Total Adjustments	96,730	(15,861)	(20,369)
Net Cash Provided (Used) by Operating Activities	(\$654,510)	(\$3,071,742)	\$35,607

See accompanying notes to the basic financial statements

**CITY OF IRONTON, OHIO**

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	Total Enterprise Funds	Governmental Activities  Internal Service
Storm Water		
(\$3,058,614)	(\$6,809,759)	\$723
34,161	73,251	0
1,909	(12,952)	0
0	(6,294)	0
(359)	16,037	(140)
0	3,322	0
(360)	(360)	0
0	17,052	0
0	5,795	0
35,351	95,851	(140)
(\$3,023,263)	(\$6,713,908)	\$583

**CITY OF IRONTON, OHIO**

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***Statement of Assets and Liabilities  
Fiduciary Funds  
December 31, 2011***

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	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 25,258
<b>Total Assets</b>	<u>25,258</u>
<b>Liabilities:</b>	
Due to Others	<u>25,258</u>
<b>Total Liabilities</b>	<u>\$ 25,258</u>

See accompanying notes to the basic financial statements

## ***CITY OF IRONTON, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Ironton, (the "City") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution, the laws of the State of Ohio and the City's Charter. The City is a home-rule municipal corporation operating under its own Charter. Ironton became a city on January 29, 1851 and operates under a Council/Mayor form of government.

The financial statements are presented as of December 31, 2011 and for the year then ended, and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

##### **A. Reporting Entity**

The accompanying basic financial statements comply with the provisions of the GASB Statement No. 14, *"The Financial Reporting Entity,"* in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, issuance of debt or the levying of taxes.

The City's primary government consists of all funds, agencies, boards and commissions that are part of the primary government, which include the following services: police and fire protection, parks and recreation, cemetery department, planning, zoning, street maintenance, basic utility (water, sewer, storm water and refuse) and other governmental services.

In addition the City has the following component unit:

The Ironton Port Authority is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio pursuant to the authority of Sections 4582.21 to 4582.59 of the Ohio Revised Code. The Port Authority was established on July 23, 2003 by the Ironton City Council.

## ***CITY OF IRONTON, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **A. Reporting Entity** (Continued)

The purpose of the Port Authority is to be involved in the activities that enhance, foster, aid, provide or promote transportation, economic development, housing, recreation, education, governmental operations, culture or research within the City of Ironton. The Port Authority provides services that are enumerated in Sections 4582.21 to 4582.59 of the Ohio Revised Code. These services include, but are not limited to, the power to purchase, construct, reconstruct, enlarge, improve, equip, develop, sell, exchange, lease, convey other interest in and operate Port Authority facilities to accomplish these activities. The Port Authority operates on a fiscal year ending December 31. The Port Authority is reflected as a discretely presented component unit of the City of Ironton. Complete financial statements of the component unit can be obtained from the Ironton Port Authority, 301 South 3rd Street, Ironton, Ohio 45638.

The City is involved with the following organizations which are defined as jointly governed organizations: Huntington-Ironton Empowerment Zone, Woodland Union Cemetery, KYOVA Interstate Planning Commission, Ohio Valley Regional Development Commission and Lawrence County Economic Development Corporation (LEDC). Additional information concerning these jointly governed organizations is presented in Note 16.

##### **B. Basis of Presentation - Fund Accounting**

The accounting system is organized and operated on the basis of funds each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses. The various funds are summarized by type in the basic financial statements. The following fund types are used by the City:

##### ***Governmental Funds***

Governmental funds are those funds through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is on determination of "financial flow" (sources and uses and balances of financial resources). The following are the City's major governmental funds:

General Fund - This fund is used to account for all financial resources except those accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio and the limitations of the City Charter.

## *CITY OF IRONTON, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2011*

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **B. Basis of Presentation - Fund Accounting** (Continued)

###### *Governmental Funds* (Continued)

Capital Infrastructure Project Fund – This fund is used to account for monies used to build and/or repair infrastructure.

Clean Ohio Fund – This fund is used to account for grant monies the City has received to clean up brownfield sites within the City.

###### *Proprietary Funds*

All proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body 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. The City's major enterprise funds are:

Water Fund – This fund is used to account for the operation of the City's water service.

Sewer Fund – This fund is used to account for the operation of the City's sanitary sewer service.

Sanitation Fund – This fund is used to account for the operation of the City's sanitation service.

Storm Water Fund – This fund is used to account for the upkeep and construction of the City's storm water system.

Internal Service Funds - These funds are used to account for rotary services provided to other departments or agencies of the governmental unit or to other governmental units on a cost-reimbursement basis.

###### *Fiduciary Funds*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Fiduciary funds are used to account for assets the City holds in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. These funds are used to account for assets held by a governmental unit as an agent for individuals, private organizations or other governmental units. The City's agency funds account for fire insurance monies held per State Statute to insure building safety, deposits held from individuals who intend to excavate portions of the streets or sidewalks, municipal court collections that are distributed to the state and various local governments, and fee collections to be distributed to the law library.

## ***CITY OF IRONTON, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **C. Basis of Presentation – Financial Statements**

**Government-wide Financial Statements** – The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal Service fund activity is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

**Fund Financial Statements** – Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

## ***CITY OF IRONTON, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **C. Basis of Presentation – Financial Statements (Continued)**

All proprietary fund types 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 statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

##### **D. Basis of Accounting**

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which the City considers to be 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

Revenues considered susceptible to accrual at year end include income taxes, interest on investments, and state levied locally shared taxes, including motor vehicle license fees and local government assistance. Other revenues, including licenses, permits, certain charges for services, and miscellaneous revenues are recorded when received in cash, because generally these revenues are not measurable until received.

## ***CITY OF IRONTON, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **D. Basis of Accounting** (Continued)

Special assessment installments and related accrued interest, which are measurable but not available at December 31, are recorded as deferred revenues. Delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue.

The accrual basis of accounting is utilized for reporting purposes by the Government-wide financial statements, proprietary funds and fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Pursuant to GASB Statement No. 20, "*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*," the City follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. The City has elected to follow GASB guidance for business-type activities and enterprise funds rather than FASB guidance issued after November 30, 1989.

##### **E. Budgetary Process**

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 ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the object level within each department. Budgetary modifications may only be made only by ordinance of the City Council.

##### **1. Tax Budget**

By July 15, the Mayor submits an annual tax budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the period January 1 to December 31 of the following year.

## ***CITY OF IRONTON, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **E. Budgetary Process (Continued)**

###### **2. Estimated Resources**

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure.

On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2011.

###### **3. Appropriations**

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level (the legal level of control). The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified by the County Budget Commission. The allocation of appropriations among departments and objects within a fund may only be modified during the year by an ordinance of City Council. The budgetary figures which appear on the "Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual" are presented on a budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

###### **4. Lapsing of Appropriations**

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

**CITY OF IRONTON, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**5. Budgetary Basis of Accounting**

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary cash basis statements for the General Fund:

	<u>Net Change in Fund Balance</u>
	<u>General Fund</u>
GAAP Basis (as reported)	(\$42,281)
Increase (Decrease):	
Accrued Revenues at December 31, 2011 received during 2012	(486,577)
Accrued Revenues at December 31, 2010 received during 2011	509,330
Accrued Expenditures at December 31, 2011 paid during 2012	247,717
Accrued Expenditures at December 31, 2010 paid during 2011	(272,419)
2010 Prepays for 2011	5,794
2011 Prepays for 2012	(20,719)
Outstanding Encumbrances	(33,580)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	<u>(199,018)</u>
Budget Basis	<u><u>(\$291,753)</u></u>

## **CITY OF IRONTON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **F. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits and short-term certificates of deposit with original maturities of three months or less. Certificates of deposit with original maturities in excess of three months are considered an investment in the basic financial statements. For purposes of GASB Statement No. 3, the certificates of deposit are considered cash equivalents because they are highly liquid instruments which are readily convertible to cash.

The City pools its cash for resource management purposes. Each fund's equity in pooled cash represents the balance on hand as if each fund maintained its own cash account. For purposes of the statements of cash flows, the share of equity in the pooled cash of the proprietary funds is considered to be a cash equivalent. See Note 4 "Cash, Cash Equivalents and Investments."

##### **G. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City reports its investments at fair value, except for nonparticipating investment contracts (certificates of deposit and repurchase agreements) which are reported at cost, which approximates fair value. The City allocates interest among various funds based upon applicable legal and administrative requirements. See Note 4 "Cash, Cash Equivalents and Investments."

##### **H. Capital Assets and Depreciation**

Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000.

###### **1. Property, Plant and Equipment - Governmental Activities**

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements.

**CITY OF IRONTON, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011***

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Capital Assets and Depreciation** (Continued)

2. Property, Plant and Equipment – Business Type Activities

Contributed capital assets are recorded at fair market value at the date received. Capital assets include land, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Estimated historical costs for governmental activities capital asset values were initially determined by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed capital assets are recorded at fair market value at the date received. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Assets and in the respective funds.

3. Depreciation

All capital assets are depreciated, excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Governmental and Business-Type Activities Estimated Lives (in years)</u>
Buildings	20-50
Improvements other than Buildings	10-50
Infrastructure	10-100
Machinery, Equipment, Furniture and Fixtures	3 - 50

**CITY OF IRONTON, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011***

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Long-Term Obligations**

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
General Obligation Bond	General Fund, Fire Fund, Sewer Fund Storm Water Fund
Installment Loans	Water Fund, Sewer Fund, Storm Water Fund, Fire Fund, General Fund
Police and Fire Accrued Pension Liability	Police Pension Fund Fire Pension Fund
Ohio Water Development Authority Loans	Water Fund Sewer Fund Storm Water Fund
Ohio Public Works Commission	Water Fund, Sewer Fund
Compensated Absences	General Fund Flood Fund Street Fund Health Fund Water Fund Sewer Fund Sanitation Fund

**J. Compensated Absences**

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirements is accrued to the extent that it is considered probable that the conditions for compensation will be met in the future.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees eligible to receive termination payments as of the balance sheet date, and on leave balances accumulated by other employees expected to become eligible to receive such payments in the future.

## **CITY OF IRONTON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **J. Compensated Absences** (Continued)

Compensated absences accumulated by governmental fund type and proprietary fund type employees are reported as an expense when earned in the government-wide financial statements. For governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not recorded. For proprietary funds, the entire compensated absences amount is reported as a fund liability.

##### **K. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net Assets restricted for Other Purposes include state and federal grants for community development and mandatory fines for various court programs.

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

##### **L. Pensions**

The provision for pension costs are recorded when the related payroll is accrued and the obligation is incurred.

##### **M. Interfund Transactions**

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

## **CITY OF IRONTON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **N. Fund Balances**

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

*Nonspendable* – Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally contractually required to be maintained intact.

*Restricted* – Restricted fund balance consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

*Committed* – Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision making authority. For the City, these constraints consist of ordinances and resolutions passed by City Council. Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (ordinance, resolution) it employed previously to commit those amounts.

*Assigned* – Assigned fund balance consists of amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed.

*Unassigned* – Unassigned fund balance consists of amounts that have not been restricted, committed or assigned to specific purposes within the General Fund as well as negative fund balances in all other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted (committed, assigned and unassigned) resources as they are needed.

##### **O. Restricted Assets**

Utility customer deposits are reported as restricted cash. A bond reserve account is reported as restricted cash with fiscal agent.

**CITY OF IRONTON, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011***

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**P. Operating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water treatment and distribution, wastewater collection and treatment, maintenance of storm water collection systems and collection of solid waste refuse. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE – RESTATEMENT OF FUND BALANCE/NET ASSETS**

For 2011 the City implemented GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”. Statement No. 54 provides more clearly defined categories to make the nature and extent of the constraints placed on a governments fund balances more transparent. It also clarifies the existing governmental fund type definitions.

The application of GASB 54 resulted in the changes to beginning of year balances as detailed below:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balance at December 31, 2010	\$414,530	\$727,045	\$1,352,204
GASB 54 Fund Reclassification	120,599	(120,599)	0
Fund Balance, as Restated	<u>\$535,129</u>	<u>\$606,446</u>	<u>\$1,352,204</u>

In addition, funds previously reported as Private Purpose Trust Funds were reclassified to Agency Funds.

## **CITY OF IRONTON, OHIO**

### **Notes to the Basic Financial Statements For the Year Ended December 31, 2011**

#### **NOTE 3 – FUND BALANCE CLASSIFICATION**

Fund balance is classified as nonspendable, restricted, committed, assigned, and unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Capital Infrastructure Project Fund	Clean Ohio Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepaid Items	\$20,719	\$0	\$0	\$717	\$21,436
Total Nonspendable	<u>20,719</u>	<u>0</u>	<u>0</u>	<u>717</u>	<u>21,436</u>
Restricted:					
Community Corrections Program	11,121	0	0	0	11,121
Police and Fire Pension	0	0	0	15,810	15,810
Street Improvements	0	0	0	215,022	215,022
Drug and Alcohol Treatment and Education	0	0	0	234,936	234,936
FEMA Programs	0	0	0	2,025	2,025
Municipal Court	0	0	0	578,678	578,678
Community Development and Improvement	0	0	81,217	366,955	448,172
Debt Service	0	0	0	30,062	30,062
Capital Improvements	0	13,575	0	221,521	235,096
Total Restricted	<u>11,121</u>	<u>13,575</u>	<u>81,217</u>	<u>1,665,009</u>	<u>1,770,922</u>
Committed:					
Fire Department	<u>337,595</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>337,595</u>
Assigned:					
Other Purposes	<u>25,253</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>25,253</u>
Unassigned (Deficits):	<u>98,160</u>	<u>0</u>	<u>0</u>	<u>(17,539)</u>	<u>80,621</u>
Total Fund Balances	<u><u>\$492,848</u></u>	<u><u>\$13,575</u></u>	<u><u>\$81,217</u></u>	<u><u>\$1,648,187</u></u>	<u><u>\$2,235,827</u></u>

#### **NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS**

Cash resources of several individual funds are combined to form a pool of cash and investments. In addition, investments are separately held by a number of individual funds. The City has adopted an Investment Policy that follows Ohio Revised Code Chapter 135 and applies the prudent person standard. The prudent person standard requires the Finance Director to exercise the care, skill and experience that a prudent person would use to manage his/her personal financial affairs and to seek investments that will preserve principal while maximizing income.

Statutes require the classification of funds held by the City into three categories:

Category 1 consists of "active" funds - those funds required to be kept in "cash" or "near cash" status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

## ***CITY OF IRONTON, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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#### **NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- 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;
- 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;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

#### **A. Deposits**

The City may also invest any monies not required to be used for a period of six months or more in the following:

- Bonds of the State of Ohio;
- Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
- Obligations of the City.

**CITY OF IRONTON, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011**

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**NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

**A. Deposits (Continued)**

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. Historically, the City has not purchased these types of investments or issued these types of notes. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, 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.

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of City cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

The City has no deposit policy for custodial risk beyond the requirements of State statute.

At year end the carrying amount of the City's deposits was \$5,057,932 and the bank balance was \$5,625,464. Federal depository insurance covered \$1,059,252 of the bank balance and \$4,566,212 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$4,566,212</u>
Total Balance	<u><u>\$4,566,212</u></u>

Cash and cash equivalents held by the Ironton Port Authority are classified as "cash and cash equivalents". At December 31, 2011, the carrying amount of the Ironton Port Authority's deposits was \$317,125, and the bank balance was \$317,264. \$250,000 of the bank balance was covered by the FDIC.

## **CITY OF IRONTON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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#### **NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

##### **B. Investments**

The City's investments at December 31, 2011 were as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years) less than 1</u>
US Treasury Notes/Bills	\$2,570,037	AA+ <sup>1</sup> /Aaa <sup>2</sup>	\$2,570,037
Total Investments	<u>\$2,570,037</u>		<u>\$2,570,037</u>

<sup>1</sup> Standard & Poor's

<sup>2</sup> Moody's Investor Service

*Interest Rate Risk* – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

*Concentration of Credit Risk* – The City places no limit on the amount the City may invest in one issuer. Of the City's total investments, 100% are United States Treasury Notes.

*Custodial Credit Risk* – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

#### **NOTE 5 - TAXES**

##### **A. Property Taxes**

Property taxes include amounts levied against all real estate and public utility property and located in the City. Real property taxes (other than public utility) collected during 2011 were levied after October 1, 2010 on assessed values as of January 1, 2010, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 2010. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

House Bill No. 66 was signed into law on June 30, 2005 and phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

## **CITY OF IRONTON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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#### **NOTE 5 - TAXES (Continued)**

##### **A. Property Taxes (Continued)**

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Ironton. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for the City's operations for the year ended December 31, 2011 was \$4.28 per \$1,000 of assessed value. The assessed value upon which the 2010 tax levy was based was \$140,639,950. This amount constitutes \$134,260,210 in real property assessed value and \$6,379,740 in public utility assessed value. Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .428% (4.28 mills) of assessed value.

##### **B. Income Tax**

The City levies a tax of 1%, on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality to a maximum of the total amount assessed.

Employers within the City are required to withhold income tax on employees' compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

**CITY OF IRONTON, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011***

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**NOTE 6 - RECEIVABLES**

Receivables at December 31, 2011 consisted of taxes, accounts, interest, loans, and intergovernmental receivables arising from shared revenues.

**NOTE 7 – INTERFUND ACCOUNTS**

On the Statement of Net Assets, the Governmental Activities reported an internal balance at December 31, 2011 of \$1,294, which was offset in the Business-Type Activities by the same amount. This amount relates to the consolidation of internal service activities on the Government-Wide Statements.

**NOTE 8 - TRANSFERS**

Following is a summary of transfers in and out for all funds for 2011:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$80,497	\$0
Other Governmental Funds	0	80,497
Totals	<u>\$80,497</u>	<u>\$80,497</u>

Transfers are used to move revenues from the funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

**CITY OF IRONTON, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011**

**NOTE 9 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at December 31, 2011:

*Historical Cost:*

Class	December 31, 2010	Additions	Deletions	December 31, 2011
<b>Capital assets not being depreciated:</b>				
Land	\$1,740,045	\$0	\$0	\$1,740,045
Construction in Progress	161,933	0	0	161,933
Subtotal	1,901,978	0	0	1,901,978
<b>Capital assets being depreciated:</b>				
Buildings	3,150,900	0	0	3,150,900
Land Improvements	4,454,077	0	0	4,454,077
Machinery and Equipment	3,477,572	0	0	3,477,572
Infrastructure	35,825,162	0	0	35,825,162
Subtotal	46,907,711	0	0	46,907,711
Total Cost	\$48,809,689	\$0	\$0	\$48,809,689

*Accumulated Depreciation:*

Class	December 31, 2010	Additions	Deletions	December 31, 2011
Buildings	(\$901,115)	\$0	\$0	(\$901,115)
Land Improvements	(3,353,786)	0	0	(3,353,786)
Machinery and Equipment	(2,153,660)	0	0	(2,153,660)
Infrastructure	(18,096,115)	0	0	(18,096,115)
Total Depreciation	(\$24,504,676)	\$0	\$0	(\$24,504,676)
<b>Net Value:</b>	<b>\$24,305,013</b>			<b>\$24,305,013</b>

\* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$0
Leisure Time Activities	0
Public Health & Welfare	0
Transportation	0
General Government	0
Total Depreciation Expense	<u>\$0</u>

**CITY OF IRONTON, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011**

**NOTE 9 – CAPITAL ASSETS (Continued)**

**B. Business-Type Activities Capital Assets**

Summary by Category at December 31, 2011:

***Historical Cost:***

Class	December 31, 2010	Additions	Deletions	December 31, 2011
<b><i>Capital assets not being depreciated:</i></b>				
Land	\$60,060	\$0	\$0	\$60,060
Construction in Progress	894,546	0	0	894,546
Subtotal	954,606	0	0	954,606
<b><i>Capital assets being depreciated:</i></b>				
Land Improvements	6,534,456	0	0	6,534,456
Buildings and Improvements	4,051,851	0	0	4,051,851
Machinery and Equipment	5,627,138	0	0	5,627,138
Infrastructure	5,364,722	0	0	5,364,722
Subtotal	21,578,167	0	0	21,578,167
Total Cost	\$22,532,773	\$0	\$0	\$22,532,773

***Accumulated Depreciation:***

Class	December 31, 2010	Additions	Deletions	December 31, 2011
Land Improvements	(\$2,108,518)	\$0	\$0	(\$2,108,518)
Buildings and Improvements	(2,081,606)	0	0	(2,081,606)
Machinery and Equipment	(3,949,586)	0	0	(3,949,586)
Infrastructure	(2,826,331)	0	0	(2,826,331)
Total Depreciation	(\$10,966,041)	\$0	\$0	(\$10,966,041)
<b><i>Net Value:</i></b>	<b>\$11,566,732</b>			<b>\$11,566,732</b>

## ***CITY OF IRONTON, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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#### **NOTE 10 – DEFINED BENEFIT PENSION PLANS**

All of the City's full-time employees participate in one of two separate retirement systems which are cost-sharing multiple employer defined benefit pension plans.

##### **A. Ohio Public Employees Retirement System (“OPERS”)**

The following information was provided by OPERS to assist the City in complying with GASB Statement No. 27, *“Accounting for Pensions by State and Local Government Employers.”*

All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in one of the three pension plans administered by OPERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including postemployment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The ORC provides statutory authority for employee and employer contributions. For 2011, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2011 employer contribution rate for local government employer units was 14.00%, of covered payroll which is the maximum contribution rate set by State statutes. Employer contribution rates are actuarially determined. A portion of the City's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The portion of employer contributions allocated to pension obligations for members in the Traditional Plan was 10.0% for calendar year 2011. The portion of employer contributions allocated to pension obligations for members in the Combined Plan was 7.95% for calendar year 2011. The contribution requirements of plan members and the City are established and may be amended by the OPERS Board. The City's required contributions for pension obligations to OPERS for the years ending December 31, 2011, 2010, and 2009 were \$246,149, \$235,701 and \$205,929, respectively, which were equal to the required contributions for each year.

## **CITY OF IRONTON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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#### **NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

##### **B. Ohio Police and Fire Pension Fund (“OP&F”)**

All City full-time police officers and full-time firefighters participate in OP&F, a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the ORC. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2011, 12.75% of annual covered salary for police and 17.25% of annual covered salary for firefighters, respectively, were the portions used to fund pension obligations. The City’s contributions for pension obligations to the OP&F Fund for the years ending December 31, 2011, 2010, and 2009 were \$86,492, \$87,362 and \$81,777 for police and \$131,056, \$127,638 and \$120,824 for firefighters, respectively, which were equal to the required contributions for each year.

#### **NOTE 11 - POSTEMPLOYMENT BENEFITS**

##### **A. Ohio Public Employees Retirement System (“OPERS”)**

Plan Description – OPERS administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B Premium reimbursement, to qualifying member of both the Traditional Pension and the Combined Plans. Members of the Member Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

## ***CITY OF IRONTON, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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#### **NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)**

##### **A. Ohio Public Employees Retirement System (“OPERS”) (Continued)**

The ORC permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the ORC.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% for calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% for calendar year 2011. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OPERS for the years ending December 31, 2011, 2010, and 2009 were \$98,459, \$134,371 and \$142,146, respectively, which were equal to the required contributions for each year.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

## *CITY OF IRONTON, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2011*

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#### **NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)**

##### **B. Ohio Police and Fire Pension Fund (“OP&F”)**

Plan Description – The City contributes to the OP&F sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

The ORC permits, but does not mandate, OP&F to provide OPEB benefits. Authority to establish and amend benefits is provided in Chapter 742 of the ORC.

OP&F issues a stand-alone financial report that includes financial information and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The ORC provides for contribution requirements of the participating employers and of plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The ORC states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2011, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees’ primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City’s contributions for health care to the OP&F for the years ending December 31, 2011, 2010, and 2009 were \$45,790, \$46,250 and \$43,303 for police and \$51,283, \$49,945 and \$47,267 for firefighters, respectively, which were equal to the required contributions for each year.

**CITY OF IRONTON, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011***

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**NOTE 12 - COMPENSATED ABSENCES**

All full-time City employees earn sick leave at the rate of 1.25 days per calendar month of active service. Upon retirement, an employee with service of six years or more with the City receives a lump sum settlement for all unused sick leave up to a maximum of 90 days or 720 hours. The monetary compensation is at the hourly rate of compensation of the employee at the time of resignation if the employee is not given credit at his next place of employment.

Vacation leave is earned at various rates depending upon length of service. Upon separation from the City, an employee receives a lump sum settlement for all unused vacation time at the hourly rate of compensation at the time of resignation.

Compensatory time is earned, in lieu of overtime, at the rate of 1.5 hours per hour of overtime worked over eight hours in a twenty-four hour period. Compensatory time may be stored in a compensatory time bank up to 480 hours. Upon termination of employment any unused compensatory time is paid at the rate of one and one half times the employee's rate of pay at the time of termination.

At December 31, 2011, the total liability for accumulated unpaid compensated absences recorded in the Governmental Activities was as follows:

	<u>Hours</u>	<u>Amount</u>
Sick Leave	5,014	\$71,657
Vacation / Compensatory Time	8,206	176,794
Total	<u>13,220</u>	<u>\$248,451</u>

In addition, the accrued liability for accumulated unpaid compensated absences recorded in the enterprise funds increased \$5,795 from a beginning year balance of \$133,734 to a year-end balance of \$139,529.

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# CITY OF IRONTON, OHIO

## Notes to the Basic Financial Statements For the Year Ended December 31, 2011

### NOTE 13 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 2011 were as follows:

			Balance December 31, 2010	Additions	(Reductions)	Balance December 31, 2011	Due Within One Year
<b>Business-Type Activities:</b>							
Ohio Water Development Authority Loans (OWDA):							
2.00%	Loan #0239	1994	\$2,314,939	\$0	(\$269,772)	\$2,045,167	\$275,099
3.43%	Loan #5221	2009	83,376	0	(80,000)	3,376	0
2.00%	Loan #5873	2011	0	673,858	0	673,858	0
Total Ohio Water Development Authority Loans			<u>2,398,315</u>	<u>673,858</u>	<u>(349,772)</u>	<u>2,722,401</u>	<u>275,099</u>
Ohio Public Works Commission							
0.00%	Railroad Street Sanitary Sewer	2006	61,875	0	(3,750)	58,125	3,750
0.00%	Water Storage Improvement	2009	285,000	0	(15,000)	270,000	15,000
Total Ohio Public Works Commission Loans			<u>346,875</u>	<u>0</u>	<u>(18,750)</u>	<u>328,125</u>	<u>18,750</u>
General Obligation Notes:							
4.80%	Sludge Press Acquisition	2006	36,280	0	(36,280)	0	0
4.49%	Sanitation Equipment	2007	1,618	0	(1,067)	551	551
4.49%	Stormwater Equipment	2007	19,588	0	(12,914)	6,674	6,674
Total General Obligation Notes			<u>57,486</u>	<u>0</u>	<u>(50,261)</u>	<u>7,225</u>	<u>7,225</u>
Bond Anticipation Note:							
2.75%	Sewer System Improvement	2011	0	6,491,539	(6,491,539)	0	0
Installment Loans:							
2.9-3.34%	Sewer Backflow Preventer	2010	619,751	0	(136,692)	483,059	140,709
General Obligation Bonds:							
5.22%	Water Storage	2008	1,245,000	0	(69,000)	1,176,000	73,000
2.0-5.25%	Sewer System Improvement	2011	0	10,880,000	0	10,880,000	55,000
			<u>1,245,000</u>	<u>10,880,000</u>	<u>(69,000)</u>	<u>12,056,000</u>	<u>128,000</u>
Compensated Absences			<u>133,734</u>	<u>139,529</u>	<u>(133,734)</u>	<u>139,529</u>	<u>71,175</u>
Total Business-Type Long-Term Debt			<u>\$4,801,161</u>	<u>\$18,184,926</u>	<u>(\$7,249,748)</u>	<u>\$15,736,339</u>	<u>\$640,958</u>
<b>Governmental Activities Long-Term Debt:</b>							
General Obligation Bonds:							
Varies	Building Improvement	1997	\$950,000	\$0	(\$55,000)	\$895,000	\$60,000
Varies	Fire House Construction Bonds	2003	1,165,000	0	(30,000)	1,135,000	30,000
Total General Long-Term Debt			<u>2,115,000</u>	<u>0</u>	<u>(85,000)</u>	<u>2,030,000</u>	<u>90,000</u>
Installment Loans:							
2.9-3.34%	Sewer Backflow Preventer	2010	13,477	0	(2,790)	10,687	2,872
2.50%	HVAC Cooling Tower	2011	0	93,000	0	93,000	25,754
			<u>13,477</u>	<u>93,000</u>	<u>(2,790)</u>	<u>103,687</u>	<u>28,626</u>
Bond Anticipation Note:							
2.75%	Sewer System Improvement	2011	0	3,214,461	(3,214,461)	0	0
General Obligation Notes							
4.49%	Equipment Acquisition	2007	80,343	0	(52,967)	27,376	27,376
4.69%	Fire Pumper Acquisition	2007	121,317	0	(38,266)	83,051	40,399
Total General Obligation Notes			<u>201,660</u>	<u>0</u>	<u>(91,233)</u>	<u>110,427</u>	<u>67,775</u>
Police/Accrued Pension Obligations			<u>441,970</u>	<u>0</u>	<u>(10,566)</u>	<u>431,404</u>	<u>11,020</u>
Compensated Absences			<u>313,026</u>	<u>248,451</u>	<u>(313,026)</u>	<u>248,451</u>	<u>176,794</u>
Total Other Long-Term Obligations:			<u>754,996</u>	<u>248,451</u>	<u>(323,592)</u>	<u>679,855</u>	<u>187,814</u>
Total Governmental Activities			<u>\$3,085,133</u>	<u>\$3,555,912</u>	<u>(\$3,717,076)</u>	<u>\$2,923,969</u>	<u>\$374,215</u>

## CITY OF IRONTON, OHIO

### *Notes to the Basic Financial Statements For the Year Ended December 31, 2011*

#### **NOTE 13 - LONG-TERM OBLIGATIONS (Continued)**

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2011, follows:

Years	OWDA Loans		General Obligation Bonds		OPWC Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$275,099	\$40,904	\$218,000	\$658,033	\$18,750	\$0
2013	280,602	35,402	397,000	648,712	18,750	0
2014	286,214	29,790	416,000	635,465	18,750	0
2015	291,938	24,065	425,000	621,403	18,750	0
2016	297,776	18,226	439,000	606,412	18,750	0
2017-2021	613,538	18,466	2,492,000	2,754,113	93,750	0
2022-2026	0	0	2,199,000	2,198,323	93,750	0
2027-2031	0	0	2,300,000	1,713,238	46,875	0
2032-2036	0	0	2,670,000	1,085,375	0	0
2037-2040	0	0	2,530,000	340,725	0	0
Totals	<u>\$2,045,167</u>	<u>\$166,853</u>	<u>\$14,086,000</u>	<u>\$11,261,798</u>	<u>\$328,125</u>	<u>\$0</u>

Years	Police/Fire Accrued Pension Liability		General Obligation Notes		Installment Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$11,020	\$18,219	\$75,000	\$5,408	\$169,335	\$14,586
2013	11,493	17,745	42,652	2,378	174,201	9,719
2014	11,986	17,252	0	0	179,209	4,710
2015	12,501	16,737	0	0	64,001	470
2016	13,038	16,200	0	0	0	0
2017-2021	74,088	72,104	0	0	0	0
2022-2026	91,427	54,765	0	0	0	0
2027-2031	112,821	33,370	0	0	0	0
2032-2035	93,030	7,989	0	0	0	0
Totals	<u>\$431,404</u>	<u>\$254,381</u>	<u>\$117,652</u>	<u>\$7,786</u>	<u>\$586,746</u>	<u>\$29,485</u>

#### **A. Police and Firemen's Pension Fund**

The City's liability for past service costs related to the Police and Firemen's Pension Fund at December 31, 2011 was \$685,785 in principal and interest payments through the year 2035. Only the principal amount of \$431,404 is included in the Long-Term debt amount.

#### **B. OWDA Loans**

The City's projects related to OWDA Loans #5221 and #5873 are not completed yet, and amounts are still available to drawn upon to pay for the completion of the project. Since the final amount of the loan is still undetermined, the City will not have a finalized amortization schedule for this loan until the project is completed.

## *CITY OF IRONTON, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2011*

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#### **NOTE 14 - RISK MANAGEMENT**

The City is exposed to various risks of property and casualty losses, and injuries to employees. The City insures against injuries to employees through the Ohio Bureau of Worker's Compensation. The City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local Cites. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member Cites pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

#### Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective PEP member.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

#### Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Assets	\$33,362,404	\$34,952,010
Liabilities	<u>(14,187,273)</u>	<u>(14,320,812)</u>
Net Assets	<u>\$19,175,131</u>	<u>\$20,631,198</u>

## ***CITY OF IRONTON, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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#### **NOTE 14 - RISK MANAGEMENT (Continued)**

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$13 million and \$12.9 million of estimated incurred claims payable. The assets above also include approximately \$12.1 million and \$12.4 million of unpaid claims to be billed to approximately 455 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

#### **NOTE 15 - CONTINGENCIES**

The City is party to legal proceedings. However, no liability has been accrued since the ultimate disposition of these claims and legal proceedings has yet to be determined and the amount of liability, if any, is not measurable.

The City 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 City at December 31, 2011.

## *CITY OF IRONTON, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2011*

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#### **NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS**

Huntington-Ironton Empowerment Zone - The Huntington-Ironton Empowerment Zone Board (EZ) is a newly created not-for-profit corporation with private foundation status which will provide management and oversight to the Empowerment Zone projects and programs according to Internal Revenue Service regulations. The EZ Board administers Empowerment Zone Programs for the City.

The purposes of the governing foundation include:

- To organize and administer the Empowerment Zone Program using the strategic plan developed with public input as a guide;
- To insure sound fiscal management of all assets received and disbursed by the corporation;
- To foster, facilitate and direct regional cooperative efforts such as economic planning and implementation;
- To seek and administer grants, accept and distribute donations of cash, property, other gifts and bequests, and other fundraising efforts which further the charitable cause of the organization;
- To foster job development, job creation, and workforce development;
- To provide accountability of resources to funders and citizens;
- To conduct research and develop new approaches to regional economic development issues; and,
- To market and promote the Empowerment Zone Program including tax exempt bond financing and other tax incentives to potential developers and employers.

The EZ Board is comprised of a 15-member Board of Directors, which has decision-making authority. The Board members are appointed by regional entities, serve two-year terms and comprise a cross-representation of the region. Of the fifteen members:

- Four are appointed by the elected officials of the local units of government (City of Huntington, Cabell County, City of Ironton, Lawrence County) and serve at the will and pleasure of the appointing entity;
- Four are appointed by regional business and development organizations (Huntington Area Developmental Council, Lawrence Economic Development Corporation, Huntington Regional Chamber of Commerce, Greater Lawrence County Chamber of Commerce); and,
- Seven at-large members are nominated by the Nominating Committee, appointed by the Board, and are residents or other stakeholders of the Empowerment Zone.

Woodland Union Cemetery - Woodland Union Cemetery was established under Ohio Revised Code Section 517. The constitution and laws of the State of Ohio establish the rights and privileges for Woodland Union Cemetery as a body corporate and politic. The City of Ironton and Upper Township appoint a three-member Board of Trustees to direct cemetery operations. The Cemetery provides grounds maintenance, opening and closing of graves, and the sale of lots. The Cemetery is not dependent upon the City of Ironton for its continued existence.

## ***CITY OF IRONTON, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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#### **NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (Continued)**

KYOVA Interstate Planning Commission - The KYOVA Interstate Planning Commission was established by joint resolution adopted by the State of West Virginia and Ohio. The objectives and policies of the Commission are prescribed in the West Virginia State Code, Chapter 8, Articles 4C-4 and the Ohio Revised Code, Section 713.30 et seq. Membership is comprised of elected or appointed county and municipal officials or their officially appointed designees as determined by the three county governing bodies of Cabell and Wayne Counties, West Virginia, and Lawrence County, Ohio, and by the governing bodies of the cities of Huntington, West Virginia, and Ironton, Ohio. The Commission is not dependent upon the City of Ironton for its continued existence.

Ohio Valley Regional Development Commission - The Ohio Valley Regional Development Commission is a jointly governed organization that serves a twelve county economic development planning district in southern Ohio. The commission was formed to influence favorably the future economic, physical and social development of Adams, Brown, Clermont, Fayette, Gallia, Highland, Jackson, Lawrence, Pike, Ross, Scioto, and Vinton Counties. Membership is comprised of elected and appointed county, municipal and township officials or their officially appointed designees, as well as members of the private sector, community action agencies and regional planning commissions. The Commission is not dependent upon the City of Ironton for its existence.

Lawrence County Economic Development Corporation (LEDC) - The Lawrence County Economic Development Corporation is a not for profit Community Improvement Corporation formed under Chapter 1724 of the Ohio Revised Code. The LEDC was formed in 1983 and was designated as the economic development agent for the City of Ironton and Lawrence County. The goal of the agency is job creation and retention. The LEDC is administered by a Board of Trustees, composed of local elected officials and local business leaders. The LEDC is not dependent upon the City of Ironton for its existence.

#### **NOTE 17 – MISCELLANEOUS REVENUE**

In 2011 Sewer bond proceeds were used to reimburse the Governmental Funds for payments made in 2010 for costs related to a sewer relining project. The total amount reimbursed to the Governmental Funds in 2011 was \$1,211,017, which is recorded in All Other Revenue.

**CITY OF IRONTON  
LAWRENCE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR YEAR ENDED DECEMBER 31, 2011**

<b>Federal Grantor / Pass Through Grantor Program Title</b>	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
<i>Passed through Ohio Department of Development</i>			
Community Development Block Grants/State's Program	AT-07-2CA-1	14.228	66,663
	AF-09-2CA-1	14.228	51,000
Revolving Loan		14.228	\$ 20,635
Total Community Development Block Grant- State's Program			<u>138,298</u>
Community Development Neighborhood Stabilization Program	N/A	14.228	<u>436</u>
Total U.S. Department of Housing and Urban Development			<u>138,734</u>
<b><u>U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY</u></b>			
<i>Passed through the Ohio Water Development Authority</i>			
Capitalization Grants for Drinking Water State Revolving Funds	5873	66.468	1,068,894
The Small Business Liability Relief and Brownsfields Revitalization Act	N/A	66.818	<u>466,993</u>
Total U.S. Environmental Protection Agency			<u>1,535,887</u>
<b><u>U.S. DEPARTMENT OF HIGHWAY PLANNING &amp; CONSTRUCTION</u></b>			
<i>Passed through the Ohio Department of Transportation (ODOT)</i>			
Signalization Project	N/A	20.205	<u>52,699</u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
<i>Passed through Ohio Department of Health</i>			
Maternal and Child Health Services Block Grant to the States	N/A	93.994	<u>225</u>
Total U.S. Department of Health and Human Services			<u>225</u>
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>			
<i>Passed through Ohio Department of Public Safety</i>			
Assistance to Firefighters Grant	N/A	97.044	<u>57,747</u>
Total U.S. Department of Homeland Security			<u>57,747</u>
Total			<u><u>\$ 1,785,292</u></u>

*The Notes to the Schedule of Federal Awards is an integral part of the Schedule.*

**CITY OF IRONTON  
LAWRENCE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**NOTE A – SIGNIFICANT ACCOUNTING POLICES**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) reports the City’s federal award programs’ disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B – SUBRECIPIENTS**

The City passes certain federal awards received from the Department of Housing and Urban Development to other governments or not-for-profit agencies (subrecipients). As Note A describes, the City records expenditures of Federal awards to subrecipients when paid in cash.

**NOTE C - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS**

The City has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money to eligible persons to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City, passed through the Ohio Department of Development (ODOD). The Schedule reports loans made and administrative costs as disbursements on the schedule. The City uses loan repayments and interest received to make additional loans, which the Schedule also reports. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans. In addition, with the approval of ODOD, the City may use repaid monies for Community Improvement projects.

These loans are collateralized by mortgages on the property.

Activity in the CDBG revolving loan fund during 2011 is as follows:

Beginning loans receivable balance as of January 1, 2011	\$264,815
Loans made	490,000
Loan principle repaid	<u>72,159</u>
Ending loans receivable balance as of December 31, 2011	682,656
Cash balance on hand in the revolving loan fund as of December 31, 2011	\$128,878
Administrative costs expended during 2011	\$16,879

The table above reports gross loans receivable. Of the loans receivable as of December 31, 2011, delinquent amounts due are \$0.

**NOTE C -- MATCHING REQUIREMENTS**

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The schedule does not include the expenditure of non-Federal matching funds.



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Kentucky Society of Certified Public Accountants

### **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

To the City Council  
City of Ironton  
Lawrence County  
301 South Third Street  
P.O. Box 704  
Ironton, OH 45638

We have audited the financial statements of the government activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ironton, Lawrence County, Ohio (the "City") as of and for the year ended December 31, 2011, which collectively comprise the City's financial statements and have issued our report thereon dated January 31, 2013. We qualified our report on the City's capital assets and invested in capital assets net of related debt in the Statement of Net Assets for the Governmental Type Activities, Business Type Activities, Ironton Port Authority (Component Unit), Water Fund, Sewer Fund, Sanitation Fund, and the Storm Water Fund. Except as discussed in the preceding sentences, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States *Government Auditing Standard*.

#### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and questioned costs we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-02 described in the accompanying schedule of findings and questioned costs to be a material weakness.

City of Ironton  
Lawrence County

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

### **Compliance and Other Matters**

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2011-001.

We also noted certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated January 31, 2013.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and accordingly, we express no opinion on them.

We intend this report solely for the information and use of the City's management, City Council, federal awarding agencies and pass-through entities, Ohio Auditor of State and others within the City. We intend it for no one other than these specified parties.

*Caudill & Associates, CPA*

Caudill & Associates, CPA  
January 31, 2013



## Caudill & Associates, CPA

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### **Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

To the City Council  
City of Ironton  
301 South Third Street  
Ironton, Ohio 45638

#### **Compliance**

We have audited the compliance of City of Ironton, Lawrence County, Ohio, (the City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could directly and materially affect City of Ironton's major federal programs for the year ended December 31, 2011. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the City's major federal programs. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with these requirements.

In our opinion, the City of Ironton complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists the instances as Findings 2011-003 and 2011-004.

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

**Internal Control Over Compliance**

The City's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We also noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the City's management in a separate letter dated January 31, 2013.

This report is intended solely for the information and use of the City of Ironton management, City Council, federal awarding agencies, pass-through entities and the Ohio Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

*Caudill & Associates, CPA*

Caudill & Associates, CPA  
January 31, 2013

Except for Major Federal Program – Capitalization Grants for Drinking Water State Revolving Funds – CFDA #66.468, as to which is dated May 17, 2013.

**CITY OF IRONTON  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Qualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the Financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(ii)</i>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	None Reported
<i>(d)(1)(iii)</i>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	None Reported
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	Yes
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Community Development Block Grant - CFDA #14.228 The Small Business Liability Relief and Brownsfield Revitalization Act – CFDA #66.818 Capitalization Grants for Drinking Water State Revolving Funds – CFDA #66.468
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	No

**CITY OF IRONTON  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
*OMB CIRCULAR A-133 §.505***

**FOR THE YEAR ENDED DECEMBER 31, 2011**

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

**FINDING NUMBER 2011-001**

**Noncompliance Citation – Ohio Revised Code 117.38**

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both for such reports. If the Auditor of State has not prescribed a rule regarding the form of the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

Ohio Administrative Code Section 117-2-03(B) requires the City to prepare its annual financial report in accordance with Generally Accepted Accounting Principles (GAAP). Per Ohio Rev. Code Section 117.28, GAAP Basis entities are required to file annual reports within 150 days of their fiscal year end. To be complete, GAAP entities must submit the basic financial statements, including the government-wide financial statements, fund financial statements, notes to the basic financial statements and Management's Discussion and Analysis. A penalty of \$25 per day (\$750 maximum) is permissible under Ohio Rev. Code Section 117.38.

The City did not file their GAAP basis financial statements within 150 days after their year end.

We recommend the City complete and file their annual GAAP financial statements within 150 days after their year end.

**Officials' Response:**

The Finance Director will ensure all materials and audit work can be completed in order to meet the filing deadline.

**FINDING NUMBER 2011-002**

**Material Weakness – Capital Assets and Invested in Capital Assets Net of Related Debt**

The City should have an established policy outlining the approach that the City will take in regards to their capital assets. In addition to this policy, the City should also have controls in place to monitor these assets. These controls should include use of tags, asset addition and deletion forms, and any other type of control documentation the City deems necessary. However, we noted several deficiencies in these areas. These are listed below:

**CITY OF IRONTON  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
*OMB CIRCULAR A-133 §.505***

**FOR THE YEAR ENDED DECEMBER 31, 2011**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2011-002 (Continued)**

- A. The City did not have a formal policy for capital assets. We recommend a formal policy be adopted by the City Council for capital assets. This policy should include, but not be limited to, the following: the capitalization threshold, category or class of assets, initial capitalization of infrastructure, method of cost capitalization, and method of depreciation, useful lives and methods of acquisition or disposal.
- B. The City did not utilize any type of asset identification system. In addition to this, they did not utilize deletion forms for any of the assets that were deleted during the year. We recommend the City implement controls over their assets to include a tracking system of assets and use of proper forms for the addition and deletion of these items.
- C. There were several capital assets that were fully depreciated but still in use. Fully depreciated capital assets should be reviewed to determine whether the assets are still being used (i.e. that they have not been discarded or abandoned). Prior to assets becoming fully depreciated, we recommend asset lives be reevaluated and, if an asset will outlive its expected life, the asset life should be increased and the remaining undepreciated life should be allocated over the new estimate of remaining life.
- D. The City did not track their construction in progress or outstanding contractual commitments that were related to these projects. This made it impossible to accurately disclose construction in progress or the outstanding contractual commitments the City had at year end. We recommend the city begin monitoring all construction contracts that will need to be capitalized. This monitoring should allow for proper disclosure of the construction completed at year end and the remaining commitment amount that is still due to be paid.

As a result of lack of support for capital assets noted above and the GAAP departures related to capital assets, we were not able to verify the amounts reported in the financial statements for capital assets and invested in capital assets net of related debt. Due to this, we had to qualify our opinion on both the capital assets and the invested in capital assets net of related debt.

**Officials' Response:**

City officials chose not to respond to this finding.

**CITY OF IRONTON  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 §.505**

**FOR THE YEAR ENDED DECEMBER 31, 2011**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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**FINDING NUMBER 2011-003**

<b>CFDA Title Number</b>	<b>Community Development Block Grant CFDA # 14.228</b>
<b>Federal Award Number</b>	<b>AE-02-134-1</b>
<b>Federal Agency</b>	<b>U.S. Department of Housing and Urban Development</b>
<b>Pass-Through Agency</b>	<b>Ohio Department of Development</b>

**Noncompliance – Cash Management**

The Ohio Department of Development, Office of Housing and Community Partnership (OHCP) Policy 08-02, states:

“The office of Housing and Community Partnerships (OHCP) requires communities administering an Ohio Small Cities Community Development Block Grant (CDBG) Program/HOME Investment Partnerships Program-funded Revolving Loan Fund (RLF) to maintain those funds in the treasurer of the public office.”

As well, Ohio Rev. Code Section 733.46 provides that the treasurer of a municipal corporation shall receive and disburse all funds of the municipal corporation and such other funds as arise in or belong to any department or part of the municipal corporation.

On April 7, 1986, the City entered into an agreement with the Ironton-Lawrence County Community Action Organization (CAO), where the CAO was named as the delegate agency and administrator for the City’s Community Development Block Grant programs for the purpose of making business loans and the establishment of the City’s RLF program. Borrowers make the RLF loan payments to the CAO which deposits the payments into checking accounts established by the CAO for each borrower. Monies are only transferred to the City when a disbursement is to be made, and the CAO contacts the City to let them know who to make the check payable to and the amount. A payment is made approximately three times per year to the City for a portion of the collections from the outstanding Revolving Loan Funds. As of the date of this audit, the City has attempted, but has not regained control of the accounts.

We recommend the Revolving Loan Fund account be under the control of the City and that all receipts that are collected from the outstanding loans be collected by the City. The City should consult with legal council to resolve this issue.

**Officials’ Response:**

Already in file.

**CITY OF IRONTON  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 §.505**

**FOR THE YEAR ENDED DECEMBER 31, 2011**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (CONTINUED)</b>
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**FINDING NUMBER 2011-004**

<b>CFDA Title Numbers</b>	<b>Community Development Block Grant CFDA # 14.228 The Small Business Liability Relief and Brownsfield Revitalization Act CFDA # 66.818 Capitalization Grants for Drinking Water State Revolving Funds CFDA # 66.468</b>
<b>Federal Award Number</b>	<b>N/A</b>
<b>Federal Agencies</b>	<b>U.S. Department of Housing and Urban Development and U.S. Department of Environmental Protection Agency</b>
<b>Pass-Through Agencies</b>	<b>Ohio Department of Development and Ohio Water Development Authority</b>

**Noncompliance – Federal Program Report Submission**

OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations Section .320(a) states “The audit shall be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section shall be submitted within the earlier of 30 days after receipt of the auditor’s report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

The City did not complete the single audit within the required time frame, nor obtained an agreement in advance for an extension from the cognizant or oversight agency.

We recommend that management notify auditors in a timely manner to meet compliance requirements for all federal programs that qualify as a single audit, and become familiar with the requirements of the U.S. Department of Management and Budget Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations*.

**Officials’ Response:**

Already in file.

**CITY OF IRONTON  
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .315 (b)  
FOR THE YEAR ENDED DECEMBER 31, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain:</b></i>
2010-001	City did not file annual financial statements within 150 days	No	Reissued as Finding # 2011-001
2010-002	Appropriations exceeded actual resources	Yes	Finding no longer valid
2010-003	Appropriation Exceeded estimated resources	Yes	Finding no longer valid
2010-004	Expenditures exceeded appropriations	Yes	Finding no longer valid
2010-005	City did not properly certify funds prior to expenditure	Yes	Finding no longer valid
2010-006	City had capital asset deficiencies	No	Reissued as Finding # 2011-002
2010-007	City had material audit adjustments to financial statements.	Yes	Finding no longer valid
2010-008	City's revolving loan fund was not under control of the City.	No	Reissued as Finding # 2011-003

**CITY OF IRONTON  
LAWRENCE COUNTY  
DECEMBER 31, 2011**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-003	The Finance Director will follow-up with officials at the Ironton-Lawrence County Community Action Organization regarding possession of funds for the Revolving Loan Fund administered by them.	12/31/2013	Kristen Martin, Finance Director
2011-004	The Finance Director will follow up with staff to close year end balances to meet filing deadlines.	12/31/2013	Kristen Martin, Finance Director



# Dave Yost • Auditor of State

**CITY OF IRONTON**

**LAWRENCE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 13, 2013**