



Dave Yost • Auditor of State

**CITY OF IRONTON
LAWRENCE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	15
Statement of Activities.....	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds	18
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities ..	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	21
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) General Fund	22
Statement of Net Position – Proprietary Funds.....	24
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds.....	28
Statement of Cash Flows – Proprietary Funds	30
Statement of Assets and Liabilities – Fiduciary Funds	34
Notes to the Basic Financial Statements	35
Required Supplementary Information:	
Schedule of the City's Proportionate Share of the Net Pension Liability – Last Two Years	79
Schedule of City Contributions – Last Three Years.....	80
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	81
Schedule of Findings.....	83
Summary Schedule of Prior Audit Findings	89

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Financial Statements

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
Business-Type Activities	Qualified
General Fund	Unmodified
Water Fund	Qualified
Sewer Fund	Qualified
Sanitation Fund	Qualified
Storm Water Fund	Qualified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinions on Statement of Net Position for Governmental and Business Type Activities, Water Fund, Sewer Fund, Sanitation Fund and Storm Water Fund

The City did not update capital asset information on the 2015 financial statements. The 2015 capital asset information was unchanged from the 2014 information. Also, the City did not provide adequate support for the amounts reported as the City's capital assets and net investment in capital assets in the Statement of Net Position for Governmental and Business Type Activities, Water Fund, Sewer Fund, Sanitation Fund and Storm Water Fund. Therefore, we were unable to obtain sufficient appropriate audit evidence about the existence, rights, completeness and valuation of the City's capital assets and the accuracy of the City's net investment in capital assets. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinions

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinions on Statement of Net Position for Governmental and Business Type Activities, Water Fund, Sewer Fund, Sanitation Fund and Storm Water Fund* paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental and Business Type Activities, Water Fund, Sewer Fund, Sanitation Fund and Storm Water Fund of the City of Ironton, Lawrence County, Ohio, as of December 31, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, and the aggregate remaining fund information of the City of Ironton, Lawrence County, Ohio, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 2 and 10 to the financial statements, during the year ended December 31, 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matter

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2017, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D" and a long, sweeping tail on the "y".

Dave Yost
Auditor of State

Columbus, Ohio

February 13, 2017

CITY OF IRONTON, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2015***

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, 2015. 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 2015 are as follows:

- ❑ In total, net position increased \$343,437. Net position of governmental activities increased \$172,554, which represents a 1% change from 2014. Net position of business-type activities increased \$170,883 from 2014.
- ❑ General revenues accounted for \$3,575,724 in revenue, or 32% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions, and capital grants and contributions accounted for \$7,636,344, or 68% of total revenues of \$11,212,068.
- ❑ The City had \$6,298,339 in expenses related to governmental activities; only \$2,896,595 of these expenses were offset by program specific charges for services and sales, and operating grants and contributions. General revenues (primarily taxes) of \$3,571,140 and net position were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$5,362,030 in revenues and \$5,545,453 in expenditures. The general fund's fund balance decreased \$129,102.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

CITY OF IRONTON, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2015*

Unaudited

Government-Wide Financial Statements

The government-wide statements report information about the City as a whole using accepted methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, liabilities, and deferred outflows/inflows of resources. 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 position and how it has changed. Net position is one way to measure the City's financial health.

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

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

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

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 Position 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, 2015**

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 statements because the resources of those funds are *not* available to support the City's own programs. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of the City's net position at December 31, 2015 and 2014:

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	Restated 2014	2015	Restated 2014	2015	2014
Current and Other Assets	\$3,859,692	\$3,901,145	\$2,019,147	\$2,556,913	\$5,878,839	\$6,458,058
Capital Assets, Net	24,305,013	24,305,013	11,566,732	11,566,732	35,871,745	35,871,745
Total Assets	<u>28,164,705</u>	<u>28,206,158</u>	<u>13,585,879</u>	<u>14,123,645</u>	<u>41,750,584</u>	<u>42,329,803</u>
Deferred Outflows of Resources	723,817	444,318	184,662	124,502	908,479	568,820
Net Pension Liability	4,782,003	4,537,860	1,024,743	1,004,370	5,806,746	5,542,230
Other Long Term Liabilities	2,797,712	3,082,332	13,441,755	14,077,564	16,239,467	17,159,896
Other Liabilities	218,023	285,260	142,039	193,145	360,062	478,405
Total Liabilities	<u>7,797,738</u>	<u>7,905,452</u>	<u>14,608,537</u>	<u>15,275,079</u>	<u>22,406,275</u>	<u>23,180,531</u>
Deferred Inflows of Resources	631,593	458,387	18,053	0	649,646	458,387
Net Position						
Net Investment in Capital Assets	22,110,930	21,830,302	3,431,035	2,863,852	25,541,965	24,694,154
Restricted	1,963,915	2,019,316	0	0	1,963,915	2,019,316
Unrestricted	<u>(3,615,654)</u>	<u>(3,562,981)</u>	<u>(4,287,084)</u>	<u>(3,890,784)</u>	<u>(7,902,738)</u>	<u>(7,453,765)</u>
Total Net Position	<u>\$20,459,191</u>	<u>\$20,286,637</u>	<u>(\$856,049)</u>	<u>(\$1,026,932)</u>	<u>\$19,603,142</u>	<u>\$19,259,705</u>

During 2015, the City adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

CITY OF IRONTON, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2015***

Unaudited

Under the new standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014. The net pension liability reduced beginning of year net position by \$4,093,542 in governmental activities and \$879,868 in business-type activities.

CITY OF IRONTON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2015**

Unaudited

Changes in Net Position – The following table shows the changes in net position for 2015 and 2014:

	Governmental Activities		Business-type Activities		Total	Total
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues:						
Charges for Services and Sales	\$2,193,078	\$2,184,627	\$4,739,749	\$4,398,942	\$6,932,827	\$6,583,569
Operating Grants and Contributions	703,517	892,754	0	0	703,517	892,754
Capital Grants and Contributions	0	109,504	0	212,834	0	322,338
Total Program Revenues	<u>2,896,595</u>	<u>3,186,885</u>	<u>4,739,749</u>	<u>4,611,776</u>	<u>7,636,344</u>	<u>7,798,661</u>
General Revenues:						
Taxes	2,929,338	2,784,863	0	0	2,929,338	2,784,863
Intergovernmental, Unrestricted	393,749	360,877	0	0	393,749	360,877
Investment Earnings	16,377	15,830	4,584	7,065	20,961	22,895
Miscellaneous	231,676	187,998	0	0	231,676	187,998
Total General Revenues	<u>3,571,140</u>	<u>3,349,568</u>	<u>4,584</u>	<u>7,065</u>	<u>3,575,724</u>	<u>3,356,633</u>
Total Revenues	<u>6,467,735</u>	<u>6,536,453</u>	<u>4,744,333</u>	<u>4,618,841</u>	<u>11,212,068</u>	<u>11,155,294</u>
Program Expenses						
Security of Persons and Property	3,048,808	3,720,231	0	0	3,048,808	3,720,231
Public Health and Welfare Services	311,717	269,545	0	0	311,717	269,545
Leisure Time Activities	90,999	103,022	0	0	90,999	103,022
Community Environment	241,122	1,036,027	0	0	241,122	1,036,027
Transportation	535,732	659,127	0	0	535,732	659,127
General Government	1,996,434	2,149,908	0	0	1,996,434	2,149,908
Interest and Fiscal Charges	73,527	69,816	0	0	73,527	69,816
Water	0	0	1,579,296	1,641,825	1,579,296	1,641,825
Sewer	0	0	1,340,090	1,666,257	1,340,090	1,666,257
Sanitation	0	0	766,716	601,673	766,716	601,673
Storm Water	0	0	884,190	1,143,031	884,190	1,143,031
Total Expenses	<u>6,298,339</u>	<u>8,007,676</u>	<u>4,570,292</u>	<u>5,052,786</u>	<u>10,868,631</u>	<u>13,060,462</u>
Change in Net Position Before Transfers	169,396	(1,471,223)	174,041	(433,945)	343,437	(1,905,168)
Transfers	3,158	3,124	(3,158)	(3,124)	0	0
Change in Net Position	172,554	(1,468,099)	170,883	(437,069)	343,437	(1,905,168)
Beginning Net Position - Restated	<u>20,286,637</u>	NA	<u>(1,026,932)</u>	NA	<u>19,259,705</u>	NA
Ending Net Position - Restated	<u>\$20,459,191</u>	<u>\$20,286,637</u>	<u>(\$856,049)</u>	<u>(\$1,026,932)</u>	<u>\$19,603,142</u>	<u>\$19,259,705</u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$444,318 for Governmental Activities and \$124,502 for Business-type Activities computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$491,265 for Governmental Activities and \$108,099 for Business-type Activities.

CITY OF IRONTON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2015**

Unaudited

Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-type Activities
Total 2015 program expenses under GASB 68	\$6,298,339	\$4,570,292
Pension expense under GASB 68	(491,265)	(108,099)
2015 contractually required contribution	505,515	129,833
Adjusted 2015 program expenses	6,312,589	4,592,026
Total 2014 program expenses under GASB 27	8,007,676	5,052,786
Change in program expenses not related to pension	(\$1,695,087)	(\$460,760)

Governmental Activities

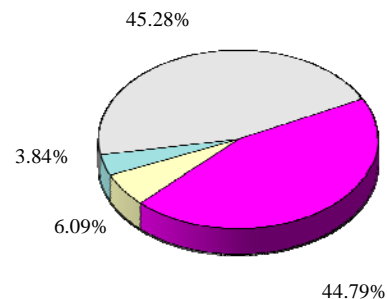
Net position of the City's Governmental Activities increased \$172,554. Moving Ohio Forward Grants for the demolition of dilapidated housing and economic development grants received in the prior year resulted in the subsequent decrease in operating grants and contributions and community environment expense in the current year.

The purchase of vehicles in 2014 resulted in an increase in security of persons and property in the prior year and a subsequent decrease in 2015.

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 45% of revenues for governmental activities in 2015. The City's reliance upon tax revenues is demonstrated by the following graph:

Revenue Sources	2015	Percent of Total
Taxes	\$2,929,338	45.28%
Program Revenues	2,896,595	44.79%
Intergovernmental, Unrestricted	393,749	6.09%
General Other	248,053	3.84%
Total Revenue	\$6,467,735	100.00%



CITY OF IRONTON, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2015***

Unaudited

Business-type Activities

Net position of the City's business-type activities increased \$170,883. An increase in charges for services can be attributed to increases in water and storm water fees. The increase in water fee revenue can be attributed to increased collection efforts while the increase in storm water fees was the result of an increase in the rate charged. A decrease in expenses can mostly be attributed to costs incurred in the prior year for a sewer separation project.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$2,074,046, which is a decrease from last year's balance of \$2,107,042. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2015 and 2014:

	<u>Fund Balance December 31, 2015</u>	<u>Fund Balance December 31, 2014</u>	<u>Increase (Decrease)</u>
General	\$677,582	\$806,684	(\$129,102)
Other Governmental	<u>1,396,464</u>	<u>1,300,358</u>	<u>96,106</u>
Total	<u><u>\$2,074,046</u></u>	<u><u>\$2,107,042</u></u>	<u><u>(\$32,996)</u></u>

This space intentionally left blank.

CITY OF IRONTON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2015**

Unaudited

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

	2015 Revenues	2014 Revenues	Increase (Decrease)
Taxes	\$2,621,856	\$2,402,795	\$219,061
Intergovernmental Revenues	572,314	429,902	142,412
Charges for Services	1,636,411	1,574,729	61,682
Licenses and Permits	110,916	97,373	13,543
Investment Earnings	9,995	7,501	2,494
Special Assessments	7,263	0	7,263
Fines and Forfeitures	232,650	249,195	(16,545)
All Other Revenue	170,625	243,941	(73,316)
Total	\$5,362,030	\$5,005,436	\$356,594

General Fund revenues in 2015 remained stable when compared with the prior year, increasing \$356,594, or approximately 7%.

	2015 Expenditures	2014 Expenditures	Increase (Decrease)
Security of Persons and Property	\$2,834,486	\$3,228,217	(\$393,731)
Public Health and Welfare Services	305,312	276,058	29,254
Community Environment	138,630	639	137,991
General Government	1,840,411	1,939,854	(99,443)
Capital Outlay	78,654	150,829	(72,175)
Debt Service:			
Principal Retirement	274,011	239,943	34,068
Interest and Fiscal Charges	73,949	69,335	4,614
Total	\$5,545,453	\$5,904,875	(\$359,422)

General Fund expenditures decreased \$359,422, or 6%. The purchase of vehicles in 2014 resulted in an increase in security of persons and property in the prior year and a subsequent decrease in 2015.

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

For the General Fund, actual budget basis revenue of \$5.0 million did not significantly change from original and final budget estimates. Actual budget basis expenditures of \$5.3 million did not significantly change from original and final budget estimates. The General Fund actual fund balance at year end was (\$130,063).

CITY OF IRONTON, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2015*

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015 the City had \$35,871,745 net of accumulated depreciation invested in land, construction in progress, buildings, land improvements, machinery and equipment, and infrastructure. Of this total, \$24,305,013 was related to governmental activities and \$11,566,732 to the business-type activities. The following table shows fiscal year 2015 and 2014 balances:

	Governmental Activities		Increase (Decrease)
	2015	2014	
Land	\$1,740,045	\$1,740,045	\$0
Construction in Progress	161,933	161,933	0
Buildings	3,150,900	3,150,900	0
Land Improvements	4,454,077	4,454,077	0
Machinery and Equipment	3,477,572	3,477,572	0
Infrastructure	35,825,162	35,825,162	0
Less: Accumulated Depreciation	(24,504,676)	(24,504,676)	0
Totals	\$24,305,013	\$24,305,013	\$0

	Business-Type Activities		Increase (Decrease)
	2015	2014	
Land	\$60,060	\$60,060	\$0
Construction in Progress	894,546	894,546	0
Land Improvements	6,534,456	6,534,456	0
Buildings and Improvements	4,051,851	4,051,851	0
Machinery and Equipment	5,627,138	5,627,138	0
Infrastructure	5,364,722	5,364,722	0
Less: Accumulated Depreciation	(10,966,041)	(10,966,041)	0
Totals	\$11,566,732	\$11,566,732	\$0

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

CITY OF IRONTON, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2015***

Unaudited

Debt

At December 31, 2015, the City had \$13,052,400 in bonds outstanding, \$614,420 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2015 and 2014:

	2015	Restated 2014
Governmental Activities:		
General Obligation Bonds	\$1,856,400	\$2,072,221
Installment Loans	337,683	402,490
Net Pension Liability	4,782,003	4,537,860
Police and Firemen's Accrued Pension	384,404	396,905
Compensated Absences	219,225	210,716
Total Governmental Activities	<u>7,579,715</u>	<u>7,620,192</u>
Business-Type Activities:		
Ohio Water Development Authority Loans	1,764,375	2,079,587
Ohio Public Works Commission Loans	274,083	293,764
General Obligation Bonds	11,196,000	11,518,080
Net Pension Liability	1,024,743	1,004,370
Compensated Absences	207,297	186,133
Total Business-Type Activities	<u>14,466,498</u>	<u>15,081,934</u>
Totals	<u>\$22,046,213</u>	<u>\$22,702,126</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, 2015, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 13.

ECONOMIC FACTORS

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

REQUESTS FOR INFORMATION

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

CITY OF IRONTON, OHIO

Statement of Net Position December 31, 2015

	Governmental Activities	Business-Type Activities	Total
Assets:			
Pooled Cash and Investments	\$ 1,608,957	\$ 784,456	\$ 2,393,413
Receivables:			
Taxes	1,226,687	0	1,226,687
Accounts	136,700	543,040	679,740
Intergovernmental	480,162	0	480,162
Loans	360,714	0	360,714
Internal Balances	(1,662)	1,662	0
Prepays	48,134	8,010	56,144
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agent	0	681,979	681,979
Capital Assets:			
Capital Assets Not Being Depreciated	1,901,978	954,606	2,856,584
Capital Assets Being Depreciated	22,403,035	10,612,126	33,015,161
Total Assets	28,164,705	13,585,879	41,750,584
Deferred Outflows of Resources:			
Pension:			
OPERS	223,284	184,662	407,946
OP&F	500,533	0	500,533
Total Deferred Outflows of Resources	723,817	184,662	908,479
Liabilities:			
Accounts Payable	27,916	26,395	54,311
Accrued Wages and Benefits	179,740	70,589	250,329
Intergovernmental Payable	2,908	325	3,233
Accrued Interest Payable	7,459	44,730	52,189
Long Term Liabilities:			
Due Within One Year	393,445	806,135	1,199,580
Due in More Than One Year:			
Net Pension Liability	4,782,003	1,024,743	5,806,746
Other Amounts Due in More Than One Year	2,404,267	12,635,620	15,039,887
Total Liabilities	7,797,738	14,608,537	22,406,275
Deferred Inflows of Resources:			
Property Tax Levy for Next Fiscal Year	610,487	0	610,487
Pension:			
OPERS	21,106	18,053	39,159
Total Deferred Inflows of Resources	631,593	18,053	649,646
Net Position:			
Net Investment in Capital Assets	22,110,930	3,431,035	25,541,965
Restricted For:			
Capital Projects	369,063	0	369,063
Debt Service	1,409	0	1,409
Streets and Highways	353,364	0	353,364
Security of Persons and Property	846,220	0	846,220
Other Purposes	393,859	0	393,859
Unrestricted (Deficit)	(3,615,654)	(4,287,084)	(7,902,738)
Total Net Position	\$ 20,459,191	\$ (856,049)	\$ 19,603,142

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

Statement of Activities
For the Year Ended December 31, 2015

	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities:			
Security of Persons and Property	\$ 3,048,808	\$ 636,410	\$ 3,687
Public Health and Welfare Services	311,717	137,209	56,219
Leisure Time Activities	90,999	12,684	0
Community Environment	241,122	48,722	100,545
Transportation	535,732	0	486,484
General Government	1,996,434	1,358,053	56,582
Interest and Fiscal Charges	73,527	0	0
Total Governmental Activities	6,298,339	2,193,078	703,517
Business-Type Activities:			
Water	1,579,296	2,228,042	0
Sewer	1,340,090	1,183,855	0
Sanitation	766,716	672,604	0
Storm Water	884,190	655,248	0
Total Business-Type Activities	4,570,292	4,739,749	0
Totals	\$ 10,868,631	\$ 6,932,827	\$ 703,517

General Revenues and Transfers

Property Taxes
Municipal Income Taxes
Other Local Taxes
Intergovernmental, Unrestricted
Investment Earnings
Miscellaneous
Transfers
Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year - Restated
Net Position End of Year

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (2,408,711)	\$ 0	\$ (2,408,711)
(118,289)	0	(118,289)
(78,315)	0	(78,315)
(91,855)	0	(91,855)
(49,248)	0	(49,248)
(581,799)	0	(581,799)
(73,527)	0	(73,527)
<u>(3,401,744)</u>	<u>0</u>	<u>(3,401,744)</u>
0	648,746	648,746
0	(156,235)	(156,235)
0	(94,112)	(94,112)
0	(228,942)	(228,942)
0	169,457	169,457
<u>\$ (3,401,744)</u>	<u>\$ 169,457</u>	<u>\$ (3,232,287)</u>
536,738	0	536,738
2,371,958	0	2,371,958
20,642	0	20,642
393,749	0	393,749
16,377	4,584	20,961
231,676	0	231,676
3,158	(3,158)	0
<u>3,574,298</u>	<u>1,426</u>	<u>3,575,724</u>
172,554	170,883	343,437
20,286,637	(1,026,932)	19,259,705
<u>\$ 20,459,191</u>	<u>\$ (856,049)</u>	<u>\$ 19,603,142</u>

CITY OF IRONTON, OHIO

**Balance Sheet
Governmental Funds
December 31, 2015**

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Pooled Cash and Investments	\$ 230,809	\$ 1,375,183	\$ 1,605,992
Receivables:			
Taxes	809,095	417,592	1,226,687
Accounts	136,697	3	136,700
Intergovernmental	206,337	273,825	480,162
Loans	0	360,714	360,714
Interfund Loans Receivable	29,478	0	29,478
Prepaid Items	47,429	705	48,134
Total Assets	\$ 1,459,845	\$ 2,428,022	\$ 3,887,867
Liabilities:			
Accounts Payable	\$ 11,699	\$ 15,625	\$ 27,324
Accrued Wages and Benefits Payable	160,213	19,527	179,740
Intergovernmental Payable	2,908	0	2,908
Interfund Loans Payable	0	29,478	29,478
Compensated Absences Payable	2,317	0	2,317
Total Liabilities	177,137	64,630	241,767
Deferred Inflows of Resources:			
Unavailable Amounts	365,031	596,536	961,567
Property Tax Levy for Next Fiscal Year	240,095	370,392	610,487
Total Deferred Inflows of Resources	605,126	966,928	1,572,054
Fund Balances:			
Nonspendable	47,429	705	48,134
Restricted	0	1,429,520	1,429,520
Committed	251,029	0	251,029
Assigned	94,415	0	94,415
Unassigned	284,709	(33,761)	250,948
Total Fund Balances	677,582	1,396,464	2,074,046
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,459,845	\$ 2,428,022	\$ 3,887,867

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

***Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2015***

Total Governmental Fund Balances \$ 2,074,046

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

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

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

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. 961,567

The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows - Pension	723,817	
Deferred Inflows - Pension	(21,106)	
Net Pension Liability	<u>(4,782,003)</u>	(4,079,292)

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 position, however a portion is also allocated to the business-type activities.

Internal Service Net Position	2,373	
Allocation to Business-Type Activities	<u>(1,662)</u>	711

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	(1,856,400)	
Installment Loans	(337,683)	
Police/Fire Pension Accrued Liability	(384,404)	
Compensated Absences Payable related to Governmental Funds	(216,908)	
Accrued Interest Payable	<u>(7,459)</u>	<u>(2,802,854)</u>

Net Position of Governmental Activities \$ 20,459,191

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, 2015

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 2,621,856	\$ 250,902	\$ 2,872,758
Intergovernmental Revenues	572,314	679,175	1,251,489
Charges for Services	1,636,411	69,749	1,706,160
Licenses and Permits	110,916	0	110,916
Investment Earnings	9,995	6,382	16,377
Special Assessments	7,263	0	7,263
Fines and Forfeitures	232,650	136,089	368,739
All Other Revenue	170,625	60,732	231,357
Total Revenue	5,362,030	1,203,029	6,565,059
Expenditures:			
Current:			
Security of Persons and Property	2,834,486	236,635	3,071,121
Public Health and Welfare Services	305,312	0	305,312
Leisure Time Activities	0	91,717	91,717
Community Environment	138,630	102,492	241,122
Transportation	0	541,386	541,386
General Government	1,840,411	40,981	1,881,392
Capital Outlay	78,654	36,078	114,732
Debt Service:			
Principal Retirement	274,011	6,617	280,628
Interest and Fiscal Charges	73,949	173	74,122
Total Expenditures	5,545,453	1,056,079	6,601,532
Excess (Deficiency) of Revenues Over Expenditures	(183,423)	146,950	(36,473)
Other Financing Sources (Uses):			
Sale of Capital Assets	319	0	319
Transfers In	54,002	0	54,002
Transfers Out	0	(50,844)	(50,844)
Total Other Financing Sources (Uses)	54,321	(50,844)	3,477
Net Change in Fund Balances	(129,102)	96,106	(32,996)
Fund Balances at Beginning of Year	806,684	1,300,358	2,107,042
Fund Balances End of Year	\$ 677,582	\$ 1,396,464	\$ 2,074,046

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, 2015***

Net Change in Fund Balances - Total Governmental Funds		\$ (32,996)
<i>Amounts reported for governmental activities in the statement of activities are different because</i>		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(97,643)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		505,515
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(491,265)
Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General Obligation Bond Principal Payment	215,821	
Installment Loan Principal Payment	64,807	
Police/Fire Pension Accrued Liability	12,501	293,129
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		595
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		(6,192)
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 Position - Internal Service Funds	2,742	
Change in portion of internal service fund net position allocated to Business-Type Activities	(1,331)	1,411
<i>Change in Net Position of Governmental Activities</i>		\$ 172,554

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, 2015**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 2,841,696	\$ 2,791,190	\$ 2,571,402	\$ (219,788)
Intergovernmental Revenue	611,025	600,165	504,044	(96,121)
Charges for Services	1,310,085	1,286,801	1,248,600	(38,201)
Licenses and Permits	26,470	26,000	26,080	80
Investment Earnings	6,109	6,000	6,379	379
Special Assessments	9,163	9,000	7,263	(1,737)
Fines and Forfeitures	315,609	310,000	228,252	(81,748)
All Other Revenues	252,131	247,650	163,768	(83,882)
Total Revenues	<u>5,372,288</u>	<u>5,276,806</u>	<u>4,755,788</u>	<u>(521,018)</u>
Expenditures:				
Current:				
Security of Persons and Property	3,066,750	2,988,676	2,852,136	136,540
Public Health and Welfare Services	5,131	5,000	3,756	1,244
Community Environment	144,919	141,230	137,230	4,000
General Government	2,168,972	2,113,754	1,937,190	176,564
Capital Outlay	101,101	98,527	96,587	1,940
Debt Service:				
Principal Retirement	196,333	191,335	182,980	8,355
Interest and Fiscal Charges	28,052	27,338	27,338	0
Total Expenditures	<u>5,711,258</u>	<u>5,565,860</u>	<u>5,237,217</u>	<u>328,643</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(338,970)	(289,054)	(481,429)	(192,375)
Other Financing Sources (Uses):				
Sale of Capital Assets	1,000	1,000	319	(681)
Transfers In	271,165	271,165	271,199	34
Transfers Out	(106,000)	(106,000)	(106,000)	0
Total Other Financing Sources (Uses):	<u>166,165</u>	<u>166,165</u>	<u>165,518</u>	<u>(647)</u>
Net Changes in Fund Balance	(172,805)	(122,889)	(315,911)	(193,022)
Fund Balance at Beginning of Year	47,603	47,603	47,603	0
Prior Year Encumbrances	138,245	138,245	138,245	0
Fund Balance at End of Year	<u>\$ 13,043</u>	<u>\$ 62,959</u>	<u>\$ (130,063)</u>	<u>\$ (193,022)</u>

See accompanying notes to the basic financial statements

This Page Intentionally Left Blank

CITY OF IRONTON, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2015**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Sanitation
Assets:			
<i>Current Assets:</i>			
Pooled Cash and Investments	\$ 351,597	\$ 199,709	\$ 233,150
Receivables:			
Accounts	222,791	147,085	79,057
Prepaid Items	7,194	756	60
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agent	0	392,925	0
<i>Total Current Assets</i>	581,582	740,475	312,267
<i>Non Current Assets:</i>			
Capital Assets:			
Capital Assets Not Being Depreciated	481,030	402,976	0
Depreciable Capital Assets, Net	5,634,730	4,857,299	45,712
Total Assets	6,697,342	6,000,750	357,979
Deferred Outflows of Resources:			
Pension:			
OPERS	85,446	57,591	41,106
Total Deferred Outflows of Resources	85,446	57,591	41,106
Liabilities:			
<i>Current Liabilities:</i>			
Accounts Payable	22,000	619	3,776
Accrued Wages and Benefits	35,832	16,895	17,827
Intergovernmental Payable	200	125	0
Accrued Interest Payable	3,690	19,891	1,258
Compensated Absences Payable - Current	29,943	36,213	3,412
General Obligation Bonds Payable - Current	89,000	120,000	65,420
OWDA Loans Payable - Current	322,466	0	0
OPWC Loans Payable - Current	15,000	3,750	0
<i>Total Current Liabilities</i>	518,131	197,493	91,693

CITY OF IRONTON, OHIO

Storm Water	Total	Governmental Activities - Internal Service Funds
\$ 0	\$ 784,456	\$ 2,965
94,107	543,040	0
0	8,010	0
<u>289,054</u>	<u>681,979</u>	<u>0</u>
383,161	2,017,485	2,965
70,600	954,606	0
<u>74,385</u>	<u>10,612,126</u>	<u>0</u>
528,146	13,584,217	2,965
<u>519</u>	<u>184,662</u>	<u>0</u>
519	184,662	0
0	26,395	592
35	70,589	0
0	325	0
19,891	44,730	0
0	69,568	0
120,000	394,420	0
0	322,466	0
931	19,681	0
<u>140,857</u>	<u>948,174</u>	<u>592</u>

(Continued)

CITY OF IRONTON, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2015**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Sanitation
<i>Long Term Liabilities:</i>			
Compensated Absences Payable	63,416	44,813	29,500
General Obligation Bonds Payable	771,000	4,947,500	135,580
OWDA Loans Payable	1,441,909	0	0
OPWC Loans Payable	195,000	39,375	0
Net Pension Liability	470,210	320,798	230,838
Total Liabilities	3,459,666	5,549,979	487,611
Deferred Inflows of Resources:			
Pension:			
OPERS	8,272	5,655	4,075
Total Deferred Inflows of Resources	8,272	5,655	4,075
Net Position:			
Net Investment in Capital Assets	3,281,385	149,650	0
Unrestricted	33,465	353,057	(92,601)
Total Net Position	\$ 3,314,850	\$ 502,707	\$ (92,601)

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

Net Position of Business-type Activities

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

Storm Water	Total	Governmental Activities - Internal Service Funds
0	137,729	0
4,947,500	10,801,580	0
0	1,441,909	0
20,027	254,402	0
2,897	1,024,743	0
5,111,281	14,608,537	592
51	18,053	0
51	18,053	0
0	3,431,035	0
(4,582,667)	(4,288,746)	2,373
\$ (4,582,667)	\$ (857,711)	\$ 2,373
	1,662	
	\$ (856,049)	

CITY OF IRONTON, OHIO

Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds For the Year Ended December 31, 2015

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Sanitation
Operating Revenues:			
Charges for Services	\$ 2,166,413	\$ 1,175,584	\$ 668,134
Other Operating Revenue	32,800	0	0
Total Operating Revenues	<u>2,199,213</u>	<u>1,175,584</u>	<u>668,134</u>
Operating Expenses:			
Personal Services	852,903	567,086	395,238
Contractual Services	594,839	520,703	350,170
Materials and Supplies	41,691	7,781	19,079
Other Operating Expenses	1,439	0	0
Total Operating Expenses	<u>1,490,872</u>	<u>1,095,570</u>	<u>764,487</u>
Operating Income (Loss)	708,341	80,014	(96,353)
Nonoperating Revenue (Expenses):			
Investment Earnings	1,740	992	1,814
Interest Expense	(89,755)	(244,520)	(2,229)
Other Nonoperating Revenue	28,829	8,271	4,470
Total Nonoperating Revenues (Expenses)	<u>(59,186)</u>	<u>(235,257)</u>	<u>4,055</u>
Income (Loss) Before Transfers	649,155	(155,243)	(92,298)
Transfers:			
Transfers In	22,804	0	0
Transfers Out	(2,601)	(15,715)	0
Total Transfers	<u>20,203</u>	<u>(15,715)</u>	<u>0</u>
Change in Net Position	669,358	(170,958)	(92,298)
Net Position Beginning of Year - Restated	2,645,492	673,665	(303)
Net Position End of Year	<u>\$ 3,314,850</u>	<u>\$ 502,707</u>	<u>\$ (92,601)</u>

Change in Net Position - Total Enterprise Funds

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

Change in Net Position - Business-type Activities

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

Storm Water	Total	Governmental Activities - Internal Service Funds
\$ 655,248	\$ 4,665,379	\$ 0
0	32,800	23,485
655,248	4,698,179	23,485
3,937	1,819,164	0
635,742	2,101,454	0
0	68,551	20,743
0	1,439	0
639,679	3,990,608	20,743
15,569	707,571	2,742
38	4,584	0
(244,511)	(581,015)	0
0	41,570	0
(244,473)	(534,861)	0
(228,904)	172,710	2,742
0	22,804	0
(7,646)	(25,962)	0
(7,646)	(3,158)	0
(236,550)	169,552	2,742
(4,346,117)	(1,027,263)	(369)
\$ (4,582,667)	\$ (857,711)	\$ 2,373
	\$ 169,552	
	1,331	
	\$ 170,883	

CITY OF IRONTON, OHIO

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2015**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Sanitation
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$2,168,123	\$1,154,916	\$664,349
Cash Payments for Goods and Services	(625,534)	(542,000)	(366,512)
Cash Payments to Employees	(880,057)	(590,926)	(405,280)
Net Cash Provided (Used) by Operating Activities	<u>662,532</u>	<u>21,990</u>	<u>(107,443)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfers In from Other Funds	22,804	0	0
Transfers Out to Other Funds	(2,601)	(15,715)	0
Net Cash Provided (Used) by Noncapital Financing Activities	<u>20,203</u>	<u>(15,715)</u>	<u>0</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Sale of Capital Assets	360	0	303
Issuance of General Obligation Bonds	0	0	136,000
Principal Paid on OPWC Loans	(15,000)	(3,750)	0
Principal Paid on General Obligation Bonds	(87,321)	(170,690)	(31,700)
Principal Paid on OWDA Loans	(315,212)	0	0
Interest Paid on All Debt	(90,119)	(244,740)	(1,213)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(507,292)</u>	<u>(419,180)</u>	<u>103,390</u>
<u>Cash Flows from Investing Activities:</u>			
Receipts of Interest	1,740	992	1,814
Net Cash Provided by Investing Activities	<u>1,740</u>	<u>992</u>	<u>1,814</u>
Net Increase (Decrease) in Cash and Cash Equivalents	177,183	(411,913)	(2,239)
Cash and Cash Equivalents at Beginning of Year	174,414	1,004,547	235,389
Cash and Cash Equivalents at End of Year	<u>\$351,597</u>	<u>\$592,634</u>	<u>\$233,150</u>
<u>Reconciliation of Cash and Cash Equivalents per the Balance Sheet</u>			
Cash and Cash Equivalents	\$351,597	\$199,709	\$233,150
Restricted Cash and Cash Equivalents with Fiscal Agent	0	392,925	0
Cash and Cash Equivalents at End of Year	<u>\$351,597</u>	<u>\$592,634</u>	<u>\$233,150</u>

CITY OF IRONTON, OHIO

Storm Water	Total	Governmental Activities - Internal Service
\$613,137	\$4,600,525	\$23,485
(635,742)	(2,169,788)	(21,228)
(4,002)	(1,880,265)	0
<u>(26,607)</u>	<u>550,472</u>	<u>2,257</u>
0	22,804	0
(7,646)	(25,962)	0
<u>(7,646)</u>	<u>(3,158)</u>	<u>0</u>
0	663	0
0	136,000	0
(931)	(19,681)	0
(168,369)	(458,080)	0
0	(315,212)	0
<u>(244,731)</u>	<u>(580,803)</u>	<u>0</u>
<u>(414,031)</u>	<u>(1,237,113)</u>	<u>0</u>
38	4,584	0
<u>38</u>	<u>4,584</u>	<u>0</u>
(448,246)	(685,215)	2,257
737,300	2,151,650	708
<u>\$289,054</u>	<u>\$1,466,435</u>	<u>\$2,965</u>
\$0	\$784,456	\$2,965
289,054	681,979	0
<u>\$289,054</u>	<u>\$1,466,435</u>	<u>\$2,965</u>

(Continued)

CITY OF IRONTON, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2015

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Sanitation
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided (Used) by Operating Activities:</u>			
Operating Income (Loss)	\$708,341	\$80,014	(\$96,353)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Miscellaneous Nonoperating Revenue	28,469	8,271	4,167
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(59,559)	(28,939)	(7,952)
Increase in Prepaid Items	(6,916)	(581)	(60)
Increase in Deferred Outflows of Resources	(28,402)	(18,589)	(13,002)
Increase (Decrease) in Accounts Payable	19,151	(12,486)	2,797
Decrease in Accrued Wages and Benefits	(32,733)	(20,383)	(7,411)
Increase (Decrease) in Intergovernmental Payable	200	(449)	0
Increase in Compensated Absences	15,677	3,309	2,178
Increase in Net Pension Liability	10,032	6,168	4,118
Increase in Deferred Inflows of Resources	8,272	5,655	4,075
Total Adjustments	(45,809)	(58,024)	(11,090)
Net Cash Provided (Used) by Operating Activities	\$662,532	\$21,990	(\$107,443)

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

<u>Storm Water</u>	<u>Total</u>	<u>Governmental Activities - Internal Service</u>
\$15,569	\$707,571	\$2,742
0	40,907	0
(42,111)	(138,561)	0
0	(7,557)	0
(167)	(60,160)	0
0	9,462	(485)
(4)	(60,531)	0
0	(249)	0
0	21,164	0
55	20,373	0
51	18,053	0
<u>(42,176)</u>	<u>(157,099)</u>	<u>(485)</u>
<u>(\$26,607)</u>	<u>\$550,472</u>	<u>\$2,257</u>

CITY OF IRONTON, OHIO

***Statement of Assets and Liabilities
Fiduciary Funds
December 31, 2015***

	<u>Agency Funds</u>
Assets:	
Cash and Cash Equivalents	<u>\$ 21,414</u>
Total Assets	<u>21,414</u>
Liabilities:	
Due to Others	<u>21,414</u>
Total Liabilities	<u>\$ 21,414</u>

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

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, 2015 and for the year then ended, and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

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

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

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

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds 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, deferred outflows/inflows of resources, fund equity, revenues and expenditures or expenses. The various funds are summarized by type in the basic financial statements. The following fund types are used by the City:

Governmental Funds

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

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.

This space intentionally left blank.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Proprietary Funds

All proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets, liabilities, and deferred outflows/inflows of resources 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 position.

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

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

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

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

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

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

Fiduciary Funds

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

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

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

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

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

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

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

D. Basis of Accounting

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

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

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

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

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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

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

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, 2015

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 2015.

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 the 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, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Budgetary Basis of Accounting

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

	<u>Net Change in Fund Balance</u>
	<u>General Fund</u>
GAAP Basis (as reported)	(\$129,102)
Increase (Decrease):	
Accrued Revenues at December 31, 2015 received during 2016	(566,721)
Accrued Revenues at December 31, 2014 received during 2015	491,210
Accrued Expenditures at December 31, 2015 paid during 2016	177,137
Accrued Expenditures at December 31, 2014 paid during 2015	(218,705)
2014 Prepays for 2015	33,236
2015 Prepays for 2016	(47,429)
Outstanding Encumbrances	(107,013)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	<u>51,476</u>
Budget Basis	<u><u>(\$315,911)</u></u>

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

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

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

G. Investments

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

H. Capital Assets and Depreciation

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

1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Position, 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, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets and Depreciation (Continued)

2. Property, Plant and Equipment – Business Type Activities

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

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

3. Depreciation

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

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

CITY OF IRONTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2015***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Long-Term Obligations

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

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

J. Compensated Absences

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

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

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences (Continued)

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

K. Net Position

Net position represents the difference between assets, liabilities, and deferred outflows/inflows of resources. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on 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 position restricted for Other Purposes includes state and federal grants for community development and mandatory fines for various court programs.

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

L. Pensions

The provision for pension cost is recorded when the related payroll is accrued and the obligation is incurred. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

M. Interfund Transactions

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

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balances

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

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

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

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

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

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

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

O. Restricted Assets

A bond reserve account is reported as restricted cash with fiscal agent.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Operating Revenues and Expenses

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

Q. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. For the City, deferred outflows of resources are reported for pension amounts on the government-wide and proprietary funds statement of net position. See Note 10.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for property taxes, income taxes, special assessments, and state levied shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide and proprietary funds statement of net position. See Note 10.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City and that are either unusual in nature or infrequent in occurrence. The City had no special or extraordinary items to report during 2015.

CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2015**

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

In 2015 the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure.

The implementation of GASB 68 had the following effect on net position as reported December 31, 2014:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Net Position December 31, 2014	\$24,380,179	(\$147,064)	\$3,048,626	\$949,293
Adjustments:				
Net Pension Liability	(4,537,860)	(1,004,370)	(460,178)	(314,630)
Deferred Outflows -				
Payments Subsequent to Measurement Date	<u>444,318</u>	<u>124,502</u>	<u>57,044</u>	<u>39,002</u>
Restated Net Position December 31, 2014	<u><u>\$20,286,637</u></u>	<u><u>(\$1,026,932)</u></u>	<u><u>\$2,645,492</u></u>	<u><u>\$673,665</u></u>
	<u>Sanitation Fund</u>	<u>Storm Water Fund</u>		
Net Position December 31, 2014	\$198,313	(\$4,343,627)		
Adjustments:				
Net Pension Liability	(226,720)	(2,842)		
Deferred Outflows -				
Payments Subsequent to Measurement Date	<u>28,104</u>	<u>352</u>		
Restated Net Position December 31, 2014	<u><u>(\$303)</u></u>	<u><u>(\$4,346,117)</u></u>		

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2015**

NOTE 3 – FUND BALANCE CLASSIFICATION

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

Fund Balances	General Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:			
Prepaid Items	\$47,429	\$705	\$48,134
Total Nonspendable	<u>47,429</u>	<u>705</u>	<u>48,134</u>
Restricted:			
Police and Fire Pension	0	21,119	21,119
Police Department Equipment	0	69,873	69,873
Street Improvements	0	200,616	200,616
Drug and Alcohol Treatment and Education	0	226,840	226,840
FEMA Programs	0	4,262	4,262
Municipal Court	0	507,029	507,029
Community Development and Improvement	0	34,462	34,462
Debt Service	0	1,409	1,409
Capital Improvements	0	363,910	363,910
Total Restricted	<u>0</u>	<u>1,429,520</u>	<u>1,429,520</u>
Committed:			
Health Department	26,098	0	26,098
Fire Department	224,931	0	224,931
Total Committed	<u>251,029</u>	<u>0</u>	<u>251,029</u>
Assigned:			
Other Purposes	94,415	0	94,415
Total Assigned	<u>94,415</u>	<u>0</u>	<u>94,415</u>
Unassigned (Deficits):	<u>284,709</u>	<u>(33,761)</u>	<u>250,948</u>
Total Fund Balances	<u>\$677,582</u>	<u>\$1,396,464</u>	<u>\$2,074,046</u>

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

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

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

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

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

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

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

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

CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2015**

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

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

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

A. Deposits

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

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

At year end the carrying amount of the City's deposits was \$2,161,998 and the bank balance was \$2,456,024. Federal depository insurance covered \$944,885 of the bank balance and \$1,511,139 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$1,511,139</u>
Total Balance	<u><u>\$1,511,139</u></u>

CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2015**

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

B. Investments

The City's investments at December 31, 2015 were as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years) less than 1</u>
US Treasury Notes/Bills	<u>\$934,808</u>	AA+ ¹ /Aaa ²	<u>\$934,808</u>
Total Investments	<u><u>\$934,808</u></u>		<u><u>\$934,808</u></u>

¹ Standard & Poor's

² Moody's Investor Service

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

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

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

NOTE 5 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property located in the City. Real property taxes (other than public utility) collected during 2015 were levied after October 1, 2014 on assessed values as of January 1, 2014, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 2010. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 5 - TAXES (Continued)

A. Property Taxes (Continued)

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

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

The full tax rate for the City's operations for the year ended December 31, 2015 was \$5.28 per \$1,000 of assessed value. The assessed value upon which the 2015 tax collections were based was \$146,265,390. This amount constitutes \$138,610,060 in real property assessed value and \$7,655,330 in public utility assessed value. Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .528% (5.28 mills) of assessed value.

B. Income Tax

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

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

CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2015**

NOTE 6 - RECEIVABLES

Receivables at December 31, 2015 consisted of taxes, accounts, loans, and intergovernmental receivables arising from shared revenues.

NOTE 7 – INTERFUND ACCOUNTS

On the Statement of Net Position, the Governmental Activities reported an internal balance at December 31, 2015 of \$1,662, 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.

Following is a summary of interfund receivables and payables for all funds at December 31, 2015:

Fund	Interfund Loans Receivable	Interfund Loans Payable
General Fund	\$29,478	\$0
Other Governmental Funds	0	29,478
Totals	<u>\$29,478</u>	<u>\$29,478</u>

These Interfund Loans are short-term loans to prevent a temporary cash deficit.

NOTE 8 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2015:

Fund	Transfer In	Transfer Out
General Fund	\$54,002	\$0
Other Governmental Funds	0	50,844
Total Governmental Funds	<u>54,002</u>	<u>50,844</u>
Water Fund	22,804	2,601
Sewer Fund	0	15,715
Storm Water Fund	0	7,646
Total Proprietary Funds	<u>22,804</u>	<u>25,962</u>
Totals	<u>\$76,806</u>	<u>\$76,806</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.

In 2015 the transfer of \$50,844 from the Other Governmental Funds to the General Fund was performed pursuant to a court order for the purpose of reimbursement of salaries paid out of the General Fund.

In 2015 the Sewer Fund and Storm Water Fund transferred \$15,158 and \$7,646, respectively, to the Water Fund for debt service payments. The Water Fund and Sewer Fund transferred \$2,601 and \$557, respectively, to the General Fund for debt service payments.

CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2015**

NOTE 9 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2015:

Historical Cost:

Class	December 31, 2014	Additions	Deletions	December 31, 2015
Capital assets not being depreciated:				
Land	\$1,740,045	\$0	\$0	\$1,740,045
Construction in Progress	161,933	0	0	161,933
Subtotal	1,901,978	0	0	1,901,978
Capital assets being depreciated:				
Buildings	3,150,900	0	0	3,150,900
Land Improvements	4,454,077	0	0	4,454,077
Machinery and Equipment	3,477,572	0	0	3,477,572
Infrastructure	35,825,162	0	0	35,825,162
Subtotal	46,907,711	0	0	46,907,711
Total Cost	\$48,809,689	\$0	\$0	\$48,809,689

Accumulated Depreciation:

Class	December 31, 2014	Additions	Deletions	December 31, 2015
Buildings	(\$901,115)	\$0	\$0	(\$901,115)
Land Improvements	(3,353,786)	0	0	(3,353,786)
Machinery and Equipment	(2,153,660)	0	0	(2,153,660)
Infrastructure	(18,096,115)	0	0	(18,096,115)
Total Depreciation	(\$24,504,676)	\$0	\$0	(\$24,504,676)
Net Value:	\$24,305,013			\$24,305,013

* Depreciation expenses were charged to governmental functions as follows:

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

CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2015**

NOTE 9 – CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2015:

Historical Cost:

Class	December 31, 2014	Additions	Deletions	December 31, 2015
<i>Capital assets not being depreciated:</i>				
Land	\$60,060	\$0	\$0	\$60,060
Construction in Progress	894,546	0	0	894,546
Subtotal	954,606	0	0	954,606
<i>Capital assets being depreciated:</i>				
Land Improvements	6,534,456	0	0	6,534,456
Buildings and Improvements	4,051,851	0	0	4,051,851
Machinery and Equipment	5,627,138	0	0	5,627,138
Infrastructure	5,364,722	0	0	5,364,722
Subtotal	21,578,167	0	0	21,578,167
Total Cost	<u>\$22,532,773</u>	<u>\$0</u>	<u>\$0</u>	<u>\$22,532,773</u>

Accumulated Depreciation:

Class	December 31, 2014	Additions	Deletions	December 31, 2015
Land Improvements	(\$2,108,518)	\$0	\$0	(\$2,108,518)
Buildings and Improvements	(2,081,606)	0	0	(2,081,606)
Machinery and Equipment	(3,949,586)	0	0	(3,949,586)
Infrastructure	(2,826,331)	0	0	(2,826,331)
Total Depreciation	<u>(\$10,966,041)</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$10,966,041)</u>
<i>Net Value:</i>	<u>\$11,566,732</u>			<u>\$11,566,732</u>

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 10 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City’s obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2015**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>
2015 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2015 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	<u>2.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$289,015 for 2015.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2015**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>Police</u>	<u>Firefighters</u>
2015 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %
2015 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OPF was \$346,333 for 2015.

In addition to current contributions, the City pays installments on a specific liability of the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2015, the specific liability of the City was \$384,404 payable in semi-annual payments through the year 2035.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF’s total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$2,228,948	\$3,577,798	\$5,806,746
Proportion of the Net Pension Liability	0.018480%	0.069064%	
Pension Expense	\$240,635	\$358,729	\$599,364

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$118,931	\$154,200	\$273,131
City contributions subsequent to the measurement date	289,015	346,333	635,348
Total Deferred Outflows of Resources	\$407,946	\$500,533	\$908,479
Deferred Inflows of Resources			
Differences between expected and actual experience	\$39,159	\$0	\$39,159

\$635,348 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2016	\$11,664	\$38,550	\$50,214
2017	11,665	38,550	50,215
2018	26,710	38,550	65,260
2019	29,733	38,550	68,283
Total	\$79,772	\$154,200	\$233,972

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	<u>100.00 %</u>	<u>5.28 %</u>

CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2015**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$4,100,623	\$2,228,948	\$652,544

Actuarial Assumptions – OPF

OPF’s total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2014 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	0.00 %	(0.25) %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income *	20.00	1.62
Global Inflation Protected *	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	<u>120.00 %</u>	

* levered 2x

OPF's Board of Trustees has incorporated the "risk parity" concept into OPF's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2015**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$4,948,636	\$3,577,798	\$2,417,115

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

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

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2014 CAFR for details.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

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

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2015, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee’s Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2015. As recommended by OPERS’ actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5%.

The City's contributions for health care to the OPERS for the years ending December 31, 2015, 2014, and 2013 were \$49,957, \$48,149 and \$22,794, respectively, which were equal to the required contributions for each year.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

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

OP&F issues a stand-alone financial report that includes financial information and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F’s website at www.op-f.org.

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

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2015, the portion of employer contributions allocated to health care was 0.5% of covered payroll for both police officers and firefighters. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees’ primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OP&F for the years ending December 31, 2015, 2014, and 2013 were \$4,038, \$3,403 and \$20,917 for police and \$4,508, \$3,823 and \$25,974 for firefighters, respectively, which were equal to the required contributions for each year.

CITY OF IRONTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2015***

NOTE 12 - COMPENSATED ABSENCES

All full-time City employees earn sick leave at the rate of 1.25 days per calendar month of active service. Upon retirement, an employee with service of six years or more with the City receives a lump sum settlement for all unused sick leave. Employees are compensated at a rate of 100% of the balance up to a maximum of 90 days or 720 hours. Any balance in excess of 90 days is paid out at a rate of 25%. 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, 2015, the total liability for accumulated unpaid compensated absences recorded in the Governmental Activities was as follows:

	<u>Hours</u>	<u>Amount</u>
Sick Leave	6,140	\$110,915
Vacation / Compensatory Time	5,996	108,310
Total	<u>12,136</u>	<u>\$219,225</u>

In addition, the accrued liability for accumulated unpaid compensated absences recorded in the enterprise funds increased \$21,164 from a beginning year balance of \$186,133 to a year-end balance of \$207,297.

This space intentionally left blank.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

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

Long-term debt and other long-term obligations of the City at December 31, 2015 were as follows:

				Restated Balance December 31, 2014	Additions	(Reductions)	Balance December 31, 2015	Due Within One Year
Business-Type Activities:								
Ohio Water Development Authority Loans (OWDA):								
2.00%	Water Plant Construction	1994	\$1,203,253	\$0	(\$291,938)	\$911,315	\$297,776	
2.00%	Water Meter Replacement	2011	876,334	0	(23,274)	853,060	24,690	
Total Ohio Water Development Authority Loans			<u>2,079,587</u>	<u>0</u>	<u>(315,212)</u>	<u>1,764,375</u>	<u>322,466</u>	
Ohio Public Works Commission Loans (OPWC):								
0.00%	Railroad Street Sanitary Sewer	2006	46,875	0	(3,750)	43,125	3,750	
0.00%	Sanitary Sewer Separation	2013	21,889	0	(931)	20,958	931	
0.00%	Water Storage Improvement	2009	225,000	0	(15,000)	210,000	15,000	
Total Ohio Public Works Commission Loans			<u>293,764</u>	<u>0</u>	<u>(19,681)</u>	<u>274,083</u>	<u>19,681</u>	
General Obligation Bonds:								
5.22%	Water Storage	2008	945,000	0	(85,000)	860,000	89,000	
2.0-5.25%	Sewer System Improvement	2011	10,370,000	0	(235,000)	10,135,000	240,000	
1.50%	Refuse Vehicle	2013	96,700	0	(31,700)	65,000	32,300	
0.90%	Sewer Backflow Preventer	2013	106,380	0	(106,380)	0	0	
1.75%	Refuse Vehicle	2015	0	136,000	0	136,000	33,120	
Total General Obligation Bonds			<u>11,518,080</u>	<u>136,000</u>	<u>(458,080)</u>	<u>11,196,000</u>	<u>394,420</u>	
Net Pension Liability:								
Ohio Public Employees Retirement System			1,004,370	20,373	0	1,024,743	0	
Compensated Absences			186,133	95,398	(74,234)	207,297	69,568	
Total Business-Type Long-Term Debt			<u>\$15,081,934</u>	<u>\$251,771</u>	<u>(\$867,207)</u>	<u>\$14,466,498</u>	<u>\$806,135</u>	
Governmental Activities Long-Term Debt:								
General Obligation Bonds:								
3.40%	Building Improvement Refunding	2013	\$710,000	\$0	(\$75,000)	\$635,000	\$80,000	
3.40%	Fire House Construction Refunding	2013	1,060,000	0	(40,000)	1,020,000	40,000	
1.50%	Various Purpose	2013	299,900	0	(98,500)	201,400	100,000	
0.90%	Sewer Backflow Preventer	2013	2,321	0	(2,321)	0	0	
Total General Obligation Bonds			<u>2,072,221</u>	<u>0</u>	<u>(215,821)</u>	<u>1,856,400</u>	<u>220,000</u>	
Installment Loans:								
2.50%	HVAC Cooling Tower	2011	13,776	0	(13,776)	0	0	
2.15%	Pumper Fire Truck	2014	388,714	0	(51,031)	337,683	52,098	
Total Installment Loans			<u>402,490</u>	<u>0</u>	<u>(64,807)</u>	<u>337,683</u>	<u>52,098</u>	
Net Pension Liability:								
Ohio Public Employees Retirement System			1,174,232	29,973	0	1,204,205	0	
Ohio Police and Fire Pension Fund			3,363,628	214,170	0	3,577,798	0	
Total Net Pension Liability			<u>4,537,860</u>	<u>244,143</u>	<u>0</u>	<u>4,782,003</u>	<u>0</u>	
Police/Fire Accrued Pension Obligations			396,905	0	(12,501)	384,404	13,038	
Compensated Absences			210,716	139,933	(131,424)	219,225	108,309	
Total Governmental Activities			<u>\$7,620,192</u>	<u>\$384,076</u>	<u>(\$424,553)</u>	<u>\$7,579,715</u>	<u>\$393,445</u>	

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2015, follows:

Years	OWDA Loans		General Obligation Bonds		OPWC Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$322,466	\$35,165	\$614,420	\$583,942	\$19,681	\$0
2017	328,919	28,712	636,800	566,328	19,681	0
2018	335,499	22,132	523,290	548,051	19,681	0
2019	26,209	15,419	533,890	530,038	19,681	0
2020	26,735	14,893	525,000	511,263	19,681	0
2021-2025	141,961	66,182	2,344,000	2,238,414	98,407	0
2026-2030	156,812	51,332	2,190,000	1,778,140	70,282	0
2031-2035	173,218	34,924	2,600,000	1,213,380	4,658	0
2036-2040	191,341	16,802	3,085,000	502,688	2,331	0
2041-2042	61,215	1,228	0	0	0	0
Totals	<u>\$1,764,375</u>	<u>\$286,789</u>	<u>\$13,052,400</u>	<u>\$8,472,244</u>	<u>\$274,083</u>	<u>\$0</u>

Years	Police/Fire			
	Accrued Pension Liability		Installment Loans	
	Principal	Interest	Principal	Interest
2016	\$13,038	\$16,200	\$52,098	\$9,905
2017	13,598	15,640	53,724	8,280
2018	14,182	15,056	55,370	6,633
2019	14,792	14,447	57,067	4,936
2020	15,427	13,812	58,806	3,197
2021-2025	87,661	58,530	60,618	1,385
2026-2030	108,175	38,017	0	0
2031-2035	117,531	12,726	0	0
Totals	<u>\$384,404</u>	<u>\$184,428</u>	<u>\$337,683</u>	<u>\$34,336</u>

A. Police and Firemen's Pension Fund

The City's liability for past service costs related to the Police and Firemen's Pension Fund at December 31, 2015 was \$568,832 in principal and interest payments through the year 2035. Only the principal amount of \$384,404 is included in the Long-Term debt amount.

B. New Debt Issuance

In 2015 the City issued \$136,000 of general obligation bonds for the purchase of a refuse truck. The bonds carry an interest rate of 1.75 percent and reach maturity on March 1, 2019.

C. Pumper Fire Truck Installment Loan

Collateral for the 2014 Pumper Fire Truck installment loan consists of a certificate of deposit in the name of the City of Ironton with a December 23, 2015 current value of \$1,497,487 and a hold value of \$337,683.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 14 - RISK MANAGEMENT

The City is exposed to various risks of property and casualty losses, and injuries to employees.

The City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims. The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

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

Financial Position

PEP's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2015 and 2014:

	<u>2014</u>	<u>2015</u>
Assets	\$35,402,177	\$38,307,677
Liabilities	<u>(12,363,257)</u>	<u>(12,759,127)</u>
Net Position	<u>\$23,038,920</u>	<u>\$25,548,550</u>

At December 31, 2014 and 2015, respectively, the liabilities above include approximately \$11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the City's share of these unpaid claims collectible in future years is approximately \$65,478.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 14 - RISK MANAGEMENT (Continued)

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

<u>Contributions to PEP</u>	
2014	\$100,706
2015	\$103,934

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

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

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 15 - CONTINGENCIES

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

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2015.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

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

The purposes of the governing foundation include:

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

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

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

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

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

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

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

NOTE 17 – NONCOMPLIANCE

Contrary to Ohio Rev. Code 117.38, the City did not file the GAAP basis financial statements within 150 days after year end.

The fund deficits at December 31, 2015 of \$6,607 in the Recreation Fund, \$13,607 in the Flood Fund, (special revenue funds) and \$13,492 in the Clean Ohio Fund (capital projects fund) arises from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary/cash basis. The general fund provides transfers when cash is required, not when accruals occur.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 18 – CONTRACTUAL COMMITMENTS

The City had the following significant contractual commitments at December 31, 2015:

<u>Project</u>	<u>Contract Amount</u>	<u>Total Amount Paid 12/31/2015</u>	<u>Remaining Contractual Commitment</u>
South Ironton Sanitary Sewer Separation Phase III	\$212,000	\$149,000	\$63,000
Riverfront Transient Dock and Riverwalk Project	668,878	0	668,878
Riverfront Docks	184,400	122,790	61,610
	<u>\$1,065,278</u>	<u>\$271,790</u>	<u>\$793,488</u>

NOTE 19 – SUBSEQUENT EVENTS

On May 28, 2016 the City Council approved Ordinance 16-27 providing for the issuance of not to exceed \$1,120,000 of bonds by the City for making storm water system improvements and authorizing sale of the bonds.

On May 28, 2016 the City Council approved Ordinance 16-29 authorizing and directing the Mayor to execute an agreement with Tribute Contracting and Consultants, LLC for construction of the Ironton Storm / Sanitary Sewer Separation Phase 3 Project in the amount of \$774,088.

On June 22, 2016 the City issued bonds in the amount of \$870,000 to pay for the cost of construction of the City's Sewer Separation Project Phase III. The bonds have a fixed interest rate of 2.35% with a final maturity of December 1, 2025.

On January 12, 2017 the City Council approved a contract with E.L. Robinson Engineering in the amount of \$397,539 for engineering services relating to Phase 4 of the Sewer Separation Project. The City has applied for an Ohio Public Works Commission Loan to fund Phases 4 and 5 of the project.

CITY OF IRONTON, OHIO

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF IRONTON, OHIO

Schedule of City's Proportionate Share of the Net Pension Liability Last Two Years

Ohio Public Employees Retirement System

Year	<u>2013</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.018480%	0.018480%
City's proportionate share of the net pension liability (asset)	\$2,178,602	\$2,228,948
City's covered-employee payroll	\$2,279,438	\$2,250,508
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	95.58%	99.04%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	<u>2013</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.069064%	0.069064%
City's proportionate share of the net pension liability (asset)	\$3,363,628	\$3,577,798
City's covered-employee payroll	\$1,409,147	\$1,397,339
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	238.70%	256.04%
Plan fiduciary net position as a percentage of the total pension liability	73.00%	72.20%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.

Information prior to 2013 is not available.

The schedule is reported as of the measurement date of the Net Pension Liability.

CITY OF IRONTON, OHIO

***Schedule of City Contributions
Last Three Years***

Ohio Public Employees Retirement System

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$296,327	\$270,061	\$289,015
Contributions in relation to the contractually required contribution	<u>296,327</u>	<u>270,061</u>	<u>289,015</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered-employee payroll	\$2,279,438	\$2,250,508	\$2,408,458
Contributions as a percentage of covered-employee payroll	13.00%	12.00%	12.00%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$243,158	\$298,759	\$346,333
Contributions in relation to the contractually required contribution	<u>243,158</u>	<u>298,759</u>	<u>346,333</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered-employee payroll	\$1,409,147	\$1,397,339	\$1,622,091
Contributions as a percentage of covered-employee payroll	17.26%	21.38%	21.35%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.

Information prior to 2013 is not available.



Dave Yost • Auditor of State

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

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 13, 2017 wherein we noted the City did not update capital assets on their current financial statements and did not provide adequate support for the amounts reported as capital assets and net investment in capital assets. We qualified our report on the City's capital assets and net investment in capital assets in the Statement of Net Position for the Governmental and Business Type Activities, Water Fund, Sewer Fund, Sanitation Fund, and the Storm Water Fund. We also noted the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Entity's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2015-002 and 2015-003 in the accompanying Schedule of Findings to be material weaknesses.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

www.ohioauditor.gov

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2015-001 and 2015-004.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

February 13, 2017

**CITY OF IRONTON
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2015-001

Noncompliance

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

Ohio Administrative Code Section 117-2-03(B) states all counties, cities and school districts, including educational school districts and community schools, shall file annual financial reports which are prepared using Generally Accepted Accounting Principles (GAAP). Per Ohio Rev. Code Section 117.38, GAAP Basis entities are required to file annual reports within 150 days of their fiscal year end. To be complete, GAAP entities must submit the basic financial statements, notes to the basic financial statements, Management's Discussion and Analysis, and any other required supplementary information to be considered a complete filing. A penalty of \$25 per day (\$750 maximum) is permissible under Ohio Rev. Code Section 117.38.

The City did not file their GAAP basis financial statements within 150 days after their year-end. The 2015 GAAP basis financial statements were filed on September 22, 2016.

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

Officials' Response:

Finance Director will comply in accordance with the ORC for filing.

FINDING NUMBER 2015-002

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

Also public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

**FINDING NUMBER 2015-002
(Continued)**

Material Weakness

The City's process for reconciling their accounting system ending fund balances to bank balances at month and year end contained errors that resulted in the City's accounting system ending fund balances being inaccurate. The following conditions were identified in testing the year end reconciliation process:

- Although the City reconciled each of their accounts on a monthly basis, they were reconciling the bank accounts to a manual check register maintained outside of the accounting system and were not directly reconciling to the accounting system fund balance. When the system balance was compared to the bank balances, unrecorded Sewer and Storm Water Fund expenditures totaling \$672,391 were identified.
- Included on the City's bank reconciliation was an adjusting factor amount of \$41,488 described as "Misposted voids" which related to errors that had been made in the system during 2013 and in previous years related to voiding of checks. These errors resulted in the accounting system expenditures being inaccurate.
- Included on the City bank reconciliation was an additional adjusting factor of \$3,975 which related to a net underfunding of the payroll clearing account and was comprised of over 30 items. Further, the payroll clearing account reconciliation included other adjusting factors totaling an amount of \$22,321 which was comprised of numerous items some of which dated back to 2010. The City indicated these items were due to payrolls over the past few years that had either been over or under funded through transfers from the corporate checking account. These items were never zeroed out to keep the payroll account in balance and could result in the accounting system expenditures being inaccurate.
- Included on the City's bank reconciliation were General Checking Account items described as Outstanding Deposits in the amount of \$11,347 which consisted of numerous items some of which dated back to 2012 and included descriptions such as NSF items and interest items.
- The City is maintaining checks on their outstanding check listing that have been outstanding for more than 90 days which should be voided and paid into an unclaimed monies fund.

These conditions could result in cumbersome reconciliation procedures, inaccurate fund balances, and increase the risk that error, theft and fraud may occur and not be detected in a timely manner.

Therefore, we make the following recommendations:

- We recommend the City Finance Director change the process of reconciling accounts to ensure that the City is reconciling directly to the accounting system balances on a monthly basis. All receipts and expenditures should be posted to the accounting system and any reconciling items should be documented, investigated, and corrected to prevent unsupported adjustments from being recorded and to avoid carrying items forward for an extended period of time.
- We recommend adjusting factors that are the result of errors be reviewed and actions taken to address those items and those items be removed from the reconciliation process.

**FINDING NUMBER 2015-002
(Continued)**

Material Weakness

- We recommend the City Finance Director maintain accurate listings of outstanding checks and deposits and to follow up on items which have been outstanding for an extended period of time to ensure that proper credit is given to the City for outstanding deposits, outstanding deposits are properly supported, and long outstanding checks are voided and paid into an unclaimed monies fund or reissued.
- We recommend the monthly bank reconciliation be reviewed and approved by the City Council as part of their regular meetings and signed or initialed by the Council President to evidence review and approval.

Officials' Response:

The City continuously is working to clear outdated checks or reissue checks or move monies to unclaimed for non-responsive reissue letters. All accounts will be corrected by December 31, 2017.

FINDING NUMBER 2015-003

Material Weakness

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

- The City did not have a formal policy for capital assets. We recommend a formal policy be adopted by the City Council for capital assets. This policy should include, but not be limited to, the following: the capitalization threshold, category or class of assets, initial capitalization of infrastructure, method of cost capitalization, method of depreciation and useful lives, and methods of acquisition or disposal.
- The City did not utilize any type of asset identification system and does not have a capital asset tracking system in place and operating. In addition to this, they did not utilize deletion forms for any of the assets that were deleted during the year. We recommend the City implement controls over their assets to include a tracking system of assets and use of proper forms for the addition and deletion of these items.
- There were several capital assets that were fully depreciated but still in use. Fully depreciated capital assets should be reviewed to determine whether the assets are still being used (i.e. that they have not been discarded or abandoned). Prior to assets becoming fully depreciated, we recommend asset lives be reevaluated and, if an asset will outlive its expected life, the asset life should be increased and the remaining undepreciated life should be allocated over the new estimate of remaining life.

**FINDING NUMBER 2015-003
(Continued)**

Material Weakness

- The City did not track their construction in progress or outstanding contractual commitments that were related to these projects. This made it impossible to accurately disclose construction in progress or the outstanding contractual commitments the City had at year end. We recommend the city begin monitoring all construction contracts that will need to be capitalized. This monitoring should allow for proper disclosure of the construction completed at year end and the remaining commitment amount that is still due to be paid.

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

We recommend the City create and implement a system to track and report capital assets.

Officials' Response:

In 2015, the city moved towards its first conversion of loading assets into the software system. In 2016, the listing of all assets acquired since 2009 was completed through 2015. However assets including infrastructure prior to 2009 have not been maintained or are not readily available. This is cost prohibitive for the City.

FINDING NUMBER 2015-004

Noncompliance

24 CFR 85.25, states program income includes income from payments of principal and interest on loans made with grant funds.

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

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

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

On April 7, 1986, the City entered into an agreement with the Ironton-Lawrence County Community Action Organization (CAO), where the CAO was named as the delegate agency and administrator for the City's Community Development Block Grant programs for the purpose of making business loans and the establishment of the City's RLF program. Borrowers make the RLF loan payments to the CAO which deposits the payments into checking accounts established by the CAO for each borrower. Monies are only transferred to the City when a disbursement is to be made, and the CAO contacts the City to let them know who to make the check payable to and the amount. A payment is made approximately three times per year to the City for a portion of the collections from the outstanding Revolving Loan Funds. The amount of program income received during the audit period was \$37,000. As of the date of this audit, the City has attempted, but has not regained control of the accounts.

**FINDING NUMBER 2015-004
(Continued)**

Noncompliance

Officials' Response:

The City has addressed this issue with the CAO in previous audits. We have attempted to gain control of the accounts and loans with no avail. The Finance Director has sent the CAO a letter from the City Solicitor to encourage them to relinquish control. The CAO has yet to relinquish control. The City maintains control of the bank statements and the check register, but not the administrative/fiscal responsibility of the accounts.

This page intentionally left blank.

**CITY OF IRONTON
LAWRENCE COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001 (initially occurred in 2008)	Ohio Rev. Code, Section 117.38 – GAAP basis financial statements not filed within 150 days after year end.	Not Corrected	See Finding Number 2015-001
2014-002 (initially occurred in 2013)	Ohio Rev. Code, Section 135.18 – Support not provided for funds on deposit being properly secured or collateralized.	Corrected	
2014-003 (initially occurred in 2013)	Material Weakness relating to errors identified in year-end reconciliation process.	Not Corrected	See Finding Number 2015-002
2014-004 (initially occurred in 2007)	Material Weakness relating to not updating capital assets on current financial statements.	Not Corrected	See Finding Number 2015-003
2014-005 (initially occurred in 2012)	Significant deficiency relating to financial reporting and audit adjustments and reclassifications being necessary to the financial statements.	Partially Corrected	Management letter comment issued.
2014-006 (initially occurred in 2008)	Noncompliance relating to revolving loan fund monies not being under the control of the City.	Not Corrected	See Finding Number 2015-004

This page intentionally left blank.



Dave Yost • Auditor of State

CITY OF IRONTON
LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 28, 2017