



Mary Taylor, CPA
Auditor of State

**CITY OF IRONTON
LAWRENCE COUNTY**

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CITY OF IRONTON
LAWRENCE COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

City of Ironton
Lawrence County
301 South Third Street
P.O. Box 704
Ironton, Ohio 45638

To the Members of City Council:

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 the City of Ironton, Lawrence County, Ohio (the City), as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

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, Water Fund, Sewer Fund, Sanitation Fund, and the Storm Water Fund of the City of Ironton, Lawrence County, Ohio, as of December 31, 2009 and the respective changes in financial position and where applicable, cash flows thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, Community Development Fund, Clean Ohio Fund, and the aggregate remaining fund information for the City of Ironton, Lawrence County, Ohio, as of December 31, 2009 and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General and Community Development Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 16, prior to 2009, the Ironton Port Authority was reported as a blended component unit, wherein the financial activity of the Port Authority was recorded in the financial statements with governmental activities. For the year 2009, based on GASB Statement No. 14, "The Financial Reporting Entity," it was determined that the Ironton Port Authority was a discretely presented component unit.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2010, 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 did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We did not audit and do not express an opinion on this information. However, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. As a result of our limited procedures, we believe Management's Discussion and Analysis does not conform to Governmental Accounting Standards Board guidelines, since as discussed in paragraph three, the capital assets reported in Management's Discussion and Analysis were not updated in 2009 and we feel they are incorrectly reported.

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements. The Federal Awards Expenditures Schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Federal Awards Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Mary Taylor, CPA
Auditor of State

October 20, 2010

CITY OF IRONTON, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2009*

Unaudited

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, 2009. 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 2009 are as follows:

- ❑ In total, net assets increased by \$1,189,603. Net assets of governmental activities increased by \$1,116,845, which represents a 4.2% increase from 2008. Net assets of business-type activities increased by less than 1%, or \$72,758 from 2008.
- ❑ General revenues accounted for \$4,039,369 in revenue, or 28.5% 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 \$10,122,369, or 71.5% of total revenues of \$14,161,738.
- ❑ The City had \$7,800,353 in expenses related to governmental activities; only \$4,945,001 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 \$3,972,197 were adequate to provide for these programs.
- ❑ Among major funds, the General Fund had \$4,521,494 in revenues and \$4,914,005 in expenditures. The General Fund's fund balance decreased \$368,266.

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

*Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2009*

Unaudited

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, and refuse collection 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, 2009*

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 separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of the City's net assets at December 31, 2009 and 2008:

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$7,683,991	\$6,869,292	\$4,763,184	\$5,030,964	\$12,447,175	\$11,900,256
Capital assets, Net	24,305,013	24,305,013	11,566,732	11,566,732	35,871,745	35,871,745
Total assets	31,989,004	31,174,305	16,329,916	16,597,696	48,318,920	47,772,001
Long-term debt outstanding	3,255,295	3,464,102	4,472,417	4,984,686	7,727,712	8,448,788
Other liabilities	825,225	908,502	445,268	273,537	1,270,493	1,182,039
Total liabilities	4,080,520	4,372,604	4,917,685	5,258,223	8,998,205	9,630,827
Net assets						
Invested in capital assets, net of related debt	21,750,112	21,457,095	7,218,218	6,695,894	28,968,330	28,152,989
Restricted	5,162,448	4,092,025	0	0	5,162,448	4,092,025
Unrestricted	995,924	1,252,581	4,194,013	4,643,579	5,189,937	5,896,160
Total net assets	<u>\$27,908,484</u>	<u>\$26,801,701</u>	<u>\$11,412,231</u>	<u>\$11,339,473</u>	<u>\$39,320,715</u>	<u>\$38,141,174</u>

CITY OF IRONTON, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2009**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2009 and 2008:

	Governmental Activities		Business-type Activities		Total	Total
	2009	2008	2009	2008	2009	2008
Revenues						
Program revenues:						
Charges for Services and Sales	\$1,957,104	\$1,813,056	\$3,981,374	\$3,666,122	\$5,938,478	\$5,479,178
Operating Grants and Contributions	2,460,278	1,901,945	743,048	0	3,203,326	1,901,945
Capital Grants and Contributions	527,619	37,500	452,946	48,505	980,565	86,005
General revenues:						
Taxes	2,671,869	2,577,041	0	0	2,671,869	2,577,041
Grants and Entitlements not Restricted to Specific Programs	879,412	95,837	0	0	879,412	95,837
Investment Earnings	131,598	130,648	67,172	41,065	198,770	171,713
Miscellaneous	289,318	282,691	0	0	289,318	282,691
Total revenues	<u>8,917,198</u>	<u>6,838,718</u>	<u>5,244,540</u>	<u>3,755,692</u>	<u>14,161,738</u>	<u>10,594,410</u>
Program Expenses						
Security of Persons & Property	3,362,782	3,314,081	0	0	3,362,782	3,314,081
Public Health and Welfare	235,430	263,196	0	0	235,430	263,196
Leisure Time Activities	177,627	95,673	0	0	177,627	95,673
Community Environment	153,565	1,097,442	0	0	153,565	1,097,442
Transportation	1,498,351	1,697,171	0	0	1,498,351	1,697,171
General Government	2,236,051	1,659,396	0	0	2,236,051	1,659,396
Interest and Fiscal Charges	136,547	173,883	0	0	136,547	173,883
Water	0	0	2,554,447	1,663,755	2,554,447	1,663,755
Sewer	0	0	1,304,278	1,118,969	1,304,278	1,118,969
Sanitation	0	0	703,959	621,308	703,959	621,308
Storm Water	0	0	609,098	122,365	609,098	122,365
Total expenses	<u>7,800,353</u>	<u>8,300,792</u>	<u>5,171,782</u>	<u>3,526,397</u>	<u>12,972,135</u>	<u>11,827,189</u>
Excess (deficiency) before Transfers	1,116,845	(1,462,074)	72,758	229,295	1,189,603	(1,232,779)
Transfers	0	(10,297)	0	10,297	0	0
Total Change in Net Assets	<u>1,116,845</u>	<u>(1,472,371)</u>	<u>72,758</u>	<u>239,592</u>	<u>1,189,603</u>	<u>(1,232,779)</u>
Beginning Net Assets - Restated	<u>26,791,639</u>	<u>28,264,010</u>	<u>11,339,473</u>	<u>11,099,881</u>	<u>38,131,112</u>	<u>39,363,891</u>
Ending Net Assets	<u>\$27,908,484</u>	<u>\$26,791,639</u>	<u>\$11,412,231</u>	<u>\$11,339,473</u>	<u>\$39,320,715</u>	<u>\$38,131,112</u>

Governmental Activities

Net assets of the City's governmental activities increased by \$1,116,845. This was mainly due to increased grant receipts in the City combined with the City's cost saving measures.

CITY OF IRONTON, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2009**

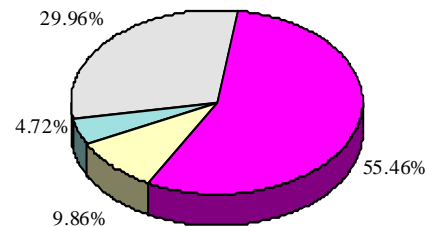
Unaudited

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. In general, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

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 29.96% of revenues for governmental activities for the City in fiscal year 2009. The City's reliance upon tax revenues is demonstrated by the following graph:

Revenue Sources	2009	Percent of Total
Taxes	\$2,671,869	29.96%
Program Revenues	4,945,001	55.46%
Shared Revenues	879,412	9.86%
General Other	420,916	4.72%
Total Revenue	<u>\$8,917,198</u>	<u>100.00%</u>



Business-type Activities

Net assets of the City's business-type activities increased by \$72,758. Increases in personal and supply costs exceeded increases in revenues during the year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$4,152,204, which is a increase from last year's balance of \$3,950,904. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2009 and 2008:

	Fund Balance December 31, 2009	Fund Balance December 31, 2008	Increase (Decrease)
General	\$694,096	\$1,062,362	(\$368,266)
Community Development	537,308	25,927	511,381
Clean Ohio	542,948	0	542,948
Other Governmental	2,377,852	2,862,615	(484,763)
Total	<u>\$4,152,204</u>	<u>\$3,950,904</u>	<u>\$201,300</u>

CITY OF IRONTON, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2009*

Unaudited

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

	2009 Revenues	2008 Revenues	Increase (Decrease)
Taxes	\$2,372,504	\$2,457,001	(\$84,497)
Intergovernmental Revenues	570,931	714,282	(143,351)
Charges for Services	930,157	886,675	43,482
Licenses and Permits	114,173	20,670	93,503
Investment Earnings	16,772	27,041	(10,269)
Special Assessments	4,392	3,934	458
Fines and Forfeitures	299,704	378,793	(79,089)
All Other Revenue	212,861	240,604	(27,743)
Total	\$4,521,494	\$4,729,000	(\$207,506)

General Fund revenues in 2009 decreased by 4.4% compared to revenues in fiscal year 2008. The most significant factor contributing to this decrease was the decrease in intergovernmental revenues and tax collections.

	2009 Expenditures	2008 Expenditures	Increase (Decrease)
Security of Persons & Property	\$2,731,741	\$2,745,924	(\$14,183)
Public Health and Welfare	9,084	12,454	(3,370)
Community Environment	547	0	547
Transportation	0	41,570	(41,570)
General Government	1,881,349	1,768,807	112,542
Capital Outlay	87,589	40,453	47,136
Debt Service:			
Principal Retirement	136,348	146,363	(10,015)
Interest and Fiscal Charges	67,347	64,043	3,304
Total	\$4,914,005	\$4,819,614	\$94,391

General Fund expenditures increased by \$94,391, or 2.0%. The increase is due to increased costs associated with personnel and supplies.

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, final budget basis revenue of \$4.5 million did not significantly change over the original budget estimates of \$4.6 million. 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, 2009*

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2009 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 2009 and 2008 balances:

	Governmental Activities		Increase (Decrease)
	2009	2008	
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)
	2009	2008	
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 7.

CITY OF IRONTON, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2009**

Unaudited

Debt

At December 31, 2009, the City had \$2,200,000 in bonds outstanding, \$85,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Governmental Activities:		
General Obligation Bonds	\$2,200,000	\$2,280,000
General Obligation Notes	288,571	371,368
Compensated Absences	248,293	221,085
Capital Leases	66,330	129,835
Police and Firemen's Accrued Pension	452,101	461,814
Total Governmental Activities	<u>3,255,295</u>	<u>3,464,102</u>
Business-Type Activities:		
General Obligation Notes	1,443,163	1,580,259
Ohio Water Development Authority Loan	2,817,537	3,179,551
Ohio Public Works Commission Loan	65,625	67,500
Compensated Absences	123,903	113,849
Capital Leases	22,189	43,527
Total Business-Type Activities	<u>4,472,417</u>	<u>4,984,686</u>
Totals	<u><u>\$7,727,712</u></u>	<u><u>\$8,448,788</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, 2009, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 11.

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. 3rd St. – 2nd Floor, PO Box 704, Ironton, Ohio 45638.

CITY OF IRONTON, OHIO

Statement of Net Assets
December 31, 2009

	Governmental Activities	Business-Type Activities	Total	Component Unit Ironton Port Authority
Assets:				
Cash and Cash Equivalents	\$ 2,619,283	\$ 3,315,489	\$ 5,934,772	\$ 221,788
Investments	225,000	0	225,000	0
Receivables:				
Taxes	1,684,855	0	1,684,855	0
Accounts	124,793	554,629	679,422	0
Intergovernmental	2,693,188	743,048	3,436,236	14,473
Interest	0	496	496	0
Loans	316,588	0	316,588	0
Internal Balances	(1,525)	1,525	0	0
Inventory of Supplies at Cost	16,387	31,166	47,553	0
Prepays	5,422	1,728	7,150	0
Restricted Assets:				
Cash and Cash Equivalents	0	115,103	115,103	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
Total Assets	31,989,004	16,329,916	48,318,920	236,261
Liabilities:				
Accounts Payable	56,139	192,127	248,266	0
Accrued Wages and Benefits	326,367	109,153	435,520	0
Refundable Deposits	0	137,603	137,603	0
Deferred Revenue	427,603	0	427,603	0
Accrued Interest Payable	15,116	6,385	21,501	0
Long Term Liabilities:				
Due Within One Year	391,440	491,380	882,820	15,407
Due in More Than One Year	2,863,855	3,981,037	6,844,892	0
Total Liabilities	4,080,520	4,917,685	8,998,205	15,407
Net Assets:				
Invested in Capital Assets, Net of Related Debt	21,750,112	7,218,218	28,968,330	0
Restricted For:				
Capital Projects	197,798	0	197,798	0
Debt Service	157,078	0	157,078	0
Streets & Highways	597,917	0	597,917	0
Security of Persons & Property	1,654,745	0	1,654,745	0
Other Purposes	2,554,910	0	2,554,910	0
Unrestricted (Deficit)	995,924	4,194,013	5,189,937	220,854
Total Net Assets	\$ 27,908,484	\$ 11,412,231	\$ 39,320,715	\$ 220,854

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

Statement of Activities For the Year Ended December 31, 2009

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Current:				
Security of Persons and Property	\$ 3,362,782	\$ 717,864	\$ 70,728	\$ 0
Public Health and Welfare Services	235,430	77,028	31,998	0
Leisure Time Activities	177,627	33,001	24,292	0
Community Environment	153,565	57,359	1,806,252	0
Transportation	1,498,351	0	527,008	527,619
General Government	2,236,051	1,071,852	0	0
Interest and Fiscal Charges	136,547	0	0	0
Total Governmental Activities	7,800,353	1,957,104	2,460,278	527,619
Business-Type Activities:				
Water	2,554,447	1,624,540	0	421,578
Sewer	1,304,278	1,209,342	371,524	31,368
Sanitation	703,959	619,725	0	0
Storm Water	609,098	527,767	371,524	0
Total Business-Type Activities	5,171,782	3,981,374	743,048	452,946
Totals	\$ 12,972,135	\$ 5,938,478	\$ 3,203,326	\$ 980,565
Component Unit:				
Ironton Port Authority	\$ 741,511	\$ 33,200	\$ 731,196	\$ 0

General Revenues

Property Taxes
Municipal Income Taxes
Grants and Entitlements not Restricted to Specific Programs
Investment Earnings
Miscellaneous
Total General Revenues
Change in Net Assets
Net Assets Beginning of Year - Restated
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
\$ (2,574,190)	\$ 0	\$ (2,574,190)	\$ 0
(126,404)	0	(126,404)	0
(120,334)	0	(120,334)	0
1,710,046	0	1,710,046	0
(443,724)	0	(443,724)	0
(1,164,199)	0	(1,164,199)	0
(136,547)	0	(136,547)	0
<u>(2,855,352)</u>	<u>0</u>	<u>(2,855,352)</u>	<u>0</u>
0	(508,329)	(508,329)	0
0	307,956	307,956	0
0	(84,234)	(84,234)	0
0	290,193	290,193	0
<u>0</u>	<u>5,586</u>	<u>5,586</u>	<u>0</u>
<u>\$ (2,855,352)</u>	<u>\$ 5,586</u>	<u>\$ (2,849,766)</u>	<u>\$ 0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>22,885</u>
515,305	0	515,305	0
2,156,564	0	2,156,564	0
879,412	0	879,412	0
131,598	67,172	198,770	0
289,318	0	289,318	187,907
<u>3,972,197</u>	<u>67,172</u>	<u>4,039,369</u>	<u>187,907</u>
1,116,845	72,758	1,189,603	210,792
<u>26,791,639</u>	<u>11,339,473</u>	<u>38,131,112</u>	<u>10,062</u>
<u>\$ 27,908,484</u>	<u>\$ 11,412,231</u>	<u>\$ 39,320,715</u>	<u>\$ 220,854</u>

CITY OF IRONTON, OHIO

Balance Sheet
Governmental Funds
December 31, 2009

	General	Community Development	Clean Ohio	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 476,655	\$ 19,538	\$ 0	\$ 2,120,069	\$ 2,616,262
Investments	25,000	0	0	200,000	225,000
Receivables:					
Taxes	1,231,394	0	0	453,461	1,684,855
Accounts	76,750	0	0	48,043	124,793
Intergovernmental	329,492	813,300	1,264,070	286,326	2,693,188
Loans	0	0	0	316,588	316,588
Inventory of Supplies, at Cost	0	0	0	16,387	16,387
Prepaid Items	5,271	0	0	151	5,422
Total Assets	\$ 2,144,562	\$ 832,838	\$ 1,264,070	\$ 3,441,025	\$ 7,682,495
Liabilities:					
Accounts Payable	\$ 23,335	\$ 0	\$ 0	\$ 32,804	\$ 56,139
Accrued Wages and Benefits Payable	267,976	0	0	58,391	326,367
Deferred Revenue	1,159,155	295,530	721,122	971,978	3,147,785
Total Liabilities	1,450,466	295,530	721,122	1,063,173	3,530,291
Fund Balances:					
Reserved for Encumbrances	19,446	0	0	22,019	41,465
Reserved for Prepaid Items	5,271	0	0	151	5,422
Reserved for Supplies Inventory	0	0	0	16,387	16,387
Reserved for Debt Service	0	0	0	172,194	172,194
Unreserved, Undesignated in:					
General Fund	669,379	0	0	0	669,379
Special Revenue Funds	0	537,308	0	1,971,240	2,508,548
Capital Projects Funds	0	0	542,948	195,861	738,809
Total Fund Balances	694,096	537,308	542,948	2,377,852	4,152,204
Total Liabilities and Fund Balances	\$ 2,144,562	\$ 832,838	\$ 1,264,070	\$ 3,441,025	\$ 7,682,495

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2009***

Total Governmental Fund Balances \$ 4,152,204

***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. 2,720,182

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 3,021
Allocation to Business-Type Activities (1,525) 1,496

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 (2,488,571)
Capital Leases (66,330)
Police Pension Accrued Liability (452,101)
Compensated Absences Payable related to Governmental Funds (248,293)
Accrued Interest Payable (15,116) (3,270,411)

Net Assets of Governmental Activities **\$ 27,908,484**

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2009

	General	Community Development	Clean Ohio	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$ 2,372,504	\$ 0	\$ 0	\$ 179,639	\$ 2,552,143
Intergovernmental Revenues	570,931	627,875	858,984	1,223,476	3,281,266
Charges for Services	930,157	0	0	398,952	1,329,109
Licenses and Permits	114,173	0	0	43,638	157,811
Investment Earnings	16,772	0	0	49,027	65,799
Special Assessments	4,392	0	0	0	4,392
Fines and Forfeitures	299,704	0	0	176,050	475,754
All Other Revenue	212,861	0	0	132,294	345,155
Total Revenue	<u>4,521,494</u>	<u>627,875</u>	<u>858,984</u>	<u>2,203,076</u>	<u>8,211,429</u>
Expenditures:					
Current:					
Security of Persons and Property	2,731,741	0	0	460,560	3,192,301
Public Health and Welfare Services	9,084	0	0	227,683	236,767
Leisure Time Activities	0	0	0	175,550	175,550
Community Environment	547	116,494	0	36,524	153,565
Transportation	0	0	0	793,913	793,913
General Government	1,881,349	0	0	166,664	2,048,013
Capital Outlay	87,589	0	316,036	640,566	1,044,191
Debt Service:					
Principal Retirement	136,348	0	0	89,953	226,301
Interest & Fiscal Charges	67,347	0	0	72,181	139,528
Total Expenditures	<u>4,914,005</u>	<u>116,494</u>	<u>316,036</u>	<u>2,663,594</u>	<u>8,010,129</u>
Excess (Deficiency) of Revenues Over Expenditures	(392,511)	511,381	542,948	(460,518)	201,300
Other Financing Sources (Uses):					
Transfers In	109,845	0	0	85,600	195,445
Transfers Out	(85,600)	0	0	(109,845)	(195,445)
Total Other Financing Sources (Uses)	<u>24,245</u>	<u>0</u>	<u>0</u>	<u>(24,245)</u>	<u>0</u>
Net Change in Fund Balances	(368,266)	511,381	542,948	(484,763)	201,300
Fund Balances at Beginning of Year - Restated	<u>1,062,362</u>	<u>25,927</u>	<u>0</u>	<u>2,862,615</u>	<u>3,950,904</u>
Fund Balances End of Year	<u>\$ 694,096</u>	<u>\$ 537,308</u>	<u>\$ 542,948</u>	<u>\$ 2,377,852</u>	<u>\$ 4,152,204</u>

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For The Fiscal Year Ended December 31, 2009***

Net Change in Fund Balances - Total Governmental Funds \$ 201,300

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

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 705,769

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

General Obligation Bond Principal Payment	162,797	
Police Accrued Pension Liability	9,714	
Capital Lease Payment	<u>63,505</u>	236,016

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 2,981

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	(27,209)	
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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	(3,862)	
Change in portion of internal service fund net assets allocated to Business-Type Activities	<u>1,850</u>	<u>(2,012)</u>

Change in Net Assets of Governmental Activities **\$ 1,116,845**

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, 2009**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 2,985,707	\$ 2,937,188	\$ 2,458,441	\$ (478,747)
Intergovernmental Revenue	590,653	581,055	590,183	9,128
Charges for Services	377,335	371,203	853,407	482,204
Licenses and Permits	114,638	112,775	114,173	1,398
Investment Earnings	16,800	16,527	16,772	245
Special Assessments	4,392	4,321	4,392	71
Fines and Forfeitures	301,172	296,278	301,068	4,790
All Other Revenues	184,761	181,759	231,952	50,193
Total Revenues	<u>4,575,458</u>	<u>4,501,106</u>	<u>4,570,388</u>	<u>69,282</u>
Expenditures:				
Current:				
Security of Persons and Property	3,011,229	3,207,382	2,738,654	468,728
Public Health and Welfare Services	9,720	10,353	9,352	1,001
Transportation	44,260	47,143	150	46,993
General Government	1,885,306	2,008,116	1,931,259	76,857
Capital Outlay	60,500	64,441	87,589	(23,148)
Debt Service:				
Principal Retirement	202,887	216,103	136,348	79,755
Interest and Fiscal Charges	0	0	67,347	(67,347)
Total Expenditures	<u>5,213,902</u>	<u>5,553,538</u>	<u>4,970,699</u>	<u>582,839</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(638,444)	(1,052,432)	(400,311)	652,121
Other Financing Sources (Uses):				
Transfers In	319,024	313,840	109,845	(203,995)
Transfers Out	(85,600)	(91,176)	(85,600)	5,576
Total Other Financing Sources (Uses):	<u>233,424</u>	<u>222,664</u>	<u>24,245</u>	<u>(198,419)</u>
Net Changes in Fund Balance	(405,020)	(829,768)	(376,066)	453,702
Fund Balance at Beginning of Year - Restated	771,412	771,412	771,412	0
Prior Year Encumbrances	43,418	43,418	43,418	0
Fund Balance at End of Year	<u>\$ 409,810</u>	<u>\$ (14,938)</u>	<u>\$ 438,764</u>	<u>\$ 453,702</u>

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)
Special Revenue Fund – Community Development Fund
For the Year Ended December 31, 2009**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 704,741	\$ 707,202	\$ 117,316	\$ (589,886)
Total Revenues	704,741	707,202	117,316	(589,886)
Expenditures:				
Current:				
Community Environment	664,832	767,713	116,494	651,219
Total Expenditures	664,832	767,713	116,494	651,219
Excess (Deficiency) of Revenues Over (Under) Expenditures	39,909	(60,511)	822	61,333
Fund Balance at Beginning of Year	17,902	17,902	17,902	0
Prior Year Encumbrances	814	814	814	0
Fund Balance at End of Year	\$ 58,625	\$ (41,795)	\$ 19,538	\$ 61,333

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

Statement of Net Assets
Proprietary Funds
December 31, 2009

	Water	Sewer	Sanitation	Storm Water
Assets:				
<i>Current Assets:</i>				
Cash and Cash Equivalents	\$ 555,005	\$ 1,394,077	\$ 200,684	\$ 1,165,723
<i>Receivables:</i>				
Accounts	207,396	178,552	95,057	73,624
Intergovernmental	0	371,524	0	371,524
Interest	0	248	0	248
Inventory of Supplies at Cost	26,044	5,122	0	0
Prepaid Items	1,256	171	153	148
<i>Restricted Assets:</i>				
Cash and Cash Equivalents	115,103	0	0	0
Total Current Assets	904,804	1,949,694	295,894	1,611,267
<i>Non Current Assets:</i>				
<i>Capital Assets:</i>				
Capital Assets Not Being Depreciated	481,030	402,976	0	70,600
Capital Assets Being Depreciated	5,634,730	4,857,299	45,712	74,385
Total Assets	7,020,564	7,209,969	341,606	1,756,252
Liabilities:				
<i>Current Liabilities:</i>				
Accounts Payable	12,372	97,498	18,226	64,031
Accrued Wages and Benefits	34,448	27,707	46,998	0
Refundable Deposits	137,603	0	0	0
Accrued Interest Payable	5,625	449	24	287
Compensated Absences Payable - Current	30,771	15,498	12,607	0
Capital Leases - Current	0	22,189	0	0
General Obligation Bonds - Current	66,000	62,773	1,022	12,353
OWDA Loans Payable - Current	264,417	0	0	0
OPWC Loans Payable - Current	0	3,750	0	0
Total Current Liabilities	551,236	229,864	78,877	76,671

CITY OF IRONTON, OHIO

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 3,315,489	\$ 3,021
554,629	0
743,048	0
496	0
31,166	0
1,728	0
<u>115,103</u>	<u>0</u>
4,761,659	3,021
954,606	0
<u>10,612,126</u>	<u>0</u>
<u>16,328,391</u>	<u>3,021</u>
192,127	575
109,153	0
137,603	0
6,385	0
58,876	0
22,189	0
142,148	0
264,417	0
3,750	0
<u>936,648</u>	<u>575</u>

(Continued)

CITY OF IRONTON, OHIO

Statement of Net Assets
Proprietary Funds
December 31, 2009

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Storm Water</u>
<i>Long Term Liabilities:</i>				
Compensated Absences Payable	24,566	24,012	16,449	0
General Obligation Bonds Payable	1,245,000	34,809	1,618	19,588
OWDA Loans Payable	2,314,939	40,316	0	197,865
OPWC Loans Payable	0	61,875	0	0
Total Liabilities	<u>4,135,741</u>	<u>390,876</u>	<u>96,944</u>	<u>294,124</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	2,225,404	5,034,563	43,072	(84,821)
Unrestricted	659,419	1,784,530	201,590	1,546,949
Total Net Assets	<u>\$ 2,884,823</u>	<u>\$ 6,819,093</u>	<u>\$ 244,662</u>	<u>\$ 1,462,128</u>

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
65,027	0
1,301,015	0
2,553,120	0
<u>61,875</u>	<u>0</u>
<u>4,917,685</u>	<u>575</u>
7,218,218	0
<u>4,192,488</u>	<u>2,446</u>
<u><u>\$ 11,410,706</u></u>	<u><u>\$ 2,446</u></u>

CITY OF IRONTON, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2009**

	Water	Sewer	Sanitation	Storm Water
Operating Revenues:				
Charges for Services	\$ 1,502,677	\$ 1,202,851	\$ 615,114	\$ 478,830
Other Operating Revenue	65,325	0	4,611	0
Total Operating Revenues	1,568,002	1,202,851	619,725	478,830
Operating Expenses:				
Personal Services	861,518	545,158	405,106	2,858
Contractual Services	591,901	491,983	261,255	319,408
Materials and Supplies	592,709	0	0	0
Other Operating Expenses	378,288	258,694	37,454	264,861
Total Operating Expenses	2,424,416	1,295,835	703,815	587,127
Operating Income (Loss)	(856,414)	(92,984)	(84,090)	(108,297)
Nonoperating Revenue (Expenses):				
Investment Earnings	23,374	19,853	4,795	19,150
Interest Expense	(128,181)	(8,443)	(144)	(21,971)
Intergovernmental Revenues	421,578	402,892	0	420,461
Other Nonoperating Revenue	56,538	6,491	0	0
Total Nonoperating Revenues (Expenses)	373,309	420,793	4,651	417,640
Change in Net Assets	(483,105)	327,809	(79,439)	309,343
Net Assets Beginning of Year	3,367,928	6,491,284	324,101	1,152,785
Net Assets End of Year	\$ 2,884,823	\$ 6,819,093	\$ 244,662	\$ 1,462,128

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 3,799,472	\$ 0
69,936	48,625
3,869,408	48,625
1,814,640	0
1,664,547	0
592,709	53,062
939,297	0
5,011,193	53,062
(1,141,785)	(4,437)
67,172	0
(158,739)	0
1,244,931	0
63,029	0
1,216,393	0
74,608	(4,437)
11,336,098	6,883
<u>\$ 11,410,706</u>	<u>\$ 2,446</u>

CITY OF IRONTON, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2009

	<i>Business-Type Activities</i>		
	<i>Water Fund</i>	<i>Sewer Fund</i>	<i>Sanitation Fund</i>
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$1,633,384	\$1,248,987	\$626,801
Cash Payments for Goods and Services	(1,561,947)	(655,497)	(280,607)
Cash Payments to Employees	(870,950)	(545,931)	(375,840)
Net Cash Provided by Operating Activities	(799,513)	47,559	(29,646)
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Intergovernmental Grants	421,578	38,937	0
Issuance of OWDA Loans	0	50,000	0
Principal Paid on OPWC Loans	0	(1,875)	0
Principal Paid on General Obligation Notes	0	(61,302)	(952)
Principal Paid on General Obligation Bonds	(63,000)	0	0
Principal Paid on Ohio Water Development Authority Loans	(259,232)	0	0
Principal Paid on Capital Lease	0	(21,338)	0
Interest Paid on All Debt	(128,451)	(8,409)	(176)
Net Cash Used for Capital and Related Financing Activities	(29,105)	(3,987)	(1,128)
<u>Cash Flows from Investing Activities:</u>			
Sale (Purchase) of Investments	250,000	135,551	0
Receipts of Interest	23,374	19,605	4,795
Net Cash Provided by Investing Activities	273,374	155,156	4,795
Net Increase (Decrease) in Cash and Cash Equivalents	(555,244)	198,728	(25,979)
Cash and Cash Equivalents at Beginning of Year	1,225,352	1,195,349	226,663
Cash and Cash Equivalents at End of Year	\$670,108	\$1,394,077	\$200,684
<u>Reconciliation of Cash and Cash Equivalents per the Balance Sheet</u>			
Cash and Cash Equivalents	\$555,005	\$1,394,077	\$200,684
Restricted Cash and Cash Equivalents	115,103	0	0
Cash and Cash Equivalents at End of Year	\$670,108	\$1,394,077	\$200,684

CITY OF IRONTON, OHIO

<i>Storm Water Fund</i>	<i>Total Enterprise Funds</i>	<i>Governmental Activities Internal Service Fund</i>
\$507,482	\$4,016,654	\$48,625
(520,391)	(3,018,442)	(52,487)
(2,858)	(1,795,579)	0
(15,767)	(797,367)	(3,862)
38,937	499,452	0
50,000	100,000	0
0	(1,875)	0
(11,818)	(74,072)	0
0	(63,000)	0
(183,414)	(442,646)	0
0	(21,338)	0
(21,761)	(158,797)	0
(128,056)	(162,276)	0
0	385,551	0
18,902	66,676	0
18,902	452,227	0
(124,921)	(507,416)	(3,862)
1,290,644	3,938,008	6,883
\$1,165,723	\$3,430,592	\$3,021
\$1,165,723	3,315,489	\$3,021
0	115,103	0
\$1,165,723	\$3,430,592	\$3,021

(Continued)

CITY OF IRONTON, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2009

	<i>Business-Type Activities</i>		
	<i>Water Fund</i>	<i>Sewer Fund</i>	<i>Sanitation Fund</i>
<u>Reconciliation of Operating Income to Net Cash</u>			
<u>Provided by Operating Activities:</u>			
Operating Income	(\$856,414)	(\$92,984)	(\$84,090)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Miscellaneous Nonoperating Revenue	56,538	6,491	0
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	8,844	39,645	7,076
(Increase) Decrease in Prepaid Items	11,041	2,927	851
Decrease in Accounts Payable	(10,090)	92,253	17,251
Increase (Decrease) in Accrued Wages and Benefits	(12,601)	(4,217)	25,825
Increase in Compensated Absences	3,169	3,444	3,441
Total Adjustments	56,901	140,543	54,444
Net Cash Provided by Operating Activities	(\$799,513)	\$47,559	(\$29,646)

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

<u>Storm Water Fund</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activities Internal Service Fund</u>
(\$108,297)	(\$1,141,785)	(\$4,437)
0	63,029	0
28,652	84,217	0
(98)	14,721	0
63,976	163,390	575
0	9,007	0
0	10,054	0
<u>92,530</u>	<u>344,418</u>	<u>575</u>
<u>(\$15,767)</u>	<u>(\$797,367)</u>	<u>(\$3,862)</u>

CITY OF IRONTON, OHIO

Statement of Net Assets
Fiduciary Funds
December 31, 2009

	Private Purpose Trust	
	Special Trust Fund	Agency
Assets:		
Cash and Cash Equivalents	\$ 61,300	\$ 78,598
Total Assets	<u>61,300</u>	<u>78,598</u>
Liabilities:		
Due to Others	0	78,598
Total Liabilities	<u>\$ 0</u>	<u>\$ 78,598</u>
Net Assets:		
Unrestricted	61,300	0
Total Net Assets	<u>\$ 61,300</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

Statement of Changes in Net Assets
Fiduciary Fund
For the Year Ended December 31, 2009

	Private Purpose Trust
	Special Trust Fund
Additions:	
Contributions:	
Private Donations	\$ 108,552
Total Additions	<u>108,552</u>
Deductions:	
Community Gifts, Awards and Scholarships	<u>54,883</u>
Total Deductions	<u>54,883</u>
Change in Net Assets	53,669
Net Assets at Beginning of Year	<u>7,631</u>
Net Assets End of Year	<u><u>\$ 61,300</u></u>

See accompanying notes to the basic financial statements

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CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

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, 2009 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. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

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.

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.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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 15.

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

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Governmental Funds (Continued)

Community Development Fund – This fund is used to account for the Community Development Block Grants issued to Ironton.

Clean Ohio Fund – This fund is used to account for grants monies to 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. The City's trust funds are private purpose trust account for monies used for the demolition of buildings not owned by the City. 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 agency funds account for 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

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

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

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

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

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

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 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

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

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 2009.

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2009**

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 governmental funds:

	Net Change in Fund Balance	
	General Fund	Community Development Fund
GAAP Basis (as reported)	(\$368,266)	\$511,381
Increase (Decrease):		
Accrued Revenues at December 31, 2009 received during 2010	(498,590)	(517,770)
Accrued Revenues at December 31, 2008 received during 2009	547,484	7,211
Accrued Expenditures at December 31, 2009 paid during 2010	291,311	0
Accrued Expenditures at December 31, 2008 paid during 2009	(316,835)	0
2008 Prepays for 2009	16,883	0
2009 Prepays for 2010	(5,271)	0
Outstanding Encumbrances	(42,782)	0
Budget Basis	(\$376,066)	\$822

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, repurchase agreements 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 2 "Pooled 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 2, "Pooled Cash, Cash Equivalents and Investments."

H. Inventory

Inventory is stated at cost in the governmental funds and at the lower of cost or market in the proprietary funds using the first-in, first-out (FIFO) method. The costs of inventory items are recorded as expenditures in the governmental funds when purchased and as expenses in the proprietary funds when used.

I. 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

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. 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. 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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2009***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. 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
Long-Term Obligation	General Fund
Installment Loans	Fire 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	Sewer Fund
Compensated Absences	General Fund Street Fund Health Fund Water Fund Sewer Fund Sanitation Fund
Capital Leases	General Fund Sewer Fund

K. 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

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. 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.

M. 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 programs for street and highway improvements, state and federal grants for security of persons and property, public transportation and 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.

N. Pensions

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

O. 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

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for prepaid items, inventories, debt service and encumbered amounts not accrued at year end.

Q. Restricted Assets

Customer deposits and cash with fiscal agent are classified as restricted assets on the balance sheet because these funds are being held for specified purposes.

R. 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 - 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.

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.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2009**

NOTE 2 - 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 \$6,417,794 and the bank balance was \$6,592,844. Federal depository insurance covered \$885,104 of the bank balance and \$5,707,740 was uninsured. Of the remaining uninsured bank balance, the District 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>\$5,707,740</u>
Total Balance	<u><u>\$5,707,740</u></u>

Cash and cash equivalents held by the Ironton Port Authority are classified as "cash and cash equivalents". At December 31, 2009, the carrying amount of the Ironton Port Authority was \$221,788, and the bank balance was \$224,957. The total bank balance was covered by the FDIC.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

B. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. Repurchase agreements and STAR Ohio are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

A reconciliation between classifications of cash and investments on the financial statements and the classifications per items A and B of this note are as follows:

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per Financial Statements	\$6,192,794	\$225,000
Certificates of Deposit (with maturities of more than 3 months)	225,000	(225,000)
Per GASB Statement No. 3	<u>\$6,417,794</u>	<u>\$0</u>

* Includes Cash with Fiscal Agent

NOTE 3 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2009 were levied after October 1, 2008 on assessed values as of January 1, 2008, the lien date. Assessed values were established by the County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation was completed for tax year 2004. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder is payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually, the first payment is due April 30; the remainder payable by September 20.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

NOTE 3 - 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% 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, 2009 was \$4.28 per \$1,000 of assessed value. The assessed value upon which the 2008 tax levy was based was \$135,727,700. This amount constitutes \$129,901,890 in real property assessed value, \$5,825,810 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.

NOTE 4 - RECEIVABLES

Receivables at December 31, 2009 consisted of taxes, accounts, interest, loans, and intergovernmental receivables arising from shared revenues.

NOTE 5 – INTERFUND ACCOUNTS

On the Statement of Net Assets, the Governmental Activities reported an internal balance at December 31, 2009 of \$1,525, 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.

CITY OF IRONTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2009***

NOTE 6 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2009:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$109,845	\$85,600
Nonmajor Governmental Funds	<u>85,600</u>	<u>109,845</u>
Totals	<u><u>\$195,445</u></u>	<u><u>\$195,445</u></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.

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CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2009**

NOTE 7 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2009:

Historical Cost:

Class	December 31, 2008	Additions	Deletions	December 31, 2009
Capital assets not being depreciated:				
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
Capital assets being depreciated:				
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, 2008	Additions	Deletions	December 31, 2009
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)
Net Value:	\$24,305,013			\$24,305,013

* 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, 2009**

NOTE 7 – CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2009:

Historical Cost:

Class	December 31, 2008	Additions	Deletions	December 31, 2009
<i>Capital assets not being depreciated:</i>				
Land	\$60,060	\$0	\$0	\$60,060
Construction in Progress	894,546	0	0	894,546
Subtotal	954,606	0	0	954,606
<i>Capital assets being depreciated:</i>				
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, 2008	Additions	Deletions	December 31, 2009
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)
Net Value:	\$11,566,732			\$11,566,732

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

NOTE 8 – 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 2009, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2009 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; for 2009, from January 1 through March 31, 2009 7.0% of annual covered salary was the portion used to fund pension obligations, and from April 1 through December 31, 2009 8.5% of annual covered salary was the portion used to fund pension obligations. 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, 2009, 2008, and 2007 were \$205,929, \$171,441 and \$277,354, respectively, which were equal to the required contributions for each year.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

NOTE 8 – 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 2009, 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, 2009, 2008, and 2007 were \$81,777, \$78,402 and \$122,593 for police and \$120,824, \$113,618 and \$131,892 for firefighters, respectively, which were equal to the required contributions for each year.

NOTE 9 - 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

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

NOTE 9 - 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 2009, 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. For 2009, the employer contribution allocated to the health care plan was 7.0% of covered payroll from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009. 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, 2009, 2008, and 2007 were \$142,146, \$171,441 and \$182,688, 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

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

NOTE 9 - POSTEMPLOYMENT BENEFITS

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 2009, 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, 2009, 2008, and 2007 were \$43,303, \$41,507 and \$37,398 for police and \$47,267, \$44,459 and \$41,499 for firefighters, respectively, which were equal to the required contributions for each year.

CITY OF IRONTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2009***

NOTE 10 - 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, 2009, the total liability for accumulated unpaid compensated absences recorded in the Governmental Activities was as follows:

	<u>Hours</u>	<u>Amount</u>
Sick Leave	7,062	\$106,225
Vacation / Compensatory Time	<u>9,010</u>	<u>142,068</u>
Total	<u><u>16,072</u></u>	<u><u>\$248,293</u></u>

In addition, the accrued liability for accumulated unpaid compensated absences recorded in the enterprise funds increased \$10,054 from a beginning year balance of \$113,849 to a year-end balance of \$123,903.

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CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

NOTE 11 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 2009 were as follows:

			Balance December 31, 2008	Additions	(Reductions)	Balance December 31, 2009	Due Within One Year
Business-Type Activities:							
Ohio Water Development Authority Loans (OWDA):							
2.00%	Loan #0239	1994	\$2,838,587	\$0	(\$259,232)	\$2,579,355	\$264,417
3.20%	Loan #4449	2006	340,964	0	(183,414)	157,550	0
3.43%	Loan #5221	2009	0	80,632	0	80,632	0
Total Ohio Water Development Authority Loans			<u>3,179,551</u>	<u>80,632</u>	<u>(442,646)</u>	<u>2,817,537</u>	<u>264,417</u>
Ohio Public Works Commission							
0.00%		2006	67,500	0	(1,875)	65,625	3,750
General Obligation:							
4.80%	Sludge Press Acquisition	2006	158,884	0	(61,302)	97,582	62,773
4.49%	Sanitation Equipment	2007	3,616	0	(976)	2,640	1,022
4.49%	Stormwater Equipment	2007	43,759	0	(11,818)	31,941	12,353
5.22%	Water Storage Bonds	2008	1,374,000	0	(63,000)	1,311,000	66,000
Total General Obligation Notes			<u>1,580,259</u>	<u>0</u>	<u>(137,096)</u>	<u>1,443,163</u>	<u>142,148</u>
Capital Leases							
3.95%	Street Sweeper Lease	2005	43,527	0	(21,338)	22,189	22,189
Compensated Absences			<u>113,849</u>	<u>10,054</u>	<u>0</u>	<u>123,903</u>	<u>58,876</u>
Total Business-Type Long-Term Debt			<u>\$4,984,686</u>	<u>\$90,686</u>	<u>(\$602,955)</u>	<u>\$4,472,417</u>	<u>\$491,380</u>
Governmental Activities Long-Term Debt:							
General Obligation Bonds:							
Varies	Building Improvement	1997	\$1,055,000	\$0	(\$50,000)	\$1,005,000	\$55,000
Varies	Fire House Construction Bonds	2003	1,225,000	0	(30,000)	1,195,000	30,000
Total General Long-Term Debt			<u>2,280,000</u>	<u>0</u>	<u>(80,000)</u>	<u>2,200,000</u>	<u>85,000</u>
General Obligation Notes							
4.49%	Equipment Acquisition	2007	179,475	0	(48,466)	131,009	51,666
4.69%	Fire Pumper Acquisition	2007	191,893	0	(34,331)	157,562	36,245
Total General Obligations			<u>371,368</u>	<u>0</u>	<u>(82,797)</u>	<u>288,571</u>	<u>87,911</u>
Other Long-Term Obligations:							
Police/Accrued Pension Obligations			461,814	0	(9,713)	452,101	10,131
Capital Leases Payable			129,835	0	(63,505)	66,330	66,330
Compensated Absences			221,085	27,208	0	248,293	142,068
Total Other Long-Term Obligations:			<u>812,734</u>	<u>27,208</u>	<u>(73,218)</u>	<u>766,724</u>	<u>218,529</u>
Total Governmental Activities			<u>\$3,464,102</u>	<u>\$27,208</u>	<u>(\$236,015)</u>	<u>\$3,255,295</u>	<u>\$391,440</u>

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

NOTE 11 - 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, 2009, follows:

Years	OWDA Loans		General Obligation Bond		OPWC Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	264,417	51,586	151,000	180,317	3,750	0
2011	269,706	46,298	154,000	172,856	3,750	0
2012	275,100	40,904	163,000	165,164	3,750	0
2013	280,602	35,402	172,000	156,943	3,750	0
2014	286,214	29,790	186,000	148,196	3,750	0
2015-2019	1,203,316	60,758	1,061,000	589,908	18,750	0
2020-2024	0	0	1,019,000	285,493	18,750	0
2025-2029	0	0	305,000	122,000	9,375	0
2034	0	0	300,000	38,250	0	0
2035	0	0	0	0	0	0
Totals	\$2,579,355	\$264,738	\$3,511,000	\$1,859,127	\$65,625	\$0

Years	Police/Fire Accrued Pension Liability		General Obligation Notes		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	10,131	19,108	164,566	19,428	593,864	270,439
2011	10,566	18,673	138,516	11,378	576,538	249,205
2012	11,020	18,219	75,001	5,408	527,871	229,695
2013	11,493	17,745	42,652	2,378	510,497	212,468
2014	11,986	17,252	0	0	487,950	195,238
2015-2019	68,111	78,080	0	0	2,351,177	728,746
2020-2024	84,051	62,141	0	0	1,121,801	347,634
2025-2029	103,720	42,472	0	0	418,095	164,472
2034	127,993	18,199	0	0	427,993	56,449
2035	13,030	274	0	0	13,030	274
Totals	\$452,101	\$292,163	\$420,735	\$38,592	\$7,028,816	\$2,454,620

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, 2009 was \$744,264 in principal and interest payments through the year 2035. Only the principal amount of \$452,101 is included in the Long-Term debt amount.

CITY OF IRONTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2009***

NOTE 11 - LONG-TERM OBLIGATIONS (Continued)

B. Capital Leases

The City has entered into agreements to lease equipment. The original cost of the equipment was \$323,618. Such agreements are, in substance, lease purchases (capital leases) and are classified as long-term obligations in the financial statements. The costs of these assets are included in the capital asset balances of the Governmental Activities and the Sewer Fund (major enterprise fund). The capital leases payable are recorded in the Business-Type Activities in the amount of \$22,189.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of December 31, 2009:

Year Ending December 31,	Governmental Activities	Business-Type Activities
<u>2010</u>	<u>\$69,282</u>	<u>\$22,848</u>
Minimum Lease Payments	69,282	22,848
Less: amount representing interest at the City's incremental borrowing rate of interest	<u>(2,952)</u>	<u>(659)</u>
Present value of minimum lease payments	<u>\$66,330</u>	<u>\$22,189</u>

C. OWDA Loans

The City's projects related to OWDA Loan #4449 and Loan #5221 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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2009**

NOTE 12 - NOTES PAYABLE – IRONTON PORT AUTHORITY

The Ohio Revised Code provides that notes and renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. The maximum maturity for notes anticipating general obligation bonds payable from special assessments is five years. Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts at least equal to and payable no later than the principal maturities required if the bonds had been issued at the expiration of the initial five year period. Below is a summary of notes payable activity during 2009:

	Balance January 1, 2009	Issued	Retired	Balance December 31, 2009
8.00% Armory Purchase Agreement	\$66,713	\$0	(\$66,713)	\$0
8.00% Armory Purchase Agreement	0	15,407	0	15,407
Total General Obligation Notes	\$66,713	\$15,407	(\$66,713)	\$15,407

NOTE 13 - 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 Cities. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member Cities pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Cities can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP’s retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

NOTE 13 - RISK MANAGEMENT (Continued)

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2008, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2008, APEEP reinsures members for specific losses exceeding \$100,000 up to \$350,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$300,000 in 2007, or \$100,000 and \$350,000 in 2008, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit.

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 City.

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, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Assets	\$36,374,898	\$35,769,535
Liabilities	<u>(\$15,256,862)</u>	<u>(\$15,310,206)</u>
Net Assets	<u>\$21,118,036</u>	<u>\$20,459,329</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The assets above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the City's share of these unpaid claims collectible in future years is approximately \$88,048.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

NOTE 13 - RISK MANAGEMENT (Continued)

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.

Contributions to PEP	
2007	\$92,273
2008	\$92,008
2009	\$93,668

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. 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 14 - 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, 2009.

CITY OF Ironton, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

NOTE 15 - 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 IRLNTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

NOTE 15 - 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 non 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 16 – CHANGE IN REPORTING ENTITY AND RESTATEMENTS

Prior to 2009, the Ironton Port Authority was reported as a blended component unit, wherein the financial activity of the Port Authority was recorded in the financial statements with governmental activities. For the year 2009, based on GASB Statement No. 14, “The Financial Reporting Entity,” it was determined that the Ironton Port Authority was a discretely presented component unit. The January 1, 2009 balances were restated in the Statement of Activities as follows:

	December 31, 2008 Balance	Restated January 1, 2009 Balance	Restatement
Governmental Activities	\$26,801,701	\$26,791,639	(\$10,062)
Component Unit: Ironton Port Authority	0	10,062	10,062
	\$26,801,701	\$26,801,701	\$0

CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2009**

NOTE 16 – CHANGE IN REPORTING ENTITY AND RESTATEMENTS (Continued)

The January 1, 2009 balance was restated in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds as follows:

December 31, 2008 Balances:	
Other Governmental Funds	\$2,866,724
Revolving Loan Fund (major fund in 2008 only)	31,880
Community Development Fund (major fund in 2009 only)	<u>(25,927)</u>
Total Other Governmental Funds, December 31, 2008	2,872,677
Restated Other Governmental Funds Balance, January 1, 2009	<u>2,862,615</u>
Restatement	<u><u>(\$10,062)</u></u>

The January 1, 2009 balances were restated to account for carryover of encumbrances from prior years that were excluded from fund balances in the Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) as follows:

	December 31, 2008 <u>Balance</u>	Restated January 1, 2009 <u>Balance</u>	<u>Restatement</u>
General Fund	\$661,371	\$771,412	\$110,041

NOTE 17 – COMPLIANCE

Ohio Rev. Code § 117.38 provides that each public office shall file a financial report for each fiscal year. Ohio Administrative Code § 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 117.38, GAAP basis entities are required to annual reports within 150 days of their fiscal year end. The City did not file their GAAP basis financial statements within 150 days after their year end.

Ohio Rev. Code § 117.38 also states that cash basis entities file annual reports with the Auditor of State within 60 days of the fiscal year end. The Ironton Port Authority, a discretely presented component unit of the City, did not prepare or file an annual financial report within 60 days of the fiscal year end.

Ohio Rev. Code §§ 715.18, 735.05, 735.051, 735.052, and 735.053, 737.03 state generally, that all contracts made by the legislative authority of a municipal government for material and labor which exceed \$25,000 are subject to competitive bidding procedures. Out of the six contracts that were competitively bid out, only three were actually approved or awarded by an official ordinance of City Council.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

NOTE 17 – COMPLIANCE (Continued)

Ohio Revised Code § 733.46 provides 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. Also, the Office of Housing and Community Partnership (OHCP) Policy 08-02 requires communities administering a Revolving Loan Fund (RLF) to maintain those funds in the treasury of the public office. The City has a revolving loan fund through a Community Development Grant. Monies collected for the RLF are collected and maintained in a checking account at the Community Action Organization.

Ohio Rev. Code Section 5705.36(A)(2) states that upon a determination of the fiscal officer of a subdivision that the revenue be collected by the subdivision will be greater or less than the amount included in an official certificate, the fiscal officer may certify the amount of the deficiency or excess to the Budget Commission, and if the Budget Commission determines that the fiscal officer's certification is reasonable, the Budget Commission shall certify an amended certificate reflecting the deficiency or excess. At December 31, 2009, the City had actual resources below current level of appropriations as follows: Community Development Grant Fund by \$631,867; Storm Water Fund by \$162,764; and Capital Infrastructure Fund by \$205,692.

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. 16% of disbursements tested in 2009 had invoice dates preceding the encumbrance date. Furthermore, for 8% of disbursements tested, there was no Council approval, through a resolution or an ordinance, of "then and now" certificates used for disbursements exceeding \$3,000.

OMB Circular Number A-133, Subpart C, §_.300(a) requires the auditee to identify in its accounts, all Federal awards received and expended and the federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity. Furthermore, OMB Circular Number A-133, Subpart B §_.200(a) requires that non-federal entities that expend \$500,000 or more in a year in Federal awards shall have a single or program-specific audit conducted annually. Subpart C, §_.300(e) also requires the auditee to ensure that the audits required by this part are properly performed and submitted when due (within nine months of the year end). OMB Circular Number A-133 Subpart C, §_.300(e) also requires the auditee to ensure that the audits required by this part are properly performed and submitted when due (within nine months of the year end). Although an annual federal single audit for the year ended December 31, 2009 was performed, it was not timely. The audit could not be completed by the required deadline due to the City Council not having the financial information, including the Schedule of Federal Awards Expenditures, prepared in a timely fashion.

NOTE 18 – SUBSEQUENT EVENTS

On August 26, 2010, the City Council approved applying for a loan with the Water Supply Revolving Loan Account for \$1,400,000, to be used for water meters.

There is a pending bond issuance in the amount of \$9,700,000. This money is to be used to finish the Sewer Sanitary Relining Project (instead of OWDA loans). The Recovery Zone Bonds are expected to be issued in October 2010.

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**CITY OF IRONTON
LAWRENCE COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2009**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grant - State's Program	A-F-07-134-1	14.228	\$34,888
	A-T-07-134-1		61,042
Revolving Loans	A-E-02-134-1		<u>36,524</u>
Total Community Development Block Grant - State's Program			132,454
Community Development Neighborhood Stabilization Program	N/A	14.228	20,564
<i>Passed Through the Huntington-Ironton Empowerment Zone:</i>			
Empowerment Zone Program	N/A	14.244	<u>20,000</u>
Total U.S. Department of Housing and Urban Development			<u>173,018</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation:</i>			
Highway Planning and Construction	N/A	20.205	<u>567,546</u>
Total U.S. Department of Transportation			<u>567,546</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
<i>Passed Through Ohio Environmental Protection Agency:</i>			
The Small Business Liability Relief and Brownfields Revitalization Act	N/A	66.818	<u>57,532</u>
Total U.S. Environmental Protection Agency			<u>57,532</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Direct from Federal Government:</i>			
Assistance to Firefighters Grant	N/A	97.044	<u>47,334</u>
Total U.S. Department of Transportation			<u>47,334</u>
Total Federal Awards Expenditures			<u><u>\$845,430</u></u>

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

**CITY OF IRONTON
LAWRENCE COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (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.

As a subrecipient, the City has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

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 2009 is as follows:

Beginning loans receivable balance as of January 1, 2009	\$364,431
Loans made	0
Loan principal repaid	47,843
Ending loans receivable balance as of December 31, 2009	<u>\$316,588</u>
Cash balance on hand in the revolving loan fund as of December 31, 2009	\$43,319
Administrative costs expended during 2009	\$6,014

The table above reports gross loans receivable. Of the loans receivable as of December 31, 2009, delinquent amounts due are \$0.

NOTE D - 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.



Mary Taylor, CPA

Auditor of State

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

City of Ironton
Lawrence County
301 South Third Street
P.O. Box 704
Ironton, Ohio 45638

To the Members of City Council:

We have audited the 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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 20, 2010. We qualified our report on 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 noted the City reclassified the Ironton Port Authority from a blended to a discrete component unit. 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 Standards*.

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 opinions 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 we identified a certain deficiency in internal control over financial reporting that we consider a material weakness and another deficiency we consider to be a significant deficiency.

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 2009-007 described in the accompanying Schedule of Finding to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2009-008 described in the accompanying Schedule of Findings to be a significant deficiency.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2009-001 through 2009-006.

We also noted certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated October 20, 2010.

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. 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 management, City Council, and federal awarding agencies and pass-through entities, and others within the City. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 20, 2010



Mary Taylor, CPA

Auditor of State

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

City of Ironton
Lawrence County
301 South Third Street
P.O. Box 704
Ironton, Ohio 45638

To the Members of City Council:

Compliance

We have audited the compliance of the 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 apply to its major federal program for the year ended December 31, 2009. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the City's major federal program. 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.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying Schedule of Findings lists this instance as Finding 2009-009.

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 in order to determine our auditing procedures for the purpose of opining on 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 matters 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 October 20, 2010.

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



Mary Taylor, CPA
Auditor of State

October 20, 2010

**CITY OF IRONTON
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Qualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Highway and Planning Construction – CFDA #20.205
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2009-001

Noncompliance Citation

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.

**CITY OF IRONTON
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2009
(Continued)**

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

FINDING NUMBER 2009-001 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 117.38 (Continued)

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 117.38, GAAP basis entities are required to 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 City did not anticipate how the software conversion mid-year 2009 would interfere in retrieving information to file the financial statements in accordance with the 150 day deadline. We are more familiar with the system reports and should not experience this difficulty next audit.

FINDING NUMBER 2009-002

Noncompliance Citation

Ohio Rev. Code Section 117.38 also states that cash basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. If the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. Any public office not filing the report by the required date shall pay a penalty of \$25 per day (\$750 maximum) as permissible under Ohio Rev. Code.

The Ironton Port Authority, a discretely presented component unit of the City, did not prepare or file an annual financial report within 60 days of the fiscal year end.

We recommend the Ironton Port Authority prepare and file their annual financial report within 60 days after the fiscal year end.

Officials' Response: The Ironton Port Authority Secretary was not fully aware of her responsibilities and obligations to meet the report deadlines. The Finance Director will thoroughly explain and assist in the preparation of annual reports hereafter.

**CITY OF IRONTON
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2009
(Continued)**

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

FINDING NUMBER 2009-003

Noncompliance Citation

City of Ironton Amended Ordinance No. 8-118 states, in part, that all purchases and contracts exceeding \$25,000 for a single item follow the current Ohio Revised Code for competitive bidding. This Ordinance shall apply to appropriated funds, grants, Federal, and/or State funds that have been previously approved by Council.

Ohio Rev. Code Section 735.05 states that the director of public service may make any contract, purchase supplies or material, or provide labor for any work under the supervision of the department of public service involving not more than twenty-five thousand dollars. When an expenditure within the department, other than the compensation of persons employed in the department, exceeds twenty-five thousand dollars, the expenditure shall first be authorized and directed by ordinance of the city legislative authority.

The City had six contracts awarded in 2009 that were competitively bid. The bidding procedures were followed and all were awarded to the lowest bidder. However, out of the six contracts that were competitively bid, only three were actually approved or awarded by an official ordinance of City Council. The following contracts were not approved in any way by City Council:

- Sanitary Sewer Project – Awarded to Reynolds Inliner, LLC in the amount of \$9,879,076
- 3rd Street Paving Project – Awarded to Shelly Company in the amount of \$692,336
- Fire Station Venting Project – Awarded to Magnegrip in the amount of \$25,136

We recommend the Mayor ensure that all contracts that are competitively bid are approved by City Council by an official ordinance.

Officials' Response: The Mayor's Office feels that Ordinance 08-118 does allow for the Mayor to enter into contracts without the prior approval of Council. It is the intention of the Mayor's Office to have this item researched further by their legal counsel.

FINDING NUMBER 2009-004

Noncompliance Citation

Ohio Rev. Code Section 733.46 provides 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. Also, the Ohio Department of Development, Office of Housing and Community Partnership (OHCP) Policy 08-02 requires communities administering a Revolving Loan Fund (RLF) to maintain those funds in the treasury of the public office.

**CITY OF IRONTON
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2009
(Continued)**

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

FINDING NUMBER 2009-004 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 733.46 (Continued)

On April 7, 1986, the City entered into an agreement with the Ironton-Lawrence County Community Action Organization (CAO), wherein 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 their RLF loan payments to the CAO which deposits the payments into checking accounts established by the CAO for each borrower. The Finance Director has attempted to get control of these accounts. 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.

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 counsel to resolve this issue.

Officials' Response: The Finance Director has sent legal recommendations and previous State Auditor findings regarding the City's possession of accounts and payments. There has been no response from the Ironton-Lawrence County Community Action Organization to comply.

FINDING NUMBER 2009-005

Noncompliance Citation

Ohio Rev. Code Section 5705.36(A)(2) states that upon a determination of the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater or less than the amount included in an official certificate, the fiscal officer may certify the amount of the deficiency or excess to the Budget Commission, and if the Budget Commission determines that the fiscal officer's certification is reasonable, the Budget Commission shall certify an amended certificate reflecting the deficiency or excess.

Ohio Rev. Code Section 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the Budget Commission, and the Budget Commission shall certify an amended certificate reflecting the deficiency.

The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

On December 31, 2009, appropriations exceeded actual resources as follows:

**CITY OF IRONTON
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2009
(Continued)**

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

FINDING NUMBER 2009-005 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.36(A)(2) (Continued)

<u>Fund</u>	<u>Actual Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Community Development Fund	\$136,032	\$767,899	(\$631,867)
Storm Water Fund	\$1,867,028	\$2,029,792	(\$162,764)
Capital Infrastructure Fund	\$47,536	\$253,228	(\$205,692)

This could result in overspending if not properly monitored.

We recommend the City Finance Director monitor estimated and actual resources. When it is apparent that actual receipts will fall short of budgetary estimates and appropriations are greater than estimated resources, the City Council should obtain a reduced amended certificate from the County Budget Commission. We further recommend the City Council make corresponding reductions in appropriations.

Officials' Response: Officials did not respond to this finding.

FINDING NUMBER 2009-006

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the City can authorize the drawing of a warrant for the payment of the amount due. The City has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the City.

**CITY OF IRONTON
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2009
(Continued)**

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

FINDING NUMBER 2009-006 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1)(Continued)

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The City may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

16% of disbursements tested in 2009 had invoice dates preceding the encumbrance date. Furthermore, for 8% of disbursements tested, there was no Council approval, through a resolution or an ordinance, of “then and now” certificates used for disbursements exceeding \$3,000.

The City did not have sufficient internal controls in place to ensure the certification of the availability of funds for material foreseeable contract obligations. Failure to certify the availability of funds properly can result in overspending funds and negative cash fund balances.

Unless the City uses the exceptions noted above, prior certification is not only required by statute but is also a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the City’s funds exceeding budgetary spending limitations, we recommend the Finance Director certify that funds are or will be available prior to obligation by the City. When prior certification is not possible, “then and now” certification should be used.

We recommend the City officials and employees obtain the Finance Director’s certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certificate language of Section 5705.41(D) requires to authorize disbursements. The Finance Director should sign the certification at the time the City incurs the commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Finance Director should post approved purchase orders to the proper appropriation code to reduce the available appropriation. We further recommend that “then and now” certificates for disbursements exceeding \$3,000 be approved by City Council by ordinance or resolution.

Officials’ Response: The Finance Director was not aware that expenditures over \$3,000 without prior encumbrance must be approved by Council to certify available funds.

**CITY OF IRONTON
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2009
(Continued)**

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

FINDING NUMBER 2009-007

Material Weakness

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:

- 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, 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: The Finance Director has expressed the need to enforce and implement the City's capital asset policy to avoid these findings. At the present time, the City is not equipped to address this finding.

**CITY OF IRONTON
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2009
(Continued)**

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

FINDING NUMBER 2009-008

Significant Deficiency

Sound financial reporting is the responsibility of the City Finance Director and City Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of the audit procedures performed, the financial statements had the following errors that required audit adjustment or reclassification:

- Capital Infrastructure Fund Intergovernmental Revenue and Capital Outlay were increased by \$527,619 to record the on behalf of payments made by the Ohio Department of Transportation for the City's road projects which were considered assets of the City upon completion of the projects.
- Water Treatment Equipment Fund Intergovernmental Revenue and Capital Outlay were increased by \$421,578 to record the on behalf of payments made by the Ohio Public Works Commission.

- Storm Water Fund Intergovernmental Revenue and Capital Outlay were increased by \$38,937 to record the on behalf of payments made by the Ohio Water Development Authority.
- Sewer Fund Intergovernmental Revenue and Capital Outlay were increased by \$38,937 to record the on behalf of payments made by the Ohio Water Development Authority.
- Sewer Fund disbursements were increased and the Storm Water Fund disbursements were decreased by \$50,000 to adjust for a disbursement that was posted entirely to the Storm Water Fund instead of being evenly distributed between the Storm Water Fund and the Sewer Fund for the sewer rehabilitation project.
- Empowerment Zone Fund Intergovernmental Revenue was decreased and the State Highway Fund Intergovernmental Revenue was increased by \$20,000 to post a reimbursement to the fund where monies were expended initially.
- A General Fund Transfer In, totaling \$209,179, was reclassified as a reduction in Security of Persons and Property. A Fire Fund Transfer Out, totaling \$209,179, was reclassified as Security of Persons and Property. This was done to eliminate the transfer because the transaction was actually a reimbursement to the General Fund from the Fire Fund for costs incurred for the Fire Fund.

The City Finance Director failed to post on behalf of activity for the City and made posting errors to revenues and expenditures in the receipts journal and appropriations ledger which resulted in the errors noted above.

To ensure the City's financial statements and notes to the financial statements are complete and accurate, the City should adopt policies and procedures, including a final review of the statements and notes by the City Finance Director and City Council to identify and correct errors or omissions.

Officials' Response: Officials did not respond to this finding.

**CITY OF IRONTON
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2009
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2009-009
CFDA Title and Number	Community Development Block Grant, #14.228; Community Development Neighborhood Stabilization Grant, #14.228; Empowerment Zone Program, #14.244; Highway Planning and Construction, #20.205; The Small Business Liability Relief and Brownfields Revitalization Act, #66.818; Assistance to Firefighters Grant, #97.044
Federal Award Number / Year	2009
Federal Agency	U.S. Department of Housing and Urban Development, U.S. Department of Transportation, U.S. Environmental Protection Agency, Federal Emergency Management Agency/U.S. Department of Homeland Security
Pass-Through Agency	Ohio Department of Development, Ohio Department of Transportation, Ohio Environmental Protection Agency

Noncompliance Finding

OMB Circular Number A-133, Subpart C, §_.300(a) requires the auditee to identify in its accounts, all Federal awards received and expended and the federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.

Furthermore, OMB Circular Number A-133, Subpart B §_.200(a) requires that non-federal entities that expend \$500,000 or more in a year in Federal awards shall have a single or program-specific audit conducted annually. Subpart C, §_.300(e) also requires the auditee to ensure that the audits required by this part are properly performed and submitted when due (within nine months of the year end).

OMB Circular Number A-133 Subpart C, §_.300(e) also requires the auditee to ensure that the audits required by this part are properly performed and submitted when due (within nine months of the year end).

Although an annual federal single audit for the year ended December 31, 2009 was performed, it was not timely. The audit could not be completed by the required deadline due to the City not having the financial information, including the Federal Awards Expenditures Schedule, prepared in a timely fashion.

We recommend the City complete the necessary financial information in a timely fashion in order to complete the annual federal single audit by the required deadline.

Officials' Response: Officials did not respond to this finding.

**CITY OF IRONTON
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315(b)
DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2008-001	Ironton Port Authority did not file annual financial statements within 60 days.	No	Not Corrected. See 2009-002.
2008-002	City's revolving loan fund was not under control of the City.	No	Not Corrected. See 2009-004.
2008-003	Appropriations exceeded actual resources.	No	Not Corrected. See 2009-005.
2008-004	City did not properly certify funds prior to expenditure.	No	Not Corrected. See 2009-006.
2008-005	City did not file annual financial statements within 150 days.	No	Not Corrected. See 2009-001
2008-006	City had material audit adjustments to financial statements.	No	Not Corrected. See 2009-008.
2008-007	City had capital asset deficiencies.	No	Not Corrected. See 2009-007.
2007-001	Estimated receipts exceeded actual receipts.	Yes	
2007-002	City did not properly certify funds prior to expenditure.	No	Not Corrected. See 2008-004 and 2009-006.
2007-003	City did not expend Community Development Block Grant monies within 15 days of receipt.	Yes	

**CITY OF IRONTON
LAWRENCE COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315(c)
DECEMBER 31, 2009**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2009-001	The City will begin annual financial statement preparation immediately upon closing the year-end.	12/31/10	Kristen Martin, Finance Director
2009-002	The Ironton Port Authority, with the assistance of the City, will prepare financial statements to comply within 150 days.	12/31/10	Kristen Martin, Finance Director
2009-003	All contracts competitively bid will be approved by Council per official ordinance.	12/31/10	Kristen Martin, Finance Director
2009-004	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.	12/31/10	Kristen Martin, Finance Director
2009-005	The Finance Director will prepare final budgets to reduce appropriations not to exceed resources for funds.	12/31/10	Kristen Martin, Finance Director
2009-006	Council shall approve invoices paid without prior encumbrance over \$3,000	12/31/10	Kristen Martin, Finance Director
2009-007	The Finance Director will reiterate to the Mayor the importance of focusing on the City's capital assets so they may be auditable.	12/31/10	Kristen Martin, Finance Director
2009-008	The Finance Director will post all payments made by outside agencies on behalf of the City to avoid this finding. She will use system generated reports rather than manually typed financial to avoid errors.	12/31/10	Kristen Martin, Finance Director
2009-009	The Federal Awards Expenditures Schedule will be filed in a timely manner.	12/31/10	Kristen Martin, Finance Director

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Mary Taylor, CPA
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
NOVEMBER 9, 2010**