



**Auditor of State
Betty Montgomery**

**CITY OF IRONTON
LAWRENCE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying general purpose financial statements of the City of Ironton, Lawrence County, Ohio (the City), as of and for the year ended December 31, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Ironton, Lawrence County, as of December 31, 2003, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 24, 2004

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THE CITY OF IRONTON, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2003

	Governmental			
	Fund Types			
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds
<u>Assets and Other Debits:</u>				
Assets:				
Cash and Cash Equivalents	\$807,624	\$1,853,620	\$100,066	\$339,423
Investments	36,893	76,785	0	4,698
Receivables (net of allowance for doubtful accounts):				
Taxes	698,318	210,059	0	0
Accounts	470	36	199,500	0
Interest	114	0	0	0
Loans	0	417,890	0	0
Due from Other Funds	18,310	8,078	0	1,717
Intergovernmental Receivables	454,049	558,549	0	780,000
Inventory of Supplies at Cost	0	2,253	0	0
Prepaid Items	18,813	1,936	0	0
Restricted Assets:				
Cash and Cash Equivalents	0	0	0	0
Fixed Assets (net of accumulated depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Funds	0	0	0	0
Amount to be Provided for General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	\$2,034,591	\$3,129,206	\$299,566	\$1,125,838

THE CITY OF IRONTON, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2003

<i>Proprietary Fund Types</i>		<i>Fiduciary Fund Types</i>	<i>Account Groups</i>		Totals (Memorandum Only)
Enterprise Funds	Internal Service Fund	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	
\$1,989,053	\$20,153	\$91,185	\$0	\$0	\$5,201,124
92,175	0	0	0	0	210,551
0	0	0	0	0	908,377
445,754	0	171,963	0	0	817,723
85	0	0	0	0	199
0	0	0	0	0	417,890
0	10,381	0	0	0	38,486
10	0	0	0	0	1,792,608
106,502	0	0	0	0	108,755
17,512	0	0	0	0	38,261
28,730	0	0	0	0	28,730
11,405,490	0	0	10,664,098	0	22,069,588
0	0	0	0	100,066	100,066
0	0	0	0	3,834,198	3,834,198
<u>\$14,085,311</u>	<u>\$30,534</u>	<u>\$263,148</u>	<u>\$10,664,098</u>	<u>\$3,934,264</u>	<u>\$35,566,556</u>

(Continued)

THE CITY OF IRONTON, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS (Continued)
DECEMBER 31, 2003

	<i>Governmental</i>			
	<i>Fund Types</i>			
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds
<u>Liabilities, Equity and Other Credits:</u>				
Liabilities:				
Accounts Payable	\$9,273	\$5,596	\$0	\$0
Accrued Wages and Benefits	168,758	28,194	0	0
Retainage Payable	0	0	0	114,161
Contracts Payable	0	0	0	121,544
Due to Other Funds	2,792	3,050	0	0
Due to Others	0	0	0	0
Intergovernmental Payable	2,780	0	0	0
Accrued Interest Payable	0	0	0	0
Customer Deposits Payable	0	0	0	0
Deferred Revenue	753,174	1,111,819	199,500	780,000
Compensated Absences Payable	0	0	0	0
Installment Loans Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Ohio Water Development Authority Loan Payable	0	0	0	0
Long-Term Obligation Payable	0	0	0	0
Police/Fire Accrued Pension Liability	0	0	0	0
Total Liabilities	<u>936,777</u>	<u>1,148,659</u>	<u>199,500</u>	<u>1,015,705</u>
Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	31,016	2,331	0	2,457
Reserved for Supplies Inventory	0	2,253	0	0
Reserved for Prepaid Items	18,813	1,936	0	0
Reserved for Debt Service	0	0	100,066	0
Unreserved	1,047,985	1,974,027	0	107,676
Total Equity and Other Credits	<u>1,097,814</u>	<u>1,980,547</u>	<u>100,066</u>	<u>110,133</u>
Total Liabilities, Equity and Other Credits	<u>\$2,034,591</u>	<u>\$3,129,206</u>	<u>\$299,566</u>	<u>\$1,125,838</u>

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF IRONTON, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2003

<i>Proprietary Fund Types</i>		<i>Fiduciary Fund Types</i>	<i>Account Groups</i>		Totals (Memorandum Only)
Enterprise Funds	Internal Service Fund	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	
\$41,716	\$10,381	\$0	\$0	\$0	\$66,966
98,091	0	0	0	0	295,043
0	0	0	0	0	114,161
0	0	0	0	0	121,544
4,539	0	28,105	0	0	38,486
0	0	209,275	0	0	209,275
0	0	0	0	0	2,780
88	0	0	0	0	88
28,730	0	0	0	0	28,730
0	0	0	0	0	2,844,493
254,032	0	0	0	434,636	688,668
2,002	0	0	0	321,189	323,191
0	0	0	0	2,630,000	2,630,000
5,110,975	0	0	0	0	5,110,975
0	0	0	0	43,740	43,740
0	0	0	0	504,699	504,699
<u>5,540,173</u>	<u>10,381</u>	<u>237,380</u>	<u>0</u>	<u>3,934,264</u>	<u>13,022,839</u>
0	0	0	10,664,098	0	10,664,098
8,545,138	20,153	0	0	0	8,565,291
0	0	10,924	0	0	46,728
0	0	0	0	0	2,253
0	0	0	0	0	20,749
0	0	0	0	0	100,066
0	0	14,844	0	0	3,144,532
<u>8,545,138</u>	<u>20,153</u>	<u>25,768</u>	<u>10,664,098</u>	<u>0</u>	<u>22,543,717</u>
<u>\$14,085,311</u>	<u>\$30,534</u>	<u>\$263,148</u>	<u>\$10,664,098</u>	<u>\$3,934,264</u>	<u>\$35,566,556</u>

THE CITY OF IRONTON, OHIO
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	Governmental Fund Types			Fiduciary Fund Type		Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Expendable Trust Funds	
Revenues:						
Taxes	\$1,930,933	\$216,054	\$0	\$0	\$0	\$2,146,987
Intergovernmental Revenues	888,194	935,112	0	8,800	0	1,832,106
Charges for Services	249,976	46,412	0	0	0	296,388
Licenses and Permits	25,448	59,427	0	0	0	84,875
Investment Earnings	14,208	19,257	93	8,654	0	42,212
Special Assessments	9,214	60,956	0	0	0	70,170
Fines and Forfeitures	349,060	348,564	0	29,865	0	727,489
All Other Revenues	<u>160,653</u>	<u>43,923</u>	<u>0</u>	<u>0</u>	<u>51,731</u>	<u>256,307</u>
Total Revenues	<u>3,627,686</u>	<u>1,729,705</u>	<u>93</u>	<u>47,319</u>	<u>51,731</u>	<u>5,456,534</u>
Expenditures:						
Current:						
Security of Persons and Property	1,886,702	273,827	0	0	0	2,160,529
Public Health and Welfare Services	6,241	276,768	0	0	0	283,009
Leisure Time Activities	0	77,255	0	0	0	77,255
Community Environment	0	434,751	0	0	0	434,751
Transportation	45,223	492,360	0	0	0	537,583
General Government	1,545,999	15,645	0	0	0	1,561,644
Other Expenditures	0	0	0	0	34,500	34,500
Capital Outlay	0	113,300	0	1,355,250	0	1,468,550
Debt Service:						
Principal Retirement	91,477	65,347	0	0	0	156,824
Interest and Fiscal Charges	<u>76,654</u>	<u>85,029</u>	<u>0</u>	<u>2,852</u>	<u>0</u>	<u>164,535</u>
Total Expenditures	<u>3,652,296</u>	<u>1,834,282</u>	<u>0</u>	<u>1,358,102</u>	<u>34,500</u>	<u>6,879,180</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(24,610)	(104,577)	93	(1,310,783)	17,231	(1,422,646)
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	270,000	0	0	0	0	270,000
Proceeds from General Obligation Bonds	0	0	0	1,350,000	0	1,350,000
Operating Transfers In	2,897	197,867	99,973	176,988	0	477,725
Operating Transfers Out	<u>(287,777)</u>	<u>(199,602)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(487,379)</u>
Total Other Financing Sources (Uses)	<u>(14,880)</u>	<u>(1,735)</u>	<u>99,973</u>	<u>1,526,988</u>	<u>0</u>	<u>1,610,346</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(39,490)	(106,312)	100,066	216,205	17,231	187,700
Fund Balance Beginning of Year (Restated, See Note 2)	1,137,304	2,090,892	0	(106,072)	8,537	3,130,661
Decrease in Inventory Reserve	0	(4,033)	0	0	0	(4,033)
Fund Balance End of Year	<u>\$1,097,814</u>	<u>\$1,980,547</u>	<u>\$100,066</u>	<u>\$110,133</u>	<u>\$25,768</u>	<u>\$3,314,328</u>

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF IRONTON, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$1,888,200	\$1,898,639	\$10,439	\$214,978	\$214,977	(\$1)
Intergovernmental Revenues	844,605	852,868	8,263	1,003,836	1,011,138	7,302
Charges for Services	33,640	250,124	216,484	45,817	46,376	559
Licenses and Permits	25,900	25,848	(52)	58,827	59,427	600
Investment Earnings	14,350	14,236	(114)	18,876	19,257	381
Special Assessments	9,214	9,214	0	60,956	60,956	0
Fines and Forfeitures	352,309	352,249	(60)	99,402	349,211	249,809
All Other Revenues	105,387	182,120	76,733	42,755	43,946	1,191
Total Revenues	<u>3,273,605</u>	<u>3,585,298</u>	<u>311,693</u>	<u>1,545,447</u>	<u>1,805,288</u>	<u>259,841</u>
Expenditures:						
Current:						
Security of Persons and Property	1,913,514	1,868,420	45,094	289,602	278,136	11,466
Public Health and Welfare Services	7,451	6,369	1,082	283,027	279,603	3,424
Leisure Time Activities	0	0	0	86,003	77,461	8,542
Community Environment	0	0	0	467,346	467,346	0
Transportation	44,213	43,328	885	540,397	497,768	42,629
General Government	1,631,830	1,594,057	37,773	56,245	15,947	40,298
Other Expenditures	0	0	0	20,000	0	20,000
Capital Outlay	0	0	0	113,886	113,300	586
Debt Service:						
Principal Retirement	91,477	91,477	0	65,347	65,347	0
Interest and Fiscal Charges	76,931	76,931	0	85,037	85,029	8
Total Expenditures	<u>3,765,416</u>	<u>3,680,582</u>	<u>84,834</u>	<u>2,006,890</u>	<u>1,879,937</u>	<u>126,953</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(491,811)	(95,284)	396,527	(461,443)	(74,649)	386,794
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	270,000	270,000	0	0	0	0
Proceeds from General Obligation Bonds	0	0	0	0	0	0
Operating Transfers In	2,897	2,897	0	197,867	197,867	0
Operating Transfers Out	(287,777)	(287,777)	0	(274,367)	(199,602)	74,765
Total Other Financing Sources (Uses)	<u>(14,880)</u>	<u>(14,880)</u>	<u>0</u>	<u>(76,500)</u>	<u>(1,735)</u>	<u>74,765</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(506,691)	(110,164)	396,527	(537,943)	(76,384)	461,559
Fund Balance at Beginning of Year	870,519	870,519	0	1,935,489	1,935,489	0
Prior Year Encumbrances	41,093	41,093	0	67,222	67,222	0
Fund Balance at End of Year	<u>\$404,921</u>	<u>\$801,448</u>	<u>\$396,527</u>	<u>\$1,464,768</u>	<u>\$1,926,327</u>	<u>\$461,559</u>

The notes to the general purpose financial statements are an integral part of this statement.

(Continued)

THE CITY OF IRONTON, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Debt Service Funds</u>			<u>Capital Projects Funds</u>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>						
Taxes	\$0	\$0	\$0	\$0	\$0	\$0
Intergovernmental Revenues	0	0	0	8,800	8,800	0
Charges for Services	0	0	0	0	0	0
Licenses and Permits	0	0	0	0	0	0
Investment Earnings	0	93	93	8,520	8,654	134
Special Assessments	0	0	0	0	0	0
Fines and Forfeitures	0	0	0	30,079	30,079	0
All Other Revenues	0	0	0	0	0	0
Total Revenues	0	93	93	47,399	47,533	134
<u>Expenditures:</u>						
Current:						
Security of Persons and Property	0	0	0	0	0	0
Public Health and Welfare Services	0	0	0	0	0	0
Leisure Time Activities	0	0	0	0	0	0
Community Environment	0	0	0	0	0	0
Transportation	0	0	0	0	0	0
General Government	0	0	0	0	0	0
Other Expenditures	0	0	0	0	0	0
Capital Outlay	0	0	0	1,135,374	1,129,031	6,343
Debt Service:						
Principal Retirement	0	0	0	190,000	190,000	0
Interest and Fiscal Charges	0	0	0	4,214	4,213	1
Total Expenditures	0	0	0	1,329,588	1,323,244	6,344
Excess (Deficiency) of						
Revenues Over (Under) Expenditures	0	93	93	(1,282,189)	(1,275,711)	6,478
<u>Other Financing Sources (Uses):</u>						
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0
Proceeds from General Obligation Bonds	0	0	0	1,350,000	1,350,000	0
Operating Transfers In	99,974	99,973	(1)	176,988	176,988	0
Operating Transfers Out	0	0	0	0	0	0
Total Other Financing Sources (Uses)	99,974	99,973	(1)	1,526,988	1,526,988	0
Excess (Deficiency) of Revenues and						
Other Financing Sources Over (Under)						
Expenditures and Other Financing Uses	99,974	100,066	92	244,799	251,277	6,478
Fund Balance at Beginning of Year	0	0	0	83,072	83,072	0
Prior Year Encumbrances	0	0	0	7,315	7,315	0
Fund Balance at End of Year	<u>\$99,974</u>	<u>\$100,066</u>	<u>\$92</u>	<u>\$335,186</u>	<u>\$341,664</u>	<u>\$6,478</u>

(Continued)

THE CITY OF IRONTON, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2003

	<i>Expendable Trust Funds</i>			<i>Totals (Memorandum Only)</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$0	\$0	\$0	\$2,103,178	\$2,113,616	\$10,438
Intergovernmental Revenues	0	0	0	1,857,241	1,872,806	15,565
Charges for Services	0	0	0	79,457	296,500	217,043
Licenses and Permits	0	0	0	84,727	85,275	548
Investment Earnings	0	0	0	41,746	42,240	494
Special Assessments	0	0	0	70,170	70,170	0
Fines and Forfeitures	0	0	0	481,790	731,539	249,749
All Other Revenues	44,031	51,731	7,700	192,173	277,797	85,624
Total Revenues	44,031	51,731	7,700	4,910,482	5,489,943	579,461
Expenditures:						
Current:						
Security of Persons and Property	0	0	0	2,203,116	2,146,556	56,560
Public Health and Welfare Services	0	0	0	290,478	285,972	4,506
Leisure Time Activities	0	0	0	86,003	77,461	8,542
Community Environment	0	0	0	467,346	467,346	0
Transportation	0	0	0	584,610	541,096	43,514
General Government	0	0	0	1,688,075	1,610,004	78,071
Other Expenditures	47,724	45,424	2,300	67,724	45,424	22,300
Capital Outlay	0	0	0	1,249,260	1,242,331	6,929
Debt Service:						
Principal Retirement	0	0	0	346,824	346,824	0
Interest and Fiscal Charges	0	0	0	166,182	166,173	9
Total Expenditures	47,724	45,424	2,300	7,149,618	6,929,187	220,431
Excess (Deficiency) of						
Revenues Over (Under) Expenditures	(3,693)	6,307	10,000	(2,239,136)	(1,439,244)	799,892
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	0	0	0	270,000	270,000	0
Proceeds from General Obligation Bonds	0	0	0	1,350,000	1,350,000	0
Operating Transfers In	0	0	0	477,726	477,725	(1)
Operating Transfers Out	0	0	0	(562,144)	(487,379)	74,765
Total Other Financing Sources (Uses)	0	0	0	1,535,582	1,610,346	74,764
Excess (Deficiency) of Revenues and						
Other Financing Sources Over (Under)						
Expenditures and Other Financing Uses	(3,693)	6,307	10,000	(703,554)	171,102	874,656
Fund Balance at Beginning of Year	4,537	4,537	0	2,893,617	2,893,617	0
Prior Year Encumbrances	4,000	4,000	0	119,630	119,630	0
Fund Balance at End of Year	\$4,844	\$14,844	\$10,000	\$2,309,693	\$3,184,349	\$874,656

THE CITY OF IRONTON, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	<i>Enterprise Funds</i>	<i>Internal Service Fund</i>	<i>Totals (Memorandum Only)</i>
<u>Operating Revenues:</u>			
Charges for Services	\$3,207,168	\$0	\$3,207,168
Other Operating Revenues	0	119,159	119,159
Total Operating Revenues	<u>3,207,168</u>	<u>119,159</u>	<u>3,326,327</u>
<u>Operating Expenses:</u>			
Personal Services	1,648,725	0	1,648,725
Materials and Supplies	299,754	0	299,754
Contractual Services	449,760	0	449,760
Utilities	142,339	0	142,339
Depreciation	509,135	0	509,135
Other Operating Expenses	100,434	104,048	204,482
Total Operating Expenses	<u>3,150,147</u>	<u>104,048</u>	<u>3,254,195</u>
Operating Income	57,021	15,111	72,132
<u>Nonoperating Revenues (Expenses):</u>			
Investment Earnings	30,290	0	30,290
Interest and Fiscal Charges	(187,859)	0	(187,859)
Other Nonoperating Revenue	16,165	0	16,165
Total Nonoperating Revenues (Expenses)	<u>(141,404)</u>	<u>0</u>	<u>(141,404)</u>
Income (Loss) Before Operating Transfers	(84,383)	15,111	(69,272)
<u>Operating Transfers:</u>			
Operating Transfers In	20,954	0	20,954
Operating Transfers Out	(11,300)	0	(11,300)
Total Operating Transfers	<u>9,654</u>	<u>0</u>	<u>9,654</u>
Net Income (Loss)	(74,729)	15,111	(59,618)
Retained Earnings at Beginning of Year	<u>8,619,867</u>	<u>5,042</u>	<u>8,624,909</u>
Retained Earnings at End of Year	<u><u>\$8,545,138</u></u>	<u><u>\$20,153</u></u>	<u><u>\$8,565,291</u></u>

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF IRONTON OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	<i>Enterprise Funds</i>	<i>Internal Service Fund</i>	<i>Totals (Memorandum Only)</i>
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$3,087,575	\$108,778	\$3,196,353
Cash Payments for Goods and Services	(1,026,454)	(102,240)	(1,128,694)
Cash Payments to Employees	(1,538,575)	0	(1,538,575)
Net Cash Provided by Operating Activities	<u>522,546</u>	<u>6,538</u>	<u>529,084</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfers In from Other Funds	20,954	0	20,954
Transfers Out to Other Funds	(11,300)	0	(11,300)
Net Cash Provided by Noncapital Financing Activities	<u>9,654</u>	<u>0</u>	<u>9,654</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and Construction of Assets	(214,186)	0	(214,186)
Principal Paid on Installment Loans	(3,878)	0	(3,878)
Principal Paid on Ohio Water Development Authority Loans	(439,993)	0	(439,993)
Interest Paid on All Debt	(188,031)	0	(188,031)
Net Cash Used for Capital and Related Financing Activities	<u>(846,088)</u>	<u>0</u>	<u>(846,088)</u>
<u>Cash Flows from Investing Activities:</u>			
Sale of Investments	5,505	0	5,505
Receipts of Interest	30,574	0	30,574
Net Cash Provided by Investing Activities	<u>36,079</u>	<u>0</u>	<u>36,079</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(277,809)	6,538	(271,271)
Cash and Cash Equivalents at Beginning of Year	<u>2,295,592</u>	<u>13,615</u>	<u>2,309,207</u>
Cash and Cash Equivalents at End of Year	<u><u>\$2,017,783</u></u>	<u><u>\$20,153</u></u>	<u><u>\$2,037,936</u></u>
<u>Reconciliation of Cash and Cash Equivalents per the Balance Sheet</u>			
Cash and Cash Equivalents	\$1,989,053	\$20,153	\$2,009,206
Restricted Cash and Cash Equivalents	28,730	0	28,730
Cash and Cash Equivalents at End of Year	<u><u>\$2,017,783</u></u>	<u><u>\$20,153</u></u>	<u><u>\$2,037,936</u></u>

(Continued)

THE CITY OF IRONTON OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Enterprise Funds</u>	<u>Internal Service Fund</u>	<u>Totals (Memorandum Only)</u>
<u>Reconciliation of Operating Income to Net Cash</u>			
<u>Provided by Operating Activities:</u>			
Operating Income	\$57,021	\$15,111	\$72,132
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation Expense	509,135	0	509,135
Miscellaneous Nonoperating Revenue	36,060	0	36,060
Miscellaneous Nonoperating Expense	(4,480)	0	(4,480)
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(155,653)	0	(155,653)
Decrease in Inventory	4,847	0	4,847
Increase in Prepaid Items	(7,058)	0	(7,058)
Increase in Due from other Funds	0	(10,381)	(10,381)
Increase (Decrease) in Accounts Payable	(26,815)	1,808	(25,007)
Increase in Accrued Wages and Benefits	27,928	0	27,928
Increase in Due to other Funds	4,539	0	4,539
Decrease in Intergovernmental Payable	(5,200)	0	(5,200)
Increase in Compensated Absences	82,222	0	82,222
Total Adjustments	<u>465,525</u>	<u>(8,573)</u>	<u>456,952</u>
Net Cash Provided by Operating Activities	<u>\$522,546</u>	<u>\$6,538</u>	<u>\$529,084</u>

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF IRONTON, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003

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 accompanying general purpose financial statements of the City present the financial position of the various fund types and account groups, the results of operations of the various fund types and the cash flows of the proprietary funds. The financial statements are presented as of December 31, 2003 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 general purpose financial statements comply with the provisions of 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.

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, account groups, agencies, boards and commissions that are part of the primary government, which includes the following services: public safety, street maintenance, construction and repair, sanitation, health and social services, recreation and general administrative services. In addition, the City owns and operates a water treatment and distribution system, a wastewater treatment and collection system and a refuse collection system which are reported as enterprise funds.

The City is involved with the following organizations which are defined as jointly governed organizations. Additional financial information concerning these jointly governed organizations is presented in Note 17:

- Ironton-Lawrence County Community Action Organization
- Huntington-Ironton Empowerment Zone

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds and account groups, 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 (expenses). The various funds are summarized by type in the general purpose financial statements. The following fund types and account groups are used by the City:

Governmental Funds

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

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.

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

Debt Service Funds - These funds are used for the accumulation of resources for the payment of general and special assessment long-term debt principal and interest.

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

Proprietary Funds

All proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net assets) is segregated into contributed capital and retained earnings components. 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, whereby 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 maintains separate enterprise funds for its water, sewer and sanitation (refuse collection) services.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Internal Service Fund - This fund is used to account for the financing of services provided by one department to other departments or agencies of the governmental unit on a cost-reimbursement basis.

Fiduciary Funds

These funds are used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City maintains expendable trust funds and agency funds.

Expendable Trust Funds - These funds are accounted for and reported similarly to governmental funds.

Agency Funds - These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

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

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

C. Basis of Accounting

The basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses in the accounts and reported in the financial statements, and relates to the timing of the measurements made. 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 and expendable trust and agency 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 for the City is 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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 withheld by employers, interest on investments and other local taxes (including hotel/motel tax and estate taxes). Other revenues, including licenses, permits, certain charges for services, fines and forfeitures, income taxes other than that withheld by employers and miscellaneous revenues, are recorded as revenues when received in cash because generally these revenues are not measurable until actually received.

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

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 accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and expenses recognized when incurred.

D. 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 by ordinance of the City Council.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

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.

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 2003.

3. Appropriations

A temporary appropriations 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 appropriations ordinance establishes spending controls at the fund, department and object level. The appropriations 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. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of City Council. The budgetary figures which appear in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying general purpose financial statements.

5. 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 appropriations balance is carried forward to the subsequent fiscal year and need not be reappropriated.

6. Budgetary Basis of Accounting

The City's budgetary process accounts for the City's 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 the 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. Encumbrances are recorded as the equivalent of expenditures (budgetary basis) as opposed to reservation of fund balance (GAAP basis).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary cash basis statements for the governmental funds and expendable trust funds:

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses				
	General	Special	Debt	Capital	Expendable
	Fund	Revenue Funds	Service Funds	Projects Fund	Trust Funds
GAAP Basis (as reported)	(\$39,490)	(\$106,312)	\$100,066	\$216,205	\$17,231
Increase (Decrease):					
Accrued Revenues at December 31, 2003 received during 2004	(418,087)	(82,793)	0	(1,717)	0
Accrued Revenues at December 31, 2002 received during 2003	375,699	158,376	0	1,931	0
Accrued Expenditures at December 31, 2003 paid during 2004	183,603	36,840	0	235,705	0
Accrued Expenditures at December 31, 2002 paid during 2003	(168,431)	(78,779)	0	(8,390)	0
2002 Prepays for 2003	18,424	2,298	0	0	0
2003 Prepays for 2004	(18,813)	(1,936)	0	0	0
Note Proceeds	0	0	0	0	0
Note Retirement	0	0	0	(190,000)	0
Outstanding Encumbrances	(43,069)	(4,078)	0	(2,457)	(10,924)
Budget Basis	<u>(\$110,164)</u>	<u>(\$76,384)</u>	<u>\$100,066</u>	<u>\$251,277</u>	<u>\$6,307</u>

E. 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 general purpose 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 statement of cash flows, the share of equity in the pooled cash of the proprietary funds is considered to be a cash equivalent. See Note 3, "Pooled Cash, Cash Equivalents and Investments."

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution, the Ohio Revised Code and the City Charter. In accordance with GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*", the City records all its investments at fair value except for nonparticipating investment contracts (certificates of deposit) which are reported at cost. The City allocates interest among various funds based upon applicable legal and administrative requirements. See Note 3, "Pooled Cash, Cash Equivalents and Investments."

G. Inventory

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

H. Fixed Assets and Depreciation

The accounting and reporting treatment applied to fixed assets is determined by the ultimate use:

1. Property, Plant and Equipment-General Governmental Purposes

Fixed assets acquired or constructed for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at fair market value at the date received.

Fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, have not been capitalized. Such assets normally are immovable and of value only to the City; therefore, the purpose of stewardship for capital expenditures can be satisfied without recording these assets. Interest incurred during the construction of general fixed assets also is not capitalized. The City has elected not to record depreciation in the General Fixed Assets Account Group.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation (Continued)

2. Property, Plant and Equipment - Proprietary Funds

Property, plant and equipment acquired by the proprietary funds are stated at estimated historical value. Contributed fixed assets are recorded at fair market value at the date received. Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Estimated Lives (Years)
Buildings	30
Improvements Other Than Buildings	30 - 50
Machinery, Equipment, Furniture and Fixtures	5-10

I. Long-Term Obligations

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

Obligation	Fund
General Obligation Bond	Bond Retirement Fund
Long-Term Obligation	General Fund
Installment Loans	General Fund
	Water Fund
	Sewer Fund
Police and Fire Accrued Pension Liability	Police Pension Fund
	Fire Pension Fund
Ohio Water Development Authority Loans	Water Fund
	Sewer Fund
Compensated Absences	General Fund
	Water Fund
	Sewer Fund
	Sanitation Fund

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences

In accordance with GASB Statement No. 16, "*Accounting for Compensated Absences*," vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time 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 requirement 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.

For governmental funds, the portion of unpaid compensated absences expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." The long-term portion of the liability is reported in the General Long-Term Obligations Account Group.

Compensated absences are expensed in the water, sewer, and sanitation enterprise funds when earned, and the related liability is reported within the fund.

K. Pensions

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

L. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds. Interfund transactions are generally classified as follows:

- Operating transfers are reported as "Other Financing Sources and Uses" in the governmental funds, as "Operating Transfers In" by the recipient fund, and "Operating Transfers Out" by the disbursing fund.
- Residual Equity Transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance. The City did not perform any residual equity transfers in 2003.

Transactions that would be treated as revenues and expenditures if the transactions involved organizations external to the City are similarly treated when involving other funds of the City. The City also advances cash from one fund to another as necessary to meet current obligations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. 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, supplies inventory and encumbered amounts that have not been accrued at year end.

N. Total Columns on Combined Financial Statements - Overview

Total columns on the "Combined Financial Statements-Overview" are captioned "Memorandum Only" to indicate they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

O. Receivables and Payables

Receivables and payables to be recorded on the City's financial statements are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also, by a reasonable, systematic method of determining their existence, valuation, and in the case of payables, collectability.

NOTE 2 - RESTATEMENT OF FUND BALANCES/RETAINED EARNINGS

A restatement was necessary to correct errors in accounting for notes payable. The correction of the accounting errors also had the following effect on general and capital projects fund balances at 1/1/2003:

Fund Type	Total Fund Balance/ as Reported 12/31/2002	Adjustment Increase (Decrease)	Total Fund Balance/ as Restated 1/1/2003
General	\$1,037,304	\$100,000	\$1,137,304
Capital Projects	(6,072)	(100,000)	(106,072)

NOTE 3 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash. In addition, investments are separately held by a number of individual funds. Certificates of deposit and repurchase agreements are included as cash and cash equivalents for financial statement reporting purposes. However, repurchase agreements are classified as investments for footnote disclosure purposes. Statutes require the classification of funds held by the City into three categories.

Category 1 consists of "active" funds - those funds required to be held 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.

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 (STAROhio).

NOTE 3 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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. Based upon criteria described in GASB Statement No. 3, "*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*," collateral held in single financial institution collateral pools with securities being held by the pledging financial institution's agent in the pool's name are classified as Category 3.

The GASB has established risk categories for deposits and investments as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 Collateralized with securities held by the pledging financial institution's trust or agent but not in the City's name.

Investments:

- Category 1 Insured or registered, with securities held by the City or its agent in the City's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

A. Deposits

At year end, the carrying value of the City's deposits was \$5,440,405 and the bank balance was \$5,545,562. Of the bank balance, \$468,970 was insured by the Federal Deposit Insurance Corporation (FDIC). The remaining deposits were classified as Category 3. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

NOTE 3 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. The classification of cash and cash equivalents (deposits) for purposes of this note is based on criteria set forth in GASB Statement No. 3.

A reconciliation between classifications of cash and investments on the combined 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 Combined Balance Sheet	\$5,229,854	\$210,551
Certificates of Deposit (with maturities of more than 3 months)	210,551	(210,551)
Per GASB Statement No. 3	<u>\$5,440,405</u>	<u>\$0</u>

NOTE 4 - 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 2003 were levied after October 1, 2002 on assessed values as of January 1, 2002, the lien date. Assessed values were established by the County Auditor at 35% of appraised market value. All property is required to be reappraised every six years, and equalization adjustments are made in the third year following reappraisal. The last revaluation was completed in 1998. 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.

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.

NOTE 4 – TAXES (Continued)

A. Property Taxes (Continued)

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 all City operations for the year ended December 31, 2003 was \$4.28 per \$1,000 of assessed value. The assessed value upon which the 2003 levy was based was \$125,532,610. This amount constitutes \$107,505,870 in real property assessed value, \$7,189,030 in public utility assessed value and \$10,837,710 in tangible personal property 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 employee 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 either monthly or quarterly as specified by ordinance and file a declaration annually.

NOTE 5 – DUE TO/FROM OTHER FUNDS

Following is a summary of due to/from other funds for all funds at December 31, 2003:

	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
General Fund	\$18,310	\$2,792
Special Revenue Funds:		
Flood Fund	0	517
Street Fund	0	2,495
Health Fund	0	38
Indigent DUI Fund	458	0
Municipal Court Computer Fund	3,455	0
Municipal Court Home Monitoring Fund	760	0
Municipal Court Home Supervision Fund	3,405	0
Total Special Revenue Funds	<u>8,078</u>	<u>3,050</u>
Capital Projects Fund:		
Municipal Court Special Projects Fund	1,717	0
Enterprise Funds:		
Water Fund	0	1,458
Sewer Fund	0	1,381
Sanitation Fund	0	1,700
Total Enterprise Funds	<u>0</u>	<u>4,539</u>
Internal Service Fund:		
Rotary Fund	10,381	0
Agency Fund:		
Municipal Court Fund	<u>0</u>	<u>28,105</u>
Totals	<u><u>\$38,486</u></u>	<u><u>\$38,486</u></u>

NOTE 6 - RECEIVABLES

Receivables at December 31, 2003 consisted of taxes, interest, loans, intergovernmental, interfund and accounts receivables.

NOTE 7 - OPERATING TRANSFERS

Following is a summary of operating transfers in and out for all funds for 2003:

Fund	Transfers In	Transfers Out
General Fund	\$2,897	\$287,777
Special Revenue Funds:		
Flood Fund	6,529	0
Swimming Pool Fund	12,807	0
Revolving Loan Fund	113	107,688
Community Development Fund	0	69,413
Street Fund	40,481	0
Health Fund	137,937	0
FEMA Fund	0	20,276
Court Supervision Fund	0	2,225
Total Special Revenue Funds	197,867	199,602
Debt Service Fund:		
Debt Retirement Sinking Fund	99,973	0
Capital Projects Fund:		
Fire Construction Fund	176,988	0
Enterprise Funds:		
Water Fund	3,588	5,650
Sewer Fund	5,306	5,650
Sanitation Fund	12,060	0
Total Enterprise Funds	20,954	11,300
Totals	\$498,679	\$498,679

NOTE 8 - FIXED ASSETS

A. General Fixed Assets

Summary by category of changes in general fixed assets:

Category	January 1, 2003	Additions	Deletions	December 31, 2003
Land	\$1,521,171	\$0	(\$13,599)	\$1,507,572
Buildings	1,423,178	0	0	1,423,178
Land Improvements	4,070,271	0	0	4,070,271
Machinery and Equipment	2,372,278	119,338	(2,243)	2,489,373
Construction in Progress	0	1,173,704	0	1,173,704
Totals	\$9,386,898	\$1,293,042	(\$15,842)	\$10,664,098

Schedule of General Fixed Assets at December 31, 2003:

General Fixed Assets	Investment in General Fixed Assets
Land	
Buildings	
Land Improvements	General Fund
Machinery and Equipment	Special Revenue Funds
Construction in Progress	Capital Projects Funds
Total	Total
\$10,664,098	\$4,723,396
	4,766,998
	1,173,704
	\$10,664,098

B. Proprietary Fixed Assets

Summary by category at December 31, 2003:

Category	Historic Cost	Accumulated Depreciation	Book Value
Land	\$60,060	\$0	\$60,060
Land Improvements	6,518,141	(1,440,058)	5,078,083
Buildings and Improvements	8,839,349	(4,356,979)	4,482,370
Machinery and Equipment	4,786,221	(3,001,244)	1,784,977
Property, Plant and Equipment	\$20,203,771	(\$8,798,281)	\$11,405,490

NOTE 9 – 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 (the “Ohio PERS”)

The following information was provided by the Ohio PERS 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 the Ohio PERS: 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. 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.

The Ohio PERS 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. 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 the Ohio PERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

For the year ended December 31, 2003, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The City’s contribution rate for pension benefits for 2003 was 8.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the City’s pension contributions were 11.7 percent of covered payroll. The Ohio Revised Code provides authority for member and employer contributions.

The City’s required contributions to the Ohio PERS for the years ended December 31, 2003, 2002 and 2001 were \$296,958, \$289,276 and \$285,847, respectively, which were equal to required contributions for each year.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

A. Ohio Public Employees Retirement System (the “Ohio PERS”) (Continued)

The Ohio PERS provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer’s contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 5.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS’s latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 364,881. Actual employer contributions for 2003 which were used to fund postemployment benefits were \$109,578. The actual contribution and the actuarially required contribution amounts are the same. OPER’S net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfounded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care “Choices” Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year “cliff” eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

All City full-time police officers and full-time firefighters participate in the OP&F Fund, a cost-sharing multiple-employer defined benefit pension plan. The OP&F Fund 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 Ohio Revised Code. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the OP&F Fund. 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 the City is required to contribute 11.75% and 16.25% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2003, 2002 and 2001 were \$94,071, \$84,673 and \$92,518 for police and \$124,002, \$102,925 and \$117,150 for firefighters, respectively, which were equal to the required contributions for each year.

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-thirds basis. The health care coverage provided by the OP&F Fund is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2003. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2003 that were used to fund postemployment benefits were \$37,387 for police and \$40,042 for firefighters. The OP&F's total health care expense for the year ended December 31, 2002 (the latest information available) was \$141,028,006, which was net of member contributions of \$12,623,875. The number of OP&F participants eligible to receive health care benefits as of December 31, 2002, was 13,527 for police and 10,396 for firefighters.

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.

NOTE 10 - COMPENSATED ABSENCES (Continued)

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, 2003, the total liability for accumulated unpaid compensated absences recorded in the General Long-Term Obligations Account Group was as follows:

	<u>Hours</u>	<u>Amount</u>
Sick Leave	29,536	\$326,669
Vacation / Compensatory Time	8,152	107,967
Total	<u>37,688</u>	<u>\$434,636</u>

In addition, the accrued liability for accumulated unpaid compensated absences recorded in the enterprise funds increased \$82,222 from a beginning year balance of \$171,810 to a year end balance of \$254,032.

NOTE 11 - BOND ANTICIPATION NOTES PAYABLE

The Ohio Revised Code provides that notes including 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, those principal maturities required if the bonds had been issued at the expiration of the initial five year period. The following general obligation notes were payable at December 31, 2003:

	<u>Balance January 1, 2003</u>	<u>Issued (Retired)</u>	<u>Balance December 31, 2003</u>
Capital Projects Funds:			
2.17% Real Estate Acquisition and Improvement	\$100,000	(\$100,000)	\$0
2.25% Fire Department Building Improvement	90,000	(90,000)	0
Total Bond Anticipation Notes Payable	<u>\$190,000</u>	<u>(\$190,000)</u>	<u>\$0</u>

The notes are backed by the full faith and credit of the City. The notes were issued in anticipation of obtaining long-term bond financing and will be refinanced until such bonds are issued. The maturity dates of the notes are within one year of the issuance dates.

NOTE 12 - LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 2003 were as follows:

			Balance December 31, 2002	Issued (Retired)	Balance December 31, 2003
Enterprise Funds:					
Installment Loan:					
4.50%	Equipment Acquisition (48%)	2004	\$5,880	(\$3,878)	\$2,002
Total Enterprise Installment Loan			5,880	(3,878)	2,002
O.W.D.A. Loans			5,550,968	(439,993)	5,110,975
Total Enterprise Long-Term Debt and Other Long-Term Obligations			<u>\$5,556,848</u>	<u>(\$443,871)</u>	<u>\$5,112,977</u>
General Long-Term Debt:					
General Obligation Bonds:					
varies	Building Improvement	2022	\$1,320,000	(\$40,000)	\$1,280,000
varies	Fire House Construction Bonds	2026	0	1,350,000	1,350,000
Total General Obligation Bonds			1,320,000	1,310,000	2,630,000
Long-Term Obligations:					
Community Action Organization Loan			54,240	(10,500)	43,740
Total Long-Term Obligations			54,240	(10,500)	43,740
Installment Loans :					
5.25%	Fire Equipment Acquisition	2008	346,800	(57,800)	289,000
4.37%	Equipment Acquisition	2003	21,746	(21,746)	0
4.50%	Equipment Acquisition (52%)	2004	6,420	(4,231)	2,189
5.58%	Motor Vehicle Acquisition	2005	45,000	(15,000)	30,000
Total Installment Loans			419,966	(98,777)	321,189
Total General Long-Term Debt			<u>1,794,206</u>	<u>1,200,723</u>	<u>2,994,929</u>
Other Long-Term Obligations:					
Compensated Absences			370,406	64,230	434,636
Police/Fire Accrued Pension Liability			512,247	(7,548)	504,699
Total Other Long-Term Obligations			882,653	56,682	939,335
Total General Long-Term Debt and Other Long-Term Obligations			<u>\$2,676,859</u>	<u>\$1,257,405</u>	<u>\$3,934,264</u>

The Equipment Acquisition installment loans in the enterprise and governmental funds were issued for software upgrades related to Y2K. The OWDA loan was issued for water and sewer plant construction. User fees from water and sewer services provided are pledged for repayment of the OWDA loan. Outstanding General Obligation Bonds were issued for City building improvement and construction of a new firehouse. The Community Action Organization Loan was issued for parking lot development. The Motor Vehicle Acquisition installment loan was issued for police cruiser purchases, and the Fire Equipment Acquisition installment loan was issued for fire truck purchases. Fire service fees collected from residents are used to retire the Fire Truck installment loan.

NOTE 12 - 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, 2003, follows:

Years	Installment Loans		OWDA Loans		General Obligation Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$76,991	\$16,941	\$463,865	\$177,711	\$65,000	\$129,115
2005	72,800	12,975	489,602	151,974	70,000	126,735
2006	57,800	9,104	517,367	124,210	70,000	124,098
2007	57,800	6,069	547,401	94,205	70,000	121,438
2008	57,800	3,035	254,148	61,855	75,000	118,683
2009-2013	0	0	1,349,049	230,966	435,000	538,428
2014-2018	0	0	1,489,543	90,469	565,000	418,960
2019-2035	0	0	0	0	1,280,000	447,928
Totals	\$323,191	\$48,124	\$5,110,975	\$931,390	\$2,630,000	\$2,025,385

Years	Police/Fire		Totals	
	Accrued Pension Liability		Principal	Interest
	Principal	Interest		
2004	\$7,871	\$21,367	\$613,727	\$345,134
2005	8,210	21,029	640,612	312,713
2006	8,562	20,676	653,729	278,088
2007	8,930	20,309	684,131	242,021
2008	9,313	19,925	396,261	203,498
2009-2013	52,923	93,269	1,836,972	862,663
2014-2018	65,306	80,885	2,119,849	590,314
2019-2035	343,584	137,534	1,623,584	585,462
Totals	\$504,699	\$414,994	\$8,568,865	\$3,419,893

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, 2003 was \$919,694 in principal and interest payments through the year 2035. Only the principal amount of \$504,699 is included in the General Long Term Obligations Account Group.

B. Bess, Phil, and Dick Rice Property

During 1998, the City entered into a long-term obligation with the Rice Family to purchase land located along 2nd Street in the Downtown District of Ironton. The original purchase price was for \$300,000. Associated with this purchase cost was also demolition and environmental costs, which were combined for a total package cost of \$328,740.

NOTE 12 - LONG-TERM OBLIGATIONS (Continued)**B. Bess, Phil, and Dick Rice Property (Continued)**

The City has made payments by use of CDBG Formula Grant dollars over the past years in the amount of \$274,500. The remaining balance is to be paid over a long-term agreement with the Rice Family. The current agreement states that the City will pay whatever principal amounts as seen fit by the City on an annual basis in addition to 5% simple interest on any unpaid balance semi-annually. The loan must be paid in full by October 31, 2009. There is not a penalty for prepayment. As of December 31, 2003, \$285,000 in principal has been paid towards the balance of the loan. The principal amount due of \$43,740 is included in the General Long-Term Obligations Account Group.

NOTE 13 - CONSTRUCTION COMMITMENTS

As of December 31, 2003, the City had the following commitments with respect to capital projects:

<u>Capital Project</u>	<u>Company</u>	<u>Remaining Construction Commitment</u>	<u>Date of Completion</u>
Construction of new fire station	Portco, Inc.	\$229,173	March-04
Construction of new fire station	BB&E Inc.	20,297	March-04
Construction of new fire station	General Heating & Air	20,878	March-04
Construction of new fire station	Jordan-Smith Electric Co.	56,733	March-04
Construction of new fire station	Brewer & Co. of W V Inc.	3,600	March-04
Construction of new fire station	Cole and Russell	1,034	March-04
	Total	<u>\$331,715</u>	

NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Included in the services provided by the City which are financed primarily by user charges are water treatment and distribution and wastewater collection and treatment. The key financial information for the year ended December 31, 2003 for these enterprise activities is as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Total</u>
Operating Revenues	\$1,436,066	\$1,133,756	\$637,346	\$3,207,168
Depreciation	249,816	228,145	31,174	509,135
Operating Income (Loss)	(2,048)	141,020	(81,951)	57,021
Operating Transfers In	3,588	5,306	12,060	20,954
Operating Transfers Out	(5,650)	(5,650)	0	(11,300)
Net Income (Loss)	(65,069)	56,132	(65,792)	(74,729)
Property, Plant and Equipment:				
Additions	52,408	67,922	91,267	211,597
Assets	7,386,165	6,377,412	321,734	14,085,311
Net Working Capital	1,586,619	795,493	95,815	2,477,927
Ohio Water Development Authority and Installment Loans Payable	4,061,468	1,051,509	0	5,112,977
Total Equity	3,153,234	5,196,497	195,407	8,545,138

NOTE 15 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2003, the City participated in the Public Entities Pool of Ohio ("PEP"), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

PEP retains casualty risks up to \$250,000 per claim, including loss 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 \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

PEP retains property risks, including automobile physical damage up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays for losses and loss adjustment expenses exceeding operating contributions.

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 government.

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:

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$25,288,098	\$20,174,977
Liabilities	(12,872,985)	(8,550,749)
Retained Earnings	<u>\$12,415,113</u>	<u>\$11,624,228</u>
<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$3,158,813	\$2,565,408
Liabilities	(792,061)	(655,318)
Retained Earnings	<u>\$2,366,752</u>	<u>\$1,910,090</u>

NOTE 15 - RISK MANAGEMENT (Continued)

The City of Ironton carried commercial insurance coverage for the years 2002 - 2003 for all other risks, including health insurance and pays unemployment claims to the State of Ohio as incurred.

Workers' Compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

NOTE 16 - CONTINGENCIES

The City is party to various legal proceedings which seek damages or injunctive relief general incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of the various claims and legal proceedings will not have a material, adverse effect on the City's financial position.

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, 2003.

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

Ironton-Lawrence County Community Action Organization - The Ironton-Lawrence County Community Action Organization (CAO) is an IRS 501C3 non-profit organization established to plan, develop, and coordinate programs and services designed to combat problems of poverty and seek the elimination of the conditions of poverty that affect the residents of Lawrence County. The CAO administers Community Development Block Grants for the City. The CAO Board is comprised of public officials from the County, municipalities, villages, and townships within the County. Other members are representatives of the poor in the area served and officials or members of the private sector of the community. The CAO controls its own operations and budget. In 2003, the City paid the CAO \$64,770. Of that amount, \$35,000 was paid for contractual services, \$25,700 was paid for grant administration, \$2,957 was paid to the Revolving Loan Fund, and \$1,113 was paid to the Rehab Revolving Loan Fund.

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.

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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.

NOTE 18 – SUBSEQUENT EVENTS

On March 25, 2004, Council declared an emergency and approved awarding a contract, totaling \$76,604, to Distel Construction, Inc. for repairs due to a sewer collapse.

**CITY OF IRONTON
LAWRENCE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED DECEMBER 31, 2003**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed through Ohio Department of Development:</i>			
Community Development Block Grants/ State's Program	AF-01-134-1	14.228	\$ 32,945
	AF-02-134-1		85,000
	AE-02-134-1		<u>310,000</u>
Total Community Development Block Grants/State's Program			427,945
<i>Received directly from federal government:</i>			
Empowerment Zones Program	N/A	14.244	<u>8,800</u>
Total U.S. Department of Housing and Urban Development			<u>436,745</u>
<u>U.S. DEPARTMENT OF HEALTH</u>			
<i>Passed through Ohio Department of Health:</i>			
Medical Assistance Program	N/A	93.778	<u>8,299</u>
Total U.S. Department of Health			<u>8,299</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
<i>Passed through Ohio Emergency Management Agency:</i>			
Public Assistance Grants	DR-1453-OH	97.036	17,475
<i>Received directly from federal government:</i>			
Assistance to Firefighters Grant	N/A	97.044	<u>85,265</u>
Total U.S. Department of Homeland Security			<u>102,740</u>
Total Federal Awards Expenditures			<u>\$ 547,784</u>

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

**CITY OF IRONTON
LAWRENCE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the City's Federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B -- SUBRECIPIENTS

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

The subrecipient agencies have certain compliance responsibilities related to administering these Federal programs. Under Federal Circular A-133, the City is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements, and that performance goals are achieved.

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

The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and to eligible persons and to rehabilitate homes. The U.S. Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property. At December 31, 2003, the gross amount of loans outstanding under this program was \$417,890. Delinquent amounts due are \$0.

NOTE D -- MATCHING REQUIREMENTS

Certain Federal programs require that the City contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the City Council:

We have audited the accompanying general purpose financial statements of the City of Ironton, Lawrence County, Ohio (the City), as of and for the year ended December 31, 2003, and have issued our report thereon dated September 24, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the City's management in a separate letter dated September 24, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the City's management in a separate letter dated September 24, 2004.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 24, 2004



**Auditor of State
Betty Montgomery**

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

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

To the 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 are applicable to its major federal program for the year ended December 31, 2003. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. 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 contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003. However, we noted a certain instance of noncompliance that does not require inclusion in this report, that we have reported to the management of the City in a separate letter dated September 24, 2004.

Internal Control over Compliance

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

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

This report is intended for the information and use of the Finance/Audit Committee, City Council, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

September 24, 2004

**CITY OF IRONTON
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2003**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs= Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant – CFDA #14.228
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**CITY OF IRONTON
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2003
(Continued)**

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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Facsimile 614-466-4490

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
OCTOBER 18, 2004**