



Mary Taylor, CPA
Auditor of State

**CITY OF IRONTON
LAWRENCE COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

City of Ironton
Lawrence County
301 South Third Street
Ironton, Ohio 45638

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ironton, Lawrence County, Ohio (the City), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ironton, Lawrence County, Ohio, as of December 31, 2005, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2007, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

May 4, 2007

CITY OF IRONTON, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2005*

Unaudited

The discussion and analysis of the City of Ironton's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2005. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2005 are as follows:

- ❑ In total, net assets increased by \$2,626,633. Net assets of governmental activities increased by \$1,816,465, which represents a 29.8% increase from 2004. Net assets of business-type activities increased by \$810,168, or 9.4% from 2004.
- ❑ General revenues accounted for \$3,485,843 in revenue, or 33.3% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6,965,450, or 66.7% of total revenues of \$10,451,293.
- ❑ The City had \$4,793,216 in expenses related to governmental activities; only \$3,135,838 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$3,473,843 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$3,640,456 in revenues and \$3,587,430 in expenditures. The general fund's fund balance increased \$26,873.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

CITY OF IRONTON, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2005*

Unaudited

Government-Wide Financial Statements

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

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

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

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

- *Governmental Activities* – Most of the City's programs and services are reported here including general government, public safety, street maintenance, construction and repair, health and social services, and recreation.
- *Business-Type Activities* – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water, sewer, and refuse collection services are reported as business-type activities.

Fund Financial Statements

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

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

CITY OF IRONTON, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2005*

Unaudited

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of the City's net assets at December 31, 2005 and 2004:

	Governmental Activities		Business-type Activities		Total	
	2005	Restated 2004	2005	2004	2005	2004
Current and other assets	\$5,534,238	\$5,005,404	\$3,373,310	\$2,694,093	\$8,907,548	\$7,699,497
Capital assets, Net	6,373,316	5,596,416	10,643,047	11,080,506	17,016,363	16,626,922
Total assets	11,907,554	10,601,820	14,016,357	13,724,599	25,923,911	24,326,419
Long-term debt outstanding	3,319,805	3,768,894	4,270,755	4,840,602	7,590,560	8,609,496
Other liabilities	670,871	732,513	273,439	222,002	944,310	954,515
Total liabilities	3,990,676	4,501,407	4,544,194	5,062,604	8,534,870	9,564,011
Net assets						
Invested in capital assets, net of related debt	3,677,676	2,785,216	6,485,539	6,383,396	10,163,215	9,168,612
Restricted	3,131,415	2,454,333	0	0	3,131,415	2,454,333
Unrestricted	1,107,787	860,864	2,986,624	2,278,599	4,094,411	3,139,463
Total net assets	\$7,916,878	\$6,100,413	\$9,472,163	\$8,661,995	\$17,389,041	\$14,762,408

CITY OF IRONTON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2005**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2005 and 2004:

	Governmental Activities		Business-type Activities		Total	Total
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues:						
Charges for Services and Sales	\$1,205,690	\$1,078,323	\$3,829,612	\$3,277,824	\$5,035,302	\$4,356,147
Operating Grants and Contributions	657,726	638,799	0	0	657,726	638,799
Capital Grants and Contributions	1,272,422	0	0	0	1,272,422	0
General revenues:						
Taxes	2,377,357	2,184,092	0	0	2,377,357	2,184,092
Grants and Entitlements not Restricted to Specific Programs	868,243	710,685	0	0	868,243	710,685
Investment Earnings	148,972	86,206	0	0	148,972	86,206
Miscellaneous	91,271	259,298	0	0	91,271	259,298
Total revenues	<u>6,621,681</u>	<u>4,957,403</u>	<u>3,829,612</u>	<u>3,277,824</u>	<u>10,451,293</u>	<u>8,235,227</u>
Program Expenses						
Security of Persons & Property	2,304,297	2,415,484	0	0	2,304,297	2,415,484
Public Health and Welfare	213,663	209,640	0	0	213,663	209,640
Leisure Time Activities	73,742	89,334	0	0	73,742	89,334
Community Environment	77,950	11,557	0	0	77,950	11,557
Transportation	493,380	528,180	0	0	493,380	528,180
General Government	1,469,913	1,563,828	0	0	1,469,913	1,563,828
Interest and Fiscal Charges	160,271	167,156	0	0	160,271	167,156
Water	0	0	1,409,846	1,392,479	1,409,846	1,392,479
Sewer	0	0	1,054,937	1,188,179	1,054,937	1,188,179
Sanitation	0	0	526,661	583,281	526,661	583,281
Storm Water	0	0	40,000	0	40,000	0
Total expenses	<u>4,793,216</u>	<u>4,985,179</u>	<u>3,031,444</u>	<u>3,163,939</u>	<u>7,824,660</u>	<u>8,149,118</u>
Excess (deficiency) before Transfers and special items	1,828,465	(27,776)	798,168	113,885	2,626,633	86,109
Transfers	<u>(12,000)</u>	<u>6,120</u>	<u>12,000</u>	<u>(6,120)</u>	<u>0</u>	<u>0</u>
Total Change in Net Assets	1,816,465	(21,656)	810,168	107,765	2,626,633	86,109
Beginning Net Assets	<u>6,100,413</u>	<u>6,122,069</u>	<u>8,661,995</u>	<u>8,554,230</u>	<u>14,762,408</u>	<u>14,676,299</u>
Ending Net Assets	<u>\$7,916,878</u>	<u>\$6,100,413</u>	<u>\$9,472,163</u>	<u>\$8,661,995</u>	<u>\$17,389,041</u>	<u>\$14,762,408</u>

Governmental Activities

Net assets of the City's governmental activities increased by \$1,816,465. This was mainly due to receipts of capital contribution grants for projects throughout the City.

CITY OF IRONTON, OHIO

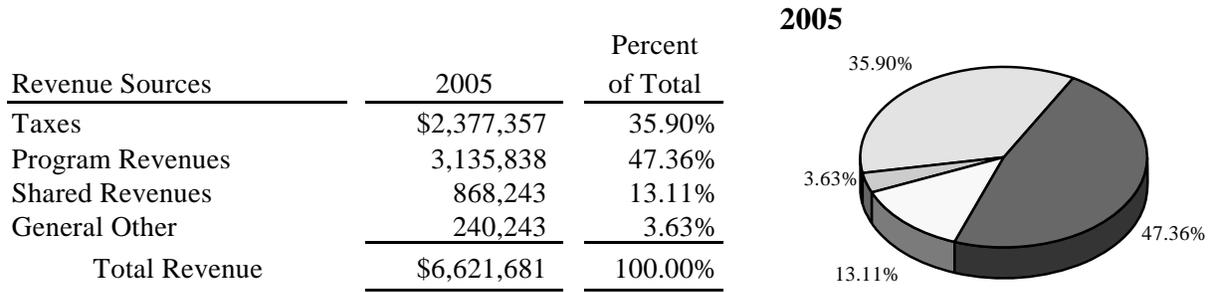
**Management's Discussion and Analysis
For the Year Ended December 31, 2005**

Unaudited

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

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

Taxes made up 35.9% of revenues for governmental activities for the City in fiscal year 2005. The City's reliance upon tax revenues is demonstrated by the following graph:



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$3,446,666, which is an increase from last year's balance of \$3,161,061. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2005 and 2004:

	Fund Balance December 31, 2005	Fund Balance December 31, 2004	Increase (Decrease)
General	\$814,839	\$787,966	\$26,873
Capital Infrastructure Project	14,945	0	14,945
Other Governmental	2,616,882	2,373,095	243,787
Total	<u>\$3,446,666</u>	<u>\$3,161,061</u>	<u>\$285,605</u>

CITY OF IRONTON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2005**

Unaudited

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

	2005 Revenues	2004 Revenues	Increase (Decrease)
Taxes	\$2,212,454	\$1,949,271	\$263,183
Intergovernmental Revenues	695,730	691,050	4,680
Charges for Services	276,943	248,082	28,861
Licenses and Permits	21,130	26,313	(5,183)
Investment Earnings	33,653	18,837	14,816
Special Assessments	23,940	5,497	18,443
Fines and Forfeitures	266,457	298,779	(32,322)
All Other Revenue	110,149	282,239	(172,090)
Total	\$3,640,456	\$3,520,068	\$120,388

General Fund revenues in 2005 increased by 3.4% compared to revenues in fiscal year 2004. The most significant factor contributing to this increase was the increase in tax revenues.

	2005 Expenditures	2004 Expenditures	Increase (Decrease)
Security of Persons & Property	\$1,950,179	\$2,022,247	(\$72,068)
Public Health and Welfare	7,744	2,174	5,570
Transportation	48,522	42,670	5,852
General Government	1,437,968	1,515,684	(77,716)
Capital Outlay	2,240	0	2,240
Debt Service:			
Principal Retirement	71,000	62,689	8,311
Interest and Fiscal Charges	69,777	72,813	(3,036)
Total	\$3,587,430	\$3,718,277	(\$130,847)

General Fund expenditures decreased by \$130,847, or 3.5%. The decrease is due to decreased costs associated with the fire department, the costs are now being paid out of the fire fee fund.

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

For the General Fund, final budget basis revenue of \$3.6 million did not change over the original budget estimates of \$3.6 million. The General Fund had an adequate fund balance to cover expenditures.

CITY OF IRONTON, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2005*

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2005 the City had \$17,016,363 net of accumulated depreciation invested in land, buildings, land improvements, machinery and equipment, and infrastructure. Of this total, \$6,373,316 was related to governmental activities and \$10,643,047 to the business-type activities. The following table shows fiscal year 2005 and 2004 balances:

	Governmental Activities		Increase (Decrease)
	2005	2004	
Land	\$1,507,572	\$1,507,572	\$0
Construction in Progress	617,058	0	617,058
Buildings	2,905,767	2,905,767	0
Land Improvements	4,420,546	4,024,763	395,783
Machinery and Equipment	2,545,952	2,642,077	(96,125)
Less: Accumulated Depreciation	(5,623,579)	(5,483,763)	(139,816)
Totals	\$6,373,316	\$5,596,416	\$776,900

	Business-Type Activities		Increase (Decrease)
	2005	2004	
Land	\$60,060	\$60,060	\$0
Land Improvements	6,518,141	6,518,141	0
Buildings and Improvements	4,051,851	4,051,851	0
Machinery and Equipment	4,695,156	4,764,039	(68,883)
Infrastructure	4,824,065	4,821,132	2,933
Less: Accumulated Depreciation	(9,506,226)	(9,180,445)	(325,781)
Totals	\$10,643,047	\$11,034,778	(\$391,731)

Additional information on the City's capital assets can be found in Note 8.

As of December 31, 2005, the City had \$617,058 in Construction in Progress as part of ongoing street and curbing projects.

CITY OF IRONTON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2005

Unaudited

Debt

At December 31, 2005, the City had \$2,495,000 in bonds outstanding, \$70,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2005 and 2004:

	2005	2004
Governmental Activities:		
General Obligation Bonds	\$2,495,000	\$2,565,000
Community Action Organization Loan	27,240	38,240
Installment Loans	173,400	246,200
Compensated Absences	135,546	422,625
Police and Firemen's Accrued Pension	488,619	496,829
Total Governmental Activities	<u>3,319,805</u>	<u>3,768,894</u>
Business-Type Activities:		
Ohio Water Development Authority Loan	\$4,157,508	\$4,647,110
Compensated Absences	113,247	193,492
Total Business-Type Activities	<u>4,270,755</u>	<u>4,840,602</u>
Totals	<u><u>\$7,590,560</u></u>	<u><u>\$8,609,496</u></u>

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.50% of the total assessed value of real and personal property. At December 31, 2005, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 11.

ECONOMIC FACTORS

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

REQUESTS FOR INFORMATION

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

CITY OF IRONTON, OHIO

Statement of Net Assets *December 31, 2005*

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 2,823,516	\$ 2,314,503	\$ 5,138,019
Investments	25,000	185,551	210,551
Receivables:			
Taxes	1,202,734	0	1,202,734
Accounts	74,993	688,607	763,600
Intergovernmental	1,085,446	0	1,085,446
Notes	302,119	0	302,119
Internal Balances	(3,974)	3,974	0
Inventory of Supplies at Cost	2,487	106,502	108,989
Prepays	21,917	18,660	40,577
Restricted Assets:			
Cash and Cash Equivalents	0	55,513	55,513
Capital Assets:			
Capital Assets Not Being Depreciated	2,124,630	0	2,124,630
Capital Assets Being Depreciated	4,248,686	10,643,047	14,891,733
Total Assets	11,907,554	14,016,357	25,923,911
Liabilities:			
Accounts Payable	79,249	128,239	207,488
Accrued Wages and Benefits	225,521	89,253	314,774
Intergovernmental Payable	7,712	434	8,146
Refundable Deposits	0	55,513	55,513
Deferred Revenue	345,446	0	345,446
Accrued Interest Payable	12,943	0	12,943
Long Term Liabilities:			
Due Within One Year	227,484	556,301	783,785
Due in More Than One Year	3,092,321	3,714,454	6,806,775
Total Liabilities	3,990,676	4,544,194	8,534,870
Net Assets:			
Invested in Capital Assets, Net of Related Debt	3,677,676	6,485,539	10,163,215
Restricted For:			
Capital Projects	161,656	0	161,656
Debt Service	303,198	0	303,198
Streets & Highways	481,419	0	481,419
Security of Persons & Property	1,550,436	0	1,550,436
Other Purposes	634,706	0	634,706
Unrestricted (Deficit)	1,107,787	2,986,624	4,094,411
Total Net Assets	\$ 7,916,878	\$ 9,472,163	\$ 17,389,041

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

Statement of Activities
For the Year Ended December 31, 2005

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Current:				
Security of Persons and Property	\$ 2,304,297	\$ 761,886	\$ 60,867	\$ 151,926
Public Health and Welfare Services	213,663	44,933	34,653	0
Leisure Time Activities	73,742	0	0	0
Community Environment	77,950	26,626	0	0
Transportation	493,380	1,632	562,206	1,120,496
General Government	1,469,913	370,613	0	0
Interest and Fiscal Charges	160,271	0	0	0
Total Governmental Activities	4,793,216	1,205,690	657,726	1,272,422
Business-Type Activities:				
Water	1,409,846	1,551,559	0	0
Sewer	1,054,937	1,414,472	0	0
Sanitation	526,661	612,274	0	0
Storm Water	40,000	251,307	0	0
Total Business-Type Activities	3,031,444	3,829,612	0	0
Totals	\$ 7,824,660	\$ 5,035,302	\$ 657,726	\$ 1,272,422

General Revenues

Property Taxes
Municipal Income Taxes
Grants and Entitlements not Restricted to Specific Programs
Investment Earnings
Miscellaneous
Transfers
Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (1,329,618)	\$ 0	\$ (1,329,618)
(134,077)	0	(134,077)
(73,742)	0	(73,742)
(51,324)	0	(51,324)
1,190,954	0	1,190,954
(1,099,300)	0	(1,099,300)
<u>(160,271)</u>	<u>0</u>	<u>(160,271)</u>
<u>(1,657,378)</u>	<u>0</u>	<u>(1,657,378)</u>
0	141,713	141,713
0	359,535	359,535
0	85,613	85,613
0	211,307	211,307
<u>0</u>	<u>798,168</u>	<u>798,168</u>
<u>\$ (1,657,378)</u>	<u>\$ 798,168</u>	<u>\$ (859,210)</u>
945,029	0	945,029
1,432,328	0	1,432,328
868,243	0	868,243
148,972	0	148,972
91,271	0	91,271
<u>(12,000)</u>	<u>12,000</u>	<u>0</u>
<u>3,473,843</u>	<u>12,000</u>	<u>3,485,843</u>
1,816,465	810,168	2,626,633
<u>6,100,413</u>	<u>8,661,995</u>	<u>14,762,408</u>
<u>\$ 7,916,878</u>	<u>\$ 9,472,163</u>	<u>\$ 17,389,041</u>

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CITY OF IRONTON, OHIO

**Balance Sheet
Governmental Funds
December 31, 2005**

	General	Capital Infrastructure Project	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 307,598	\$ 14,945	\$ 2,480,284	\$ 2,802,827
Investments	25,000	0	0	25,000
Receivables:				
Taxes	1,055,483	0	147,251	1,202,734
Accounts	25,863	0	49,130	74,993
Intergovernmental	443,254	0	642,192	1,085,446
Notes	0	0	302,119	302,119
Inventory of Supplies, at Cost	0	0	2,487	2,487
Prepaid Items	19,971	0	1,946	21,917
Total Assets	\$ 1,877,169	\$ 14,945	\$ 3,625,409	\$ 5,517,523
Liabilities:				
Accounts Payable	\$ 35,579	\$ 0	\$ 31,113	\$ 66,692
Accrued Wages and Benefits Payable	192,851	0	32,670	225,521
Intergovernmental Payable	3,434	0	4,278	7,712
Deferred Revenue	830,466	0	940,466	1,770,932
Total Liabilities	1,062,330	0	1,008,527	2,070,857
Fund Balances:				
Reserved for Encumbrances	28,011	14,945	13,889	56,845
Reserved for Prepaid Items	19,971	0	1,946	21,917
Reserved for Supplies Inventory	0	0	2,487	2,487
Reserved for Debt Service	0	0	316,141	316,141
Unreserved, Undesignated in:				
General Fund	766,857	0	0	766,857
Special Revenue Funds	0	0	2,135,708	2,135,708
Capital Projects Funds	0	0	146,711	146,711
Total Fund Balances	814,839	14,945	2,616,882	3,446,666
Total Liabilities and Fund Balances	\$ 1,877,169	\$ 14,945	\$ 3,625,409	\$ 5,517,523

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2005***

Total Governmental Fund Balances \$ 3,446,666

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

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

Capital Assets used in the operation of Governmental Funds 6,373,316

Other long-term assets are not available to pay for current-
period expenditures and therefore are deferred in the funds. 1,425,486

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

Internal Service Net Assets	8,132	
Allocation to Business-Type Activities	<u>(3,974)</u>	
		4,158

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

General Obligation Bonds Payable	(2,495,000)	
Installment Loans	(173,400)	
Community Action Organization Loans	(27,240)	
Police Pension Accrued Liability	(488,619)	
Compensated Absences Payable related to Governmental Funds	(135,546)	
Accrued Interest Payable	<u>(12,943)</u>	
		(3,332,748)

Net Assets of Governmental Activities \$ 7,916,878

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2005**

	General	Capital Infrastructure Project	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 2,212,454	\$ 0	\$ 123,722	\$ 2,336,176
Intergovernmental Revenues	695,730	751,560	1,025,281	2,472,571
Charges for Services	276,943	0	252,340	529,283
Licenses and Permits	21,130	0	42,492	63,622
Investment Earnings	33,653	0	40,833	74,486
Special Assessments	23,940	0	0	23,940
Fines and Forfeitures	266,457	0	376,682	643,139
All Other Revenue	110,149	0	121,905	232,054
Total Revenue	3,640,456	751,560	1,983,255	6,375,271
Expenditures:				
Current:				
Security of Persons and Property	1,950,179	0	364,008	2,314,187
Public Health and Welfare Services	7,744	0	222,827	230,571
Leisure Time Activities	0	0	82,745	82,745
Community Environment	0	0	77,950	77,950
Transportation	48,522	0	443,863	492,385
General Government	1,437,968	0	11,840	1,449,808
Capital Outlay	2,240	737,465	367,941	1,107,646
Debt Service:				
Principal Retirement	71,000	0	91,009	162,009
Interest & Fiscal Charges	69,777	0	92,757	162,534
Total Expenditures	3,587,430	737,465	1,754,940	6,079,835
Excess (Deficiency) of Revenues Over Expenditures	53,026	14,095	228,315	295,436
Other Financing Sources (Uses):				
Sale of Capital Assets	1,210	0	959	2,169
Transfers In	100,542	850	115,055	216,447
Transfers Out	(127,905)	0	(100,542)	(228,447)
Total Other Financing Sources (Uses)	(26,153)	850	15,472	(9,831)
Net Change in Fund Balances	26,873	14,945	243,787	285,605
Fund Balances at Beginning of Year	787,966	0	2,373,095	3,161,061
Fund Balances End of Year	\$ 814,839	\$ 14,945	\$ 2,616,882	\$ 3,446,666

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For The Fiscal Year Ended December 31, 2005***

Net Change in Fund Balances - Total Governmental Funds \$ 285,605

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

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

Capital Outlay - governmental capital assets	1,124,515	
Depreciation Expense - governmental capital assets	<u>(286,528)</u>	837,987

The statement of activities reports gains arising from the disposal of capital assets. Conversely, the governmental funds do not report any gains on the disposal of capital assets. (61,087)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 305,328

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

General Obligation Bond Principal Payment	70,000	
Installment Loan Principal Payment	72,800	
Community Action Organization Loan Payment	11,000	
Police Accrued Pension Liability	<u>8,209</u>	162,009

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 2,263

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

Change in Compensated Absences - governmental funds 287,080

The internal service funds, which are used by management to charge the costs of services to individual funds, are not included in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities and business-type activities.

Change in Net Assets - internal service funds	(4,552)	
Change in portion of internal service fund net assets allocated to Business-Type Activities	<u>1,832</u>	<u>(2,720)</u>

Change in Net Assets of Governmental Activities \$ 1,816,465

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 1,937,503	\$ 1,937,503	\$ 1,946,121	\$ 8,618
Intergovernmental Revenue	645,196	645,196	649,072	3,876
Charges for Services	277,660	277,660	277,660	0
Licenses and Permits	21,000	21,000	21,138	138
Investment Earnings	33,200	33,200	33,653	453
Special Assessments	22,256	22,256	23,940	1,684
Fines and Forfeitures	269,303	269,303	268,702	(601)
All Other Revenues	105,501	105,501	115,292	9,791
Total Revenues	<u>3,311,619</u>	<u>3,311,619</u>	<u>3,335,578</u>	<u>23,959</u>
Expenditures:				
Current:				
Security of Persons and Property	1,979,546	1,979,546	1,946,447	33,099
Public Health and Welfare Services	7,770	7,770	7,716	54
Transportation	50,220	50,220	48,921	1,299
General Government	1,542,098	1,542,098	1,464,090	78,008
Capital Outlay	2,240	2,240	2,240	0
Debt Service:				
Principal Retirement	71,000	71,000	71,000	0
Interest and Fiscal Charges	71,689	71,689	69,777	1,912
Total Expenditures	<u>3,724,563</u>	<u>3,724,563</u>	<u>3,610,191</u>	<u>114,372</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(412,944)	(412,944)	(274,613)	138,331
Other Financing Sources (Uses):				
Sale of Capital Assets	1,210	1,210	1,210	0
Transfers In	100,542	100,542	100,542	0
Transfers Out	(127,905)	(127,905)	(127,905)	0
Total Other Financing Sources (Uses):	<u>(26,153)</u>	<u>(26,153)</u>	<u>(26,153)</u>	<u>0</u>
Net Changes in Fund Balance	(439,097)	(439,097)	(300,766)	138,331
Fund Balance at Beginning of Year	525,283	525,283	525,283	0
Prior Year Encumbrances	51,808	51,808	51,808	0
Fund Balance at End of Year	<u>\$ 137,994</u>	<u>\$ 137,994</u>	<u>\$ 276,325</u>	<u>\$ 138,331</u>

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

Statement of Net Assets
Proprietary Funds
December 31, 2005

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>
Assets:			
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$ 1,198,863	\$ 680,542	\$ 223,791
Investments	50,000	135,551	0
<i>Receivables:</i>			
Accounts	287,707	278,684	122,216
Inventory of Supplies at Cost	106,502	0	0
Prepaid Items	13,793	3,740	1,127
<i>Restricted Assets:</i>			
Cash and Cash Equivalents	55,513	0	0
Total Current Assets	<u>1,712,378</u>	<u>1,098,517</u>	<u>347,134</u>
<i>Non Current Assets:</i>			
<i>Capital Assets:</i>			
Capital Assets, net of depreciation	5,415,935	5,115,806	111,306
Total Assets	<u>7,128,313</u>	<u>6,214,323</u>	<u>458,440</u>
Liabilities:			
<i>Current Liabilities:</i>			
Accounts Payable	29,787	30,347	68,105
Accrued Wages and Benefits	42,418	27,872	18,963
Intergovernmental Payable	69	365	0
Refundable Deposits	55,513	0	0
Compensated Absences Payable - Current	23,113	8,783	7,037
OWDA Loans Payable - Current	244,281	273,087	0
Total Current Liabilities	<u>395,181</u>	<u>340,454</u>	<u>94,105</u>
<i>Long Term Liabilities:</i>			
Compensated Absences Payable	15,165	29,073	30,076
OWDA Loans Payable	3,341,903	298,237	0
Total Liabilities	<u>3,752,249</u>	<u>667,764</u>	<u>124,181</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	1,829,751	4,544,482	111,306
Unrestricted	1,546,313	1,002,077	222,953
Total Net Assets	<u>\$ 3,376,064</u>	<u>\$ 5,546,559</u>	<u>\$ 334,259</u>

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

Other Enterprise Fund	Total	Governmental Activities - Internal Service Funds
\$ 211,307	\$ 2,314,503	\$ 20,689
0	185,551	0
0	688,607	0
0	106,502	0
0	18,660	0
0	55,513	0
<u>211,307</u>	<u>3,369,336</u>	<u>20,689</u>
0	10,643,047	0
<u>211,307</u>	<u>14,012,383</u>	<u>20,689</u>
0	128,239	12,557
0	89,253	0
0	434	0
0	55,513	0
0	38,933	0
0	517,368	0
<u>0</u>	<u>829,740</u>	<u>12,557</u>
0	74,314	0
0	3,640,140	0
<u>0</u>	<u>4,544,194</u>	<u>12,557</u>
0	6,485,539	0
211,307	2,982,650	8,132
<u>\$ 211,307</u>	<u>\$ 9,468,189</u>	<u>\$ 8,132</u>

CITY OF IRONTON, OHIO

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2005

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>
Operating Revenues:			
Charges for Services	\$ 1,519,285	\$ 1,387,082	\$ 607,531
Other Operating Revenue	0	0	0
Total Operating Revenues	<u>1,519,285</u>	<u>1,387,082</u>	<u>607,531</u>
Operating Expenses:			
Personal Services	669,977	433,461	295,827
Contractual Services	38,898	139,894	165,036
Materials and Supplies	9,106	3,817	67
Other Operating Expenses	411,149	178,087	36,656
Depreciation	202,371	242,177	29,075
Total Operating Expenses	<u>1,331,501</u>	<u>997,436</u>	<u>526,661</u>
Operating Income (Loss)	187,784	389,646	80,870
Nonoperating Revenue (Expenses):			
Investment Earnings	27,773	13,027	1,189
Interest Expense	(76,513)	(57,501)	0
Gain on Sale of Capital Assets	452	1,430	521
Intergovernmental Revenues	1,649	0	0
Other Nonoperating Revenue	2,400	12,933	3,033
Total Nonoperating Revenues (Expenses)	<u>(44,239)</u>	<u>(30,111)</u>	<u>4,743</u>
Income (Loss) Before Transfers	143,545	359,535	85,613
Transfers In	0	0	12,000
Change in Net Assets	143,545	359,535	97,613
Net Assets Beginning of Year	3,232,519	5,187,024	236,646
Net Assets End of Year	<u>\$ 3,376,064</u>	<u>\$ 5,546,559</u>	<u>\$ 334,259</u>

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

Other Enterprise Fund	Total	Governmental Activities - Internal Service Funds
\$ 251,307	\$ 3,765,205	\$ 0
0	0	114,287
251,307	3,765,205	114,287
0	1,399,265	0
40,000	383,828	0
0	12,990	106,282
0	625,892	12,557
0	473,623	0
40,000	2,895,598	118,839
211,307	869,607	(4,552)
0	41,989	0
0	(134,014)	0
0	2,403	0
0	1,649	0
0	18,366	0
0	(69,607)	0
211,307	800,000	(4,552)
0	12,000	0
211,307	812,000	(4,552)
0	8,656,189	12,684
\$ 211,307	\$ 9,468,189	\$ 8,132

CITY OF IRONTON, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2005

	Water	Sewer	Sanitation
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$1,472,927	\$1,325,461	\$594,537
Cash Payments for Goods and Services	(437,063)	(315,062)	(161,624)
Cash Payments to Employees	(702,033)	(457,505)	(317,164)
Net Cash Provided by Operating Activities	333,831	552,894	115,749
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfers In from Other Funds	0	0	12,000
Transfers Out to Other Funds	0	0	0
Net Cash Provided by Noncapital Financing Activities	0	0	12,000
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and Construction of Assets	(27,801)	(86,948)	0
Intergovernmental Grants	1,649	0	0
Proceeds from Sale of Capital Assets	452	1,430	521
Principal Paid on Installment Loans	0	0	0
Principal Paid on Ohio Water Development Authority Loans	(239,490)	(250,112)	0
Interest Paid on All Debt	(76,513)	(57,501)	0
Net Cash Used for Capital and Related Financing Activities	(341,703)	(393,131)	521
<u>Cash Flows from Investing Activities:</u>			
Sale (Purchase) of Investments	11,411	(104,794)	4,510
Receipts of Interest	27,773	13,027	1,189
Net Cash Provided by Investing Activities	39,184	(91,767)	5,699
Net Increase (Decrease) in Cash and Cash Equivalents	31,312	67,996	133,969
Cash and Cash Equivalents at Beginning of Year	1,223,064	612,546	89,822
Cash and Cash Equivalents at End of Year	\$1,254,376	\$680,542	\$223,791
<u>Reconciliation of Cash and Cash Equivalents per the Balance Sheet</u>			
Cash and Cash Equivalents	\$1,198,863	\$680,542	\$223,791
Restricted Cash and Cash Equivalents	55,513	0	0
Cash and Cash Equivalents at End of Year	\$1,254,376	\$680,542	\$223,791

CITY OF IRONTON, OHIO

Other Enterprise Fund	Total	Governmental Activities - Internal Service Funds
\$251,307	\$3,644,232	\$114,287
(40,000)	(953,749)	(113,880)
<u>0</u>	<u>(1,476,702)</u>	<u>0</u>
<u>211,307</u>	<u>1,213,781</u>	<u>407</u>
0	12,000	0
<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>12,000</u>	<u>0</u>
0	(114,749)	0
0	1,649	0
0	2,403	0
0	0	0
0	(489,602)	0
<u>0</u>	<u>(134,014)</u>	<u>0</u>
<u>0</u>	<u>(734,313)</u>	<u>0</u>
0	(88,873)	0
<u>0</u>	<u>41,989</u>	<u>0</u>
<u>0</u>	<u>(46,884)</u>	<u>0</u>
211,307	444,584	407
<u>0</u>	<u>1,925,432</u>	<u>20,282</u>
<u>\$211,307</u>	<u>\$2,370,016</u>	<u>\$20,689</u>
\$211,307	\$2,314,503	\$20,689
<u>0</u>	<u>55,513</u>	<u>0</u>
<u>\$211,307</u>	<u>\$2,370,016</u>	<u>\$20,689</u>

(Continued)

CITY OF IRONTON, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2005

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>
<u>Reconciliation of Operating Income to Net Cash</u>			
<u>Provided by Operating Activities:</u>			
Operating Income	\$187,784	\$389,646	\$80,870
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation Expense	202,371	242,177	29,075
Miscellaneous Nonoperating Revenue	10,788	12,933	3,033
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(57,146)	(74,554)	(16,027)
Increase in Prepaid Items	139	(72)	68
Increase (Decrease) in Accounts Payable	21,882	12,008	40,067
Increase (Decrease) in Accrued Wages and Benefits	7,193	(2,567)	(1,818)
Decrease in Due to other Funds	0	0	0
Increase in Intergovernmental Payable	69	(5,200)	0
Decrease in Compensated Absences	(39,249)	(21,477)	(19,519)
Total Adjustments	<u>146,047</u>	<u>163,248</u>	<u>34,879</u>
Net Cash Provided by Operating Activities	<u>\$333,831</u>	<u>\$552,894</u>	<u>\$115,749</u>

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

<u>Other Enterprise Fund</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$211,307	\$869,607	(\$4,552)
0	473,623	0
0	26,754	0
0	(147,727)	0
0	135	0
0	73,957	4,959
0	2,808	0
0	0	0
0	(5,131)	0
<u>0</u>	<u>(80,245)</u>	<u>0</u>
<u>0</u>	<u>344,174</u>	<u>4,959</u>
<u>\$211,307</u>	<u>\$1,213,781</u>	<u>\$407</u>

CITY OF IRONTON, OHIO

Statement of Net Assets
Fiduciary Funds
December 31, 2005

	Private Purpose Trust	
	Special Trust	Agency
	Fund	
Assets:		
Cash and Cash Equivalents	\$ 27,700	\$ 21,335
Total Assets	<u>27,700</u>	<u>21,335</u>
Liabilities:		
Accounts Payable	16,000	0
Due to Others	0	21,335
Total Liabilities	<u>\$ 16,000</u>	<u>\$ 21,335</u>
Net Assets:		
Unrestricted	<u>11,700</u>	<u>0</u>
Total Net Assets	<u>\$ 11,700</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

Statement of Changes in Net Assets
Fiduciary Fund
For the Year Ended December 31, 2005

	<u>Private Purpose Trust Special Trust Fund</u>
Additions:	
Contributions:	
Private Donations	\$ 23,150
Total Contributions	<u>23,150</u>
Investment Earnings:	
Total Investment Earnings	<u>0</u>
Total Additions	<u>23,150</u>
Deductions:	
Community Gifts, Awards and Scholarships	<u>29,750</u>
Total Deductions	<u>29,750</u>
Change in Net Assets	(6,600)
Net Assets at Beginning of Year	<u>18,300</u>
Net Assets End of Year	<u>\$ 11,700</u>
See accompanying notes to the basic financial statements	

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CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements are presented as of December 31, 2005 and for the year then ended, and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

The accompanying basic financial statements comply with the provisions of the GASB Statement No. 14, *"The Financial Reporting Entity,"* in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

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 include the following services: police and fire protection, parks and recreation, cemetery department, planning, zoning, street maintenance, basic utility (water, sewer, and refuse) and other governmental services.

The City is involved with five organizations which are defined as jointly governed organizations. Additional information concerning these jointly governed organizations is presented in Note 15.

B. Basis of Presentation - Fund Accounting

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

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Governmental Funds

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

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

Capital Infrastructure Fund - This fund is used to account for the monies used to build and/or repair infrastructure throughout the City of Ironton.

Proprietary Funds

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

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's major enterprise funds are:

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

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

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

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

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Fiduciary Funds

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

C. Basis of Presentation – Financial Statements

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

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

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

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

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

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

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

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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

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

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

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

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year.

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

1. Tax Budget

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

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

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

On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2005.

3. Appropriations

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

4. Lapsing of Appropriations

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

CITY OF IRONTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Budgetary Basis of Accounting

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

	<u>General Fund</u>
GAAP Basis (as reported)	\$26,873
Increase (Decrease):	
Accrued Revenues at December 31, 2005 received during 2006	(707,398)
Accrued Revenues at December 31, 2004 received during 2005	402,520
Accrued Expenditures at December 31, 2005 paid during 2006	231,864
Accrued Expenditures at December 31, 2004 paid during 2005	(211,669)
2004 Prepays for 2005	20,024
2005 Prepays for 2006	(19,971)
Note Retirements	0
Outstanding Encumbrances	<u>(43,009)</u>
Budget Basis	<u><u>(\$300,766)</u></u>

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

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

The City pools its cash for resource management purposes. Each fund's equity in pooled cash represents the balance on hand as if each fund maintained its own cash account. For purposes of the statements of cash flows, the share of equity in the pooled cash of the proprietary funds is considered to be a cash equivalent. See Note 3 "Pooled Cash, Cash Equivalents and Investments."

G. Investments

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

H. Inventory

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

I. Capital Assets and Depreciation

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

1. Property, Plant and Equipment - Governmental Activities

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

CITY OF IRONTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets and Depreciation (Continued)

2. Property, Plant and Equipment – Business Type Activities

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

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

3. Depreciation

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

<u>Description</u>	<u>Governmental and Business-Type Activities Estimated Lives (in years)</u>
Buildings	40
Improvements other than Buildings	20-25
Infrastructure	10-100
Machinery, Equipment, Furniture and Fixtures	3 - 10

CITY OF IRONTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Long-Term Obligations

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

<u>Obligation</u>	<u>Fund</u>
General Obligation Bond	General Fund Fire Fund
Long-Term Obligation	General Fund
Installment Loans	General Fund Fire 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 Street Fund Health Fund Water Fund Sewer Fund Sanitation Fund

K. Compensated Absences

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

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

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences (Continued)

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

M. Net Assets

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

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

N. Pensions

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

O. Interfund Transactions

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

CITY OF IRONTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Reservations of Fund Balance

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

Q. Restricted Assets

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

R. Operating Revenues and Expenses

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

NOTE 2 –RESTATEMENT OF NET ASSETS

The City reevaluated its capital assets during the 2005 fiscal year. Several assets were not being properly recorded. The City adjusted its capital asset inventory to correct the errors. The capital asset adjustment had the following effect on the governmental activities net assets as of December 31, 2004:

	<u>Governmental Activities</u>
Net Assets as reported December 31, 2004	\$5,922,984
Capital Asset Restatement	<u>177,429</u>
Net Assets as restated December 31, 2004	<u><u>\$6,100,413</u></u>

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2005

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

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

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

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).

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2005

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

A. Deposits

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Historically, the City has not purchased these types of investments or issued these types of notes. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

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

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

CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

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

A. Deposits (Continued)

At year end the carrying amount of the City's deposits was \$5,453,118 and the bank balance was \$5,578,091. Federal depository insurance covered \$436,458 of the bank balance and \$5,141,633 was uninsured. Of the remaining uninsured bank balance, the District was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	\$5,141,633
Total Balance	\$5,141,633

B. Reconciliation of Cash, Cash Equivalents and Investments

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

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

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per Financial Statements	\$5,242,567	\$210,551
Certificates of Deposit (with maturities of more than 3 months)	210,551	(210,551)
Per GASB Statement No. 3	\$5,453,118	\$0

* Includes Cash with Fiscal Agent

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2005

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 2005 were levied after October 1, 2004 on assessed values as of January 1, 2004, the lien date. Assessed values were established by the County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation was completed for tax year 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.

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

The full tax rate for the City's operations for the year ended December 31, 2005 was \$4.28 per \$1,000 of assessed value. The assessed value upon which the 2005 tax levy was based was \$132,094,900. This amount constitutes \$117,895,210 in real property assessed value, \$7,234,180 in public utility assessed value and \$6,965,510 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.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2005

NOTE 4 - TAXES (Continued)

B. Income Tax

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

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

NOTE 5 - RECEIVABLES

Receivables at December 31, 2005 consisted of taxes, accounts, loans and intergovernmental receivables arising from shared revenues.

NOTE 6 – INTERFUND ACCOUNTS

On the Statement of Net Assets, the Governmental Activities reported an internal balance at December 31, 2005 of \$3,974, which was offset in the Business-Type Activities by the same amount. This amount relates to the consolidation of internal service activities on the Government-Wide Statements.

NOTE 7 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2005:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$0	\$127,905
Sanitation Fund	12,000	0
Nonmajor Governmental Funds	115,905	0
Totals	<u>\$127,905</u>	<u>\$127,905</u>

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

CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 8 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2005:

<i>Historical Cost:</i>	Restated December 31, 2004	Additions	Deletions	December 31, 2005
Class				
<i>Capital assets not being depreciated:</i>				
Land	\$1,507,572	\$0	\$0	\$1,507,572
Construction in Progress	0	617,058	0	617,058
Subtotal	1,507,572	617,058	0	2,124,630
<i>Capital assets being depreciated:</i>				
Buildings	2,905,767	0	0	2,905,767
Land Improvements	4,024,763	395,783	0	4,420,546
Machinery and Equipment	2,642,077	111,675	(207,800)	2,545,952
Subtotal	9,572,607	507,458	(207,800)	9,872,265
Total Cost	\$11,080,179	\$1,124,516	(\$207,800)	\$11,996,895
<i>Accumulated Depreciation:</i>				
Class	Restated December 31, 2004	Additions	Deletions	December 31, 2005
Buildings	(\$586,644)	(\$74,322)	\$0	(\$660,966)
Land Improvements	(3,219,412)	(36,074)	0	(3,255,486)
Machinery and Equipment	(1,677,707)	(176,132)	146,712	(1,707,127)
Total Depreciation	(\$5,483,763)	(\$286,528)	\$146,712	(\$5,623,579)

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$173,572
Leisure Time Activities	4,479
Public Health & Welfare	457
Transportation	38,499
General Government	69,521
Total Depreciation Expense	<u>\$286,528</u>

CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 8 – CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2005:

Historical Cost:

Class	Restated December 31, 2004	Additions	Deletions	December 31, 2005
<i>Capital assets not being depreciated:</i>				
Land	\$60,060	\$0	\$0	\$60,060
<i>Capital assets being depreciated:</i>				
Land Improvements	6,518,141	0	0	6,518,141
Buildings and Improvements	4,051,851	0	0	4,051,851
Machinery and Equipment	4,764,039	83,230	0	4,847,269
Infrastructure	4,821,132	2,933	(152,113)	4,671,952
Subtotal	20,155,163	86,163	(152,113)	20,089,213
Total Cost	\$20,215,223	\$86,163	(\$152,113)	\$20,149,273

Accumulated Depreciation:

Class	Restated December 31, 2004	Additions	Deletions	December 31, 2005
Land Improvements	(\$1,579,836)	(\$134,123)	\$0	(\$1,713,959)
Buildings and Improvements	(1,772,130)	(71,422)	0	(1,843,552)
Machinery and Equipment	(3,107,919)	(207,616)	0	(3,315,535)
Infrastructure	(2,720,560)	(64,733)	152,113	(2,633,180)
Total Depreciation	(\$9,180,445)	(\$477,894)	\$152,113	(\$9,506,226)
<i>Net Value:</i>	\$11,034,778	(\$391,731)	\$0	\$10,643,047

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2005

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 that has elements of both a defined benefit and defined contribution plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

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, including postemployment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for 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) 222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2005, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 8.5%. The 2005 employer contribution rate for local government employer units was 13.55%, of covered payroll, 9.55% to fund the pension and 4.0% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the Ohio PERS for the years ending December 31, 2005, 2004, and 2003 were \$454,917, \$430,865 and \$498,067, respectively, which were equal to the required contributions for each year. Member contributions for the year ended December 31, 2005 equaled \$55.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2005

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 under the TP and CO plans and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2005 employer contribution rate (identified above) that was used to fund health care for the year 2005 was 4.0% of covered payroll which amounted to \$121,701.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System's latest actuarial review performed as of December 31, 2004. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2004 was 8.0%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants for the TP and CO Plans was 376,109. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2004 is \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. In addition to the HCPP, Ohio PERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2005

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 employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2005, 2004, and 2003 were \$170,458, \$134,904 and \$142,862 for police and \$224,286, \$172,357 and \$173,098 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. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 2005 covered payroll that was used to fund postemployment health care benefits was \$67,746 representing 7.75% of covered payroll for police and \$72,426 representing 7.75% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. 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. As of December 31, 2004, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,812 for police and 10,528 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2004 were \$102,173,796, which was net of member contributions of \$55,665,341.

CITY OF IRONTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 10 - COMPENSATED ABSENCES

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

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

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

At December 31, 2005, the total liability for accumulated unpaid compensated absences recorded in the Governmental Activities was as follows:

	<u>Hours</u>	<u>Amount</u>
Sick Leave	6,274	\$44,424
Vacation / Compensatory Time	<u>7,428</u>	<u>91,122</u>
Total	<u><u>13,702</u></u>	<u><u>\$135,546</u></u>

In addition, the accrued liability for accumulated unpaid compensated absences recorded in the enterprise funds decreased \$80,245 from a beginning year balance of \$193,492 to a year-end balance of \$113,247.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2005

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

Long-term debt and other long-term obligations of the City at December 31, 2005 were as follows:

			Balance December 31, 2004	Additions	(Reductions)	Balance December 31, 2005	Due Within One Year
Business-Type Activities:							
Ohio Water Development Authority Loans (OWDA):							
2.00%	Loan #0239	1994	\$3,825,674	\$0	(\$239,490)	\$3,586,184	\$244,281
9.48%	Loan #0760-C	1992	1,407	0	(428)	979	468
8.97%	Loan #0750-C	1992	5,607	0	(1,710)	3,897	1,864
9.48%	Loan #0760	1988	347,178	0	(105,408)	241,770	115,400
8.97%	Loan #0750	1988	467,244	0	(142,566)	324,678	155,355
Total Ohio Water Development Authority Loans			<u>4,647,110</u>	<u>0</u>	<u>(489,602)</u>	<u>4,157,508</u>	<u>517,368</u>
Compensated Absences			<u>193,492</u>	<u>113,247</u>	<u>(193,492)</u>	<u>113,247</u>	<u>38,933</u>
Total Business-Type Long-Term Debt			<u>\$4,840,602</u>	<u>\$113,247</u>	<u>(\$683,094)</u>	<u>\$4,270,755</u>	<u>\$556,301</u>
Governmental Activities Long-Term Debt:							
General Obligation Bonds:							
Varies	Building Improvement	2022	\$1,240,000	\$0	(\$45,000)	\$1,195,000	\$45,000
Varies	Fire House Construction Bonds	2026	<u>1,325,000</u>	<u>0</u>	<u>(25,000)</u>	<u>1,300,000</u>	<u>25,000</u>
Total General Long-Term Debt			<u>2,565,000</u>	<u>0</u>	<u>(70,000)</u>	<u>2,495,000</u>	<u>70,000</u>
Installment Loans:							
5.25%	Fire Equipment Acquisition	2008	231,200	0	(57,800)	173,400	57,800
5.58%	Motor Vehicle Acquisition	2005	<u>15,000</u>	<u>0</u>	<u>(15,000)</u>	<u>0</u>	<u>0</u>
Total Installment Loans			<u>246,200</u>	<u>0</u>	<u>(72,800)</u>	<u>173,400</u>	<u>57,800</u>
Other Long-Term Obligations:							
Community Action Organizaton			38,240	0	(11,000)	27,240	0
Police/Accrued Pension Obligations			496,829	0	(8,210)	488,619	8,562
Compensated Absences			<u>422,625</u>	<u>135,546</u>	<u>(422,625)</u>	<u>135,546</u>	<u>91,122</u>
Total Other Long-Term Obligations:			<u>957,694</u>	<u>135,546</u>	<u>(441,835)</u>	<u>651,405</u>	<u>99,684</u>
Total Governmental Activities			<u>\$3,768,894</u>	<u>\$135,546</u>	<u>(\$584,635)</u>	<u>\$3,319,805</u>	<u>\$227,484</u>

CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 11 - LONG-TERM OBLIGATIONS (Continued)

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2005, follows:

Years	Installment Loans		OWDA Loans		General Obligation Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
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	0	0	259,231	56,772	80,000	115,533
2010	0	0	264,416	51,587	85,000	111,883
2011-2015	0	0	1,403,549	176,465	480,000	495,055
2016-2020	0	0	911,396	36,611	625,000	359,238
2021-2025	0	0	0	0	460,000	193,607
2026-2030	0	0	0	0	320,000	106,750
2031-2035	0	0	0	0	230,000	23,250
Totals	\$173,400	\$18,208	\$4,157,508	\$601,705	\$2,495,000	\$1,769,535

Years	Police/Fire Accrued Pension Liability		Totals	
	Principal	Interest	Principal	Interest
	2006	\$8,562	\$20,676	\$653,729
2007	8,930	20,309	684,131	242,021
2008	9,313	19,925	396,261	203,498
2009	9,713	19,525	348,944	191,830
2010	10,131	19,108	359,547	182,578
2011-2015	57,566	88,626	1,941,115	760,146
2016-2020	71,037	75,154	1,607,433	471,003
2021-2025	87,661	58,531	547,661	252,138
2026-2030	108,175	38,016	428,175	144,766
2031-2035	117,531	12,728	347,531	35,978
Totals	\$488,619	\$372,598	\$7,314,527	\$2,762,046

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, 2005 was \$861,217 in principal and interest payments through the year 2035. Only the principal amount of \$488,619 is included in the Long-Term debt amount.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2005

NOTE 11 - LONG-TERM OBLIGATIONS (Continued)

B. Community Action Organization Loan

During 1998, the City entered into a long-term obligation with the Community Action Organization of Lawrence County. The loan was for the purchase of land to be used by the City at a future time. The original amount of the loan was for \$300,000. As of December 31, 2002, \$272,760 in principal has been paid towards the balance of the loan. The City has the option of either paying more on the principal of the loan during the next ten years or waiting ten years and paying the balance due at the end of the ten-year period. The principal amount due of \$27,240 is included in the Long-term obligations.

NOTE 12 - CONSTRUCTION COMMITMENTS

As of December 31, 2005, 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>
Floodwall Repairs	Righter Company Inc.	\$14,945	May-06
Downtown Street Scape Projects	West End Electric and Diaz Construction	117,839	December-06
Street Paving Projects	Mountain Enterprises	380,889	December-06
	Total	<u>\$513,673</u>	

NOTE 13 - 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 2005, 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 \$10,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000, 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.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2005

NOTE 13 - RISK MANAGEMENT (Continued)

Through 2004, 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 specific losses exceeding \$100,000 up to \$500,000,000 per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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

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>2005</u>	<u>2004</u>
Assets	\$29,719,675	\$27,437,169
Liabilities	(15,994,168)	(13,880,038)
Retained Earnings	<u>\$13,725,507</u>	<u>\$13,557,131</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$4,443,332	\$3,648,272
Liabilities	(1,068,246)	(540,073)
Retained Earnings	<u>\$3,375,086</u>	<u>\$3,108,199</u>

At December 31, 2005 and 2004, respectively, casualty coverage liabilities noted above include approximately \$14.3 million and \$12 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The City's share of these unpaid claims collectible in future years is approximately \$187,166.

The City of Ironton carried commercial insurance coverage for the years 2004 - 2005 for all other risks, including health insurance and pays unemployment claims to the State of Ohio as incurred.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2005

NOTE 13 - RISK MANAGEMENT (Continued)

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 14 - 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, 2005.

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

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

The purposes of the governing foundation include:

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

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2005

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

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

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

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

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

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

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2005

NOTE 16 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2005, the City has implemented GASB Statement No. 39, “Determining Whether Certain Organizations are Component Units”, GASB Statement No. 40, “Deposit and Investment Risk Disclosures” and GASB Statement No. 46, “Net Assets Restricted by Enabling Legislation.”

GASB Statement No. 39 states that entities for which a primary government is not financially accountable may still be reported as component units based on the nature and significance of their relationship with the primary government.

The implementation of GASB Statement No. 39 did not affect the presentation of the financial statements of the City.

GASB Statement No. 40 establishes and modifies disclosure requirements related to investment risks, credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits.

GASB Statement No. 46 establishes accounting and financial reporting standards for impairment of capital assets. This statement also clarifies and establishes accounting revenues for insurance recoveries.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the City, however additional note disclosure can be found in Note 3, "Cash and Cash Equivalents." The implementation of GASB Statements No. 39 and 46 did not have an effect on the financial statements of the City.

NOTE 17 – SUBSEQUENT EVENTS

The City issued a \$300,000 bond anticipation note for an equipment purchase.

**CITY OF IRONTON
LAWRENCE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2005**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grants/ State's Program	A-F-03-134-1	14.228	63,000
<i>Passed Through the Huntington-Ironton Empowerment Zone</i>			
Empowerment Zones Program	N/A	14.244	260,431
Total U.S. Department of Housing and Urban Development			<u>323,431</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction	N/A	20.205	583,553
Total U.S. Department of Transportation			<u>583,553</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Received Directly from Federal Government:</i>			
Assistance to Firefighters Grant	N/A	97.044	59,067
Total U.S. Department of Homeland Security			<u>59,067</u>
Total Federal Awards Expenditures			<u><u>\$966,051</u></u>

The accompanying Notes to the Schedule of Federal Awards Expenditures are an integral part of this Schedule.

**CITY OF IRONTON
LAWRENCE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2005**

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, 2005, the gross amount of loans outstanding under this program was \$302,119. 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.



Mary Taylor, CPA

Auditor of State

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

City of Ironton
Lawrence County
301 South Third Street
Ironton, Ohio 45638

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ironton, Lawrence County, Ohio (the City), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 4, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the City's management dated May 4, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the City's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2005-001. In a separate letter to the City's management dated May 4, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management, the City Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Mary Taylor
Auditor of State

May 4, 2007



Mary Taylor, CPA

Auditor of State

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

City of Ironton
Lawrence County
301 South Third Street
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 apply to its major federal program for the year ended December 31, 2005. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the City's major federal program. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Ironton complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that OMB Circular A-133 requires us to report, which are described in the accompanying Schedule of Findings as items 2005-002, 2005-003, and 2005-004. In a separate letter to the City's management dated May 4, 2007, we reported an other matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

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

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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 reportable 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of management, the City Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Mary Taylor
Auditor of State

May 4, 2007

**CITY OF IRONTON
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

[(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 noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Highway Planning and Construction - CFDA #20.205
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2005-001

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states that total appropriations from each fund shall not exceed the total estimated resources.

Appropriations exceeded estimated resources in the following funds as of December 31, 2005:

Fund	Appropriations	Estimated Resources	Variance
Empowerment Zone (089)	\$ 501,200	\$ 361,200	\$ (140,000)
Capital Infrastructure Fund (090)	1,523,893	825,057	(698,836)
Storm Water Utility Fund (042)	230,000	0	(230,000)
Special State Fire Loss Fund (056)	77,807	72,807	(5,000)

This could result in the City appropriating more funds to spend than what is available to be spent.

**CITY OF IRONTON
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005
(Continued)**

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

FINDING NUMBER 2005-001 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 5705.39 (Continued)

We recommend the City Council only appropriate funds up to the amount in the estimated resources.

3. FINDINGS FOR FEDERAL AWARDS

1. Special Tests and Provisions

Finding Number	2005-002
CFDA Title and Number	Highway Planning and Construction- CFDA# 20.205
Federal Award Number / Year	2005
Federal Agency	U.S. Department of Transportation
Pass-Through Agency	Ohio Department of Transportation

Noncompliance Citation

23 C.F.R. Section 637.205 (a) provides that the Ohio Department of Transportation (ODOT) or the City must have a sampling and testing program for construction projects to ensure that materials and workmanship generally conform to approved plans and specifications (May, 2005 Office of Management and Budget (OMB) Circular A-133, Compliance Supplement).

Also, the Local Federal Project Agreement states that the quality of materials and workmanship on a project must conform to the contract specifications so that public funds expended will have purchased a safe, economical, and fully functional transportation facility. The Local Public Agency (LPA) must make arrangements to provide for materials testing. Manufacturers, Suppliers, or Contractors certifications as sole documentation of acceptability are not always sufficient. The acceptability should be consistent with the specifications and may require independent assurance testing. Reimbursement of Federal funds may be denied for work done contrary to or in disregard of the contract documents. Measurement of material shall be as specified in the contract documents.

The City undertook the following projects during 2005: the Enhancement Project, On System Street Improvements (street paving), and the Center Street Project (flood gate). For each of these projects, the engineer performed on-site daily inspections to ensure the work was completed properly. The engineer documented the inspections on a daily sheet and maintained the daily sheets for the entire project.

During our review of the sampling and testing program, we noted the following:

- The City did not test a sampling of materials used for the Enhancement Project.
- The City used a vendor (Mountain Enterprises) certified by the State to lay asphalt for the On System Street Improvement Project. However, the City did not test a sampling of the asphalt.

**CITY OF IRONTON
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

1. Special Tests and Provisions (Continued)

Finding Number	2005-002 (Continued)
CFDA Title and Number	Highway Planning and Construction- CFDA# 20.205
Federal Award Number / Year	2005
Federal Agency	U.S. Department of Transportation
Pass-Through Agency	Ohio Department of Transportation

Noncompliance Citation – 23 C.F.R. Section 637.205(a) (Continued)

- The City contracted with an outside company (CTL) to test the concrete used for the Center Street Project flood gate.

Therefore, the City did not comply with the sampling requirements for the Enhancement or the On System Street Improvement Projects.

We recommend the City perform sampling of materials for all projects it undertakes with Highway Planning and Construction Grant monies.

2. Davis-Bacon Act

Finding Number	2005-003
CFDA Title and Number	Highway Planning and Construction- CFDA# 20.205
Federal Award Number / Year	2005
Federal Agency	U.S. Department of Transportation
Pass-Through Agency	Ohio Department of Transportation

Noncompliance Citation

40 U.S.C. Sections 3142 (a) and (b) provide that when required by the Davis-Bacon Act, the Department of Labor's (DOL) government-wide implementation of the Davis-Bacon Act, or by Federal program legislation, all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by Federal assistance fund must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the DOL.

29 C.F.R. Section 5.5 (a)(1)(iv) provides that non-federal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations. 29 C.F.R. Section 5.5 (a)(3)(ii)(A)-(B) provides that this includes a requirement for the contractor or subcontractor to submit to the non-Federal

**CITY OF IRONTON
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

2. Davis-Bacon Act (Continued)

Finding Number	2005-003 (Continued)
CFDA Title and Number	Highway Planning and Construction- CFDA# 20.205
Federal Award Number / Year	2005
Federal Agency	U.S. Department of Transportation
Pass-Through Agency	Ohio Department of Transportation

Noncompliance Citation – 40 U.S.C. Sections 3142(a) and (b) (Continued)

entity weekly, for each week in which any contract work is performed, a copy of the payroll and a “Statement of Compliance” (certified payroll). This reporting is often done using Optional Form WH-347, which includes the required “Statement of Compliance”.

The City did include prevailing wage language in all of its contracts that were awarded and paid with the Highway Planning and Construction grant monies. However, the contractors that were utilized did not always pay their employees the proper rates according to our testing performed. Of the five payroll weeks selected to test for Mountain Enterprises (which was the contractor on the City’s On System Street Improvement project), all were found to have employees paid less than the required wage rate. Also, one instance was identified of an employee working for Righter Company on the Center Street Project who was paid less than the required wage rate on the March 6, 2005 payroll.

The City is responsible for monitoring these companies and ensuring they are paying the proper rates. Thus, we recommend the City add safeguards and control procedures to ensure the companies they utilize for federal projects are paying proper federal wage rates.

3. Reporting

Finding Number	2005-004
CFDA Title and Number	Highway Planning and Construction- CFDA# 20.205
Federal Award Number / Year	2005
Federal Agency	U.S. Department of Transportation
Pass-Through Agency	Ohio Department of Transportation

Noncompliance Citation

ODOT Policy No. 25-001(P) section VII, A, 4 requires that upon 90 days of the acceptance of the completed project, the LPA shall prepare and submit to the ODOT district office a project “finalization” package. The finalization package includes a final invoice which reconciles the payment to final quantities certified by the Project Engineer, as well as other documents and certifications.

CITY OF IRONTON
LAWRENCE COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005
(Continued)

3. FINDINGS FOR FEDERAL AWARDS (Continued)

3. Reporting (Continued)

Finding Number	2005-004 (Continued)
CFDA Title and Number	Highway Planning and Construction- CFDA# 20.205
Federal Award Number / Year	2005
Federal Agency	U.S. Department of Transportation
Pass-Through Agency	Ohio Department of Transportation

Noncompliance Citation – ODOT Policy No. 25-001(P) section VII, A, 4 (Continued)

The City finalized the Center Street Project in 2005. However, it did not complete the Finalization package and submit it to the ODOT.

We recommend the City ensure that all required documents be provided to the ODOT when a project is completed.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

**CITY OF IRONTON
LAWRENCE COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2005**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2005-001	City Council will monitor appropriations in comparison to estimated resources prior to approval.	March 31, 2007	Kathy Elam, Interim Finance Director
2005-002	For future projects, the City Engineer's Office plans to perform regular sampling techniques and maintain documentation supporting the results of those tests	N/A	Kathy Elam, Interim Finance Director
2005-003	The City is contracting with the Community Action Organization, which is currently in contact with the contractors to correct underpayment of employees.	March 31, 2007	Kathy Elam, Interim Finance Director
2005-004	For future projects, the City Engineer's Office will ensure the finalization packet is completed and submitted to ODOT upon completion of the projects.	June 30, 2007	Kathy Elam, Interim Finance Director



Mary Taylor, CPA
Auditor of State

CITY OF IRONTON
LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 22, 2007