



OHIO AUDITOR OF STATE
KEITH FABER



**CITY OF IRONTON
LAWRENCE COUNTY**

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**CITY OF IRONTON
LAWRENCE COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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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 modified cash-basis financial statements of the governmental activities, 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, 2018, 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 the modified cash accounting basis Note 1 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 such 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Ironton, Lawrence County, Ohio, as of December 31, 2018, and the respective changes in modified cash financial position and the respective budgetary comparison for the General, Flood, and Municipal Court Computer Funds thereof for the year then ended in accordance with the accounting basis described in Note 1.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the City to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 1 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the modified cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2018, the City adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matter

Other Information

We applied no procedures to management's discussion & analysis and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2019, 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.



Keith Faber
Auditor of State

Columbus, Ohio

September 16, 2019

CITY OF IRONTON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2018

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, 2018. 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 2018 are as follows:

- ❑ In total, net position decreased \$174,333. Net position of governmental activities increased \$196,294, which represents a 10% change from 2017. Net position of business-type activities decreased \$370,627, or 22% from 2017.
- ❑ General receipts accounted for \$3,928,600, or 32% of all receipts. Program specific receipts in the form of charges for services and sales, operating grants and contributions, and capital grants and contributions accounted for \$8,342,469, or 68% of total receipts of \$12,271,069.
- ❑ The City had \$6,742,582 in disbursements related to governmental activities; only \$3,029,245 of these disbursements were offset by program specific charges for services and sales, operating grants and contributions, and capital grants and contributions. General receipts (primarily taxes) of \$3,909,631 and net position were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$5,452,407 in receipts and \$5,401,598 in disbursements. The general fund's fund balance increased \$144,504.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the City's modified cash basis of accounting.

Report Components

The statement of net position and the statement of activities provide information about the modified cash activities of the City as a whole. Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the City as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns. The notes to the financial statements are an integral part of the City's government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

CITY OF IRONTON, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2018*

Unaudited

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The City has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the City's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid. As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Government-Wide Statements

The statement of net position and the statement of activities reflect how the City did financially during the year, within the limitations of modified cash basis accounting. The statement of net position presents the cash balances and investments of the governmental activities of the City at fiscal year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts and interest are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the City's general receipts. These statements report the City's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the City's financial health. Over time, increases or decreases in the City's cash position is one indicator of whether the City's financial health is improving or deteriorating. When evaluating the City's financial condition, you should also consider other nonfinancial factors such as the City's property tax base, the condition of the City's capital assets, the extent of the City's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local receipt sources such as property taxes.

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 costs 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.

CITY OF IRONTON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2018**

Unaudited

Governmental Funds – Most of the City's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the City's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the City's programs. The City's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. 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.

Proprietary Funds – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. When the services are provided to other departments of the City, the service is reported as an internal service fund.

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 Net Position.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of the City's net position at December 31, 2018 and 2017:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets:						
Pooled Cash and Investments	\$2,163,304	\$1,967,010	\$616,116	\$912,082	\$2,779,420	\$2,879,092
Cash and Cash Equivalents	0	0	717,063	791,724	717,063	791,724
Total Assets	<u>2,163,304</u>	<u>1,967,010</u>	<u>1,333,179</u>	<u>1,703,806</u>	<u>3,496,483</u>	<u>3,670,816</u>
Net Position:						
Restricted	1,593,783	1,542,711	0	0	1,593,783	1,542,711
Unrestricted	569,521	424,299	1,333,179	1,703,806	1,902,700	2,128,105
Total Net Position	<u>\$2,163,304</u>	<u>\$1,967,010</u>	<u>\$1,333,179</u>	<u>\$1,703,806</u>	<u>\$3,496,483</u>	<u>\$3,670,816</u>

CITY OF IRONTON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2018**

Unaudited

Changes in Net Position – The following table shows the changes in net position for 2018 and 2017:

	Governmental Activities		Business-type Activities		Total	Total
	2018	2017	2018	2017	2018	2017
Receipts						
Program Receipts:						
Charges for Services and Sales	\$2,204,166	\$2,215,400	\$5,313,224	\$5,105,847	\$7,517,390	\$7,321,247
Operating Grants and Contributions	773,909	613,559	0	0	773,909	613,559
Capital Grants and Contributions	51,170	293,599	0	400,000	51,170	693,599
Total Program Receipts	<u>3,029,245</u>	<u>3,122,558</u>	<u>5,313,224</u>	<u>5,505,847</u>	<u>8,342,469</u>	<u>8,628,405</u>
General Receipts:						
Taxes	3,142,752	3,072,236	0	0	3,142,752	3,072,236
Intergovernmental, Unrestricted	364,205	356,368	0	0	364,205	356,368
Investment Earnings	15,576	7,669	18,969	5,931	34,545	13,600
Bond Issuance	0	180,000	0	0	0	180,000
Installment Loan	0	518,424	0	0	0	518,424
Miscellaneous	387,098	267,500	0	0	387,098	267,500
Total General Receipts	<u>3,909,631</u>	<u>4,402,197</u>	<u>18,969</u>	<u>5,931</u>	<u>3,928,600</u>	<u>4,408,128</u>
Total Receipts	<u>6,938,876</u>	<u>7,524,755</u>	<u>5,332,193</u>	<u>5,511,778</u>	<u>12,271,069</u>	<u>13,036,533</u>
Program Disbursements						
Security of Persons and Property	3,459,274	3,256,017	0	0	3,459,274	3,256,017
Public Health and Welfare Services	206,221	305,404	0	0	206,221	305,404
Leisure Time Activities	98,541	59,193	0	0	98,541	59,193
Community Environment	62,781	1,956	0	0	62,781	1,956
Transportation	442,305	600,309	0	0	442,305	600,309
General Government	2,095,620	1,990,738	0	0	2,095,620	1,990,738
Capital Outlay	30,752	815,799	0	0	30,752	815,799
Debt Service:						
Principal Retirement	264,531	308,573	0	0	264,531	308,573
Interest and Fiscal Charges	82,557	70,113	0	0	82,557	70,113
Water	0	0	2,370,825	2,228,200	2,370,825	2,228,200
Sewer	0	0	1,732,504	1,494,535	1,732,504	1,494,535
Sanitation	0	0	722,626	670,514	722,626	670,514
Storm Water	0	0	876,865	645,259	876,865	645,259
Total Disbursements	<u>6,742,582</u>	<u>7,408,102</u>	<u>5,702,820</u>	<u>5,038,508</u>	<u>12,445,402</u>	<u>12,446,610</u>
Change in Net Position Before Transfers	196,294	116,653	(370,627)	473,270	(174,333)	589,923
Transfers	0	(5,349)	0	5,349	0	0
Change in Net Position	196,294	111,304	(370,627)	478,619	(174,333)	589,923
Beginning Net Position	<u>1,967,010</u>	<u>1,855,706</u>	<u>1,703,806</u>	<u>1,225,187</u>	<u>3,670,816</u>	<u>3,080,893</u>
Ending Net Position	<u>\$2,163,304</u>	<u>\$1,967,010</u>	<u>\$1,333,179</u>	<u>\$1,703,806</u>	<u>\$3,496,483</u>	<u>\$3,670,816</u>

Governmental Activities

Net position of the City's Governmental Activities increased \$196,294. Program receipts, taxes, and intergovernmental receipts were consistent with the prior year. A decrease in disbursements can be attributed to costs incurred in the prior year for the Moulton Field pump station project.

CITY OF IRONTON, OHIO

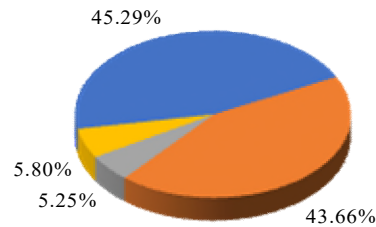
**Management's Discussion and Analysis
For the Year Ended December 31, 2018**

Unaudited

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

Taxes made up 45% of receipts for governmental activities in 2018. The City's reliance upon tax receipts is demonstrated by the following graph:

Receipts	2018	Percent of Total
Taxes	\$3,142,752	45.29%
Program Receipts	3,029,245	43.66%
Intergovernmental, Unrestricted	364,205	5.25%
General Other	402,674	5.80%
Total Receipts	<u>\$6,938,876</u>	<u>100.00%</u>



Business-type Activities

Net position of the City's business-type activities decreased \$370,627. Charges for services were consistent with the prior year. An increase in disbursements can be attributed to costs for a sewer separation project.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$2,160,709, which is an increase from last year's balance of \$1,965,133. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2018 and 2017:

	Fund Balance December 31, 2018	Fund Balance December 31, 2017	Increase (Decrease)
General	\$566,926	\$422,422	\$144,504
Flood	273,508	207,615	65,893
Municipal Court Computer	245,928	310,414	(64,486)
Other Governmental	1,074,347	1,024,682	49,665
Total	<u>\$2,160,709</u>	<u>\$1,965,133</u>	<u>\$195,576</u>

CITY OF IRONTON, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2018***

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:

	2018 Receipts	2017 Receipts	Increase (Decrease)
Taxes	\$2,733,724	\$2,662,831	\$70,893
Intergovernmental Receipts	417,510	727,305	(309,795)
Charges for Services	1,699,119	1,686,612	12,507
Licenses and Permits	72,398	112,938	(40,540)
Investment Earnings	9,823	5,572	4,251
Fines and Forfeitures	272,063	222,197	49,866
All Other Receipts	247,770	211,520	36,250
Total	\$5,452,407	\$5,628,975	(\$176,568)

General Fund receipts decreased \$176,568, or approximately 3%. Amounts received in the prior year for riverfront improvements resulted in a subsequent decrease in intergovernmental receipts in 2018. A decline in licenses and permits can be attributed to a decrease in receipts for birth and death certificates, which was the result of City health department functions being transferred to the County.

	2018 Disbursements	2017 Disbursements	Increase (Decrease)
Current:			
Security of Persons and Property	\$2,966,192	\$2,970,125	(\$3,933)
Public Health and Welfare Services	206,221	305,404	(99,183)
Community Environment	30,016	0	30,016
General Government	1,922,797	1,680,639	242,158
Capital Outlay	30,752	17,033	13,719
Debt Service:			
Principal Retirement	186,953	282,645	(95,692)
Interest and Fiscal Charges	58,667	60,056	(1,389)
Total	\$5,401,598	\$5,315,902	\$85,696

General Fund disbursements increased \$85,696, or approximately 2%. An increase in general government can be attributed to moderate increases across all general government departments. In 2018, City health department functions were transferred to the County, resulting in a decrease in public health and welfare.

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 receipts of \$4.9 million did not significantly change from original and final budget estimates. Actual budget basis disbursements of \$5.2 million did not significantly change from original and final budget estimates. The General Fund actual fund balance at year end was \$161,328.

CITY OF IRONTON, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2018***

Unaudited

DEBT ADMINISTRATION

At December 31, 2018, the City had \$12,088,380 in bonds outstanding, \$659,020 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Business-Type Activities:		
Ohio Water Development Authority Loans	\$777,491	\$1,112,991
Ohio Public Works Commission Loans	215,039	224,880
General Obligation Bonds	<u>10,672,890</u>	<u>11,146,180</u>
Total Business-Type Activities	<u>11,665,420</u>	<u>12,484,051</u>
Governmental Activities:		
General Obligation Bonds	1,415,490	1,585,000
Installment Loans	631,812	726,833
Police and Firemen's Accrued Pension	<u>343,586</u>	<u>357,768</u>
Total Governmental Activities	<u>2,390,888</u>	<u>2,669,601</u>
Totals	<u>\$14,056,308</u>	<u>\$15,153,652</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, 2018, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 10.

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.

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CITY OF IRONTON, OHIO

Statement of Net Position – Modified Cash Basis December 31, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Pooled Cash and Investments	\$ 2,163,304	\$ 616,116	\$ 2,779,420
Restricted Assets:			
Cash and Cash Equivalents	<u>0</u>	<u>717,063</u>	<u>717,063</u>
Total Assets	<u>2,163,304</u>	<u>1,333,179</u>	<u>3,496,483</u>
Net Position:			
Restricted For:			
Capital Projects	5,111	0	5,111
Debt Service	1,976	0	1,976
Streets and Highways	233,400	0	233,400
Security of Persons and Property	1,180,019	0	1,180,019
Other Purposes	173,277	0	173,277
Unrestricted	<u>569,521</u>	<u>1,333,179</u>	<u>1,902,700</u>
Total Net Position	<u>\$ 2,163,304</u>	<u>\$ 1,333,179</u>	<u>\$ 3,496,483</u>

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

Statement of Activities – Modified Cash Basis For the Year Ended December 31, 2018

	Disbursements	Program Receipts		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 3,459,274	\$ 794,054	\$ 33,173	\$ 0
Public Health and Welfare Services	206,221	68,980	36,342	0
Leisure Time Activities	98,541	9,815	0	51,170
Community Environment	62,781	64,000	0	0
Transportation	442,305	0	520,850	0
General Government	2,095,620	1,267,317	183,544	0
Capital Outlay	30,752	0	0	0
Principal Retirement	264,531	0	0	0
Interest and Fiscal Charges	82,557	0	0	0
Total Governmental Activities	6,742,582	2,204,166	773,909	51,170
Business-Type Activities:				
Water	2,370,825	2,076,133	0	0
Sewer	1,732,504	1,877,028	0	0
Sanitation	722,626	682,745	0	0
Storm Water	876,865	677,318	0	0
Total Business-Type Activities	5,702,820	5,313,224	0	0
Totals	\$ 12,445,402	\$ 7,517,390	\$ 773,909	\$ 51,170

General Receipts

Property Taxes
 Municipal Income Taxes
 Other Local Taxes
 Intergovernmental, Unrestricted
 Investment Earnings
 Miscellaneous
 Total General Receipts

 Change in Net Position

 Net Position Beginning of Year
 Net Position End of Year

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

Net (Disbursements) Receipts
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (2,632,047)	\$ 0	\$ (2,632,047)
(100,899)	0	(100,899)
(37,556)	0	(37,556)
1,219	0	1,219
78,545	0	78,545
(644,759)	0	(644,759)
(30,752)	0	(30,752)
(264,531)	0	(264,531)
(82,557)	0	(82,557)
(3,713,337)	0	(3,713,337)
0	(294,692)	(294,692)
0	144,524	144,524
0	(39,881)	(39,881)
0	(199,547)	(199,547)
0	(389,596)	(389,596)
\$ (3,713,337)	\$ (389,596)	\$ (4,102,933)
681,674	0	681,674
2,438,381	0	2,438,381
22,697	0	22,697
364,205	0	364,205
15,576	18,969	34,545
387,098	0	387,098
3,909,631	18,969	3,928,600
196,294	(370,627)	(174,333)
1,967,010	1,703,806	3,670,816
\$ 2,163,304	\$ 1,333,179	\$ 3,496,483

CITY OF IRONTON, OHIO

**Balance Sheet – Modified Cash Basis
Governmental Funds
December 31, 2018**

	<u>General</u>	<u>Flood</u>	<u>Municipal Court Computer</u>
Assets:			
Pooled Cash and Investments	\$ 566,926	\$ 273,508	\$ 245,928
Total Assets	<u>\$ 566,926</u>	<u>\$ 273,508</u>	<u>\$ 245,928</u>
Fund Balances:			
Restricted	\$ 0	\$ 273,508	\$ 245,928
Committed	183,925	0	0
Assigned	<u>383,001</u>	<u>0</u>	<u>0</u>
Total Fund Balances	<u>\$ 566,926</u>	<u>\$ 273,508</u>	<u>\$ 245,928</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 566,926</u>	<u>\$ 273,508</u>	<u>\$ 245,928</u>

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,074,347	\$ 2,160,709
<u>\$ 1,074,347</u>	<u>\$ 2,160,709</u>
\$ 1,074,347	\$ 1,593,783
0	183,925
0	383,001
<u>\$ 1,074,347</u>	<u>\$ 2,160,709</u>
<u>\$ 1,074,347</u>	<u>\$ 2,160,709</u>

CITY OF IRONTON, OHIO

***Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities - Modified Cash Basis
December 31, 2018***

Total Governmental Fund Balances \$ 2,160,709

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

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 included in governmental activities in the statement of net position.

Internal Service Net Position

2,595

Net Position of Governmental Activities

\$ 2,163,304

See accompanying notes to the basic financial statements

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CITY OF IRONTON, OHIO

**Statement of Receipts, Disbursements and Changes in Fund Balances – Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2018**

	General	Flood	Municipal Court Computer
Receipts:			
Taxes	\$ 2,733,724	\$ 267,519	\$ 0
Intergovernmental Receipts	417,510	49,086	0
Charges for Services	1,699,119	42	0
Licenses and Permits	72,398	0	0
Investment Earnings	9,823	715	649
Fines and Forfeitures	272,063	0	8,521
All Other Receipts	247,770	5,167	0
Total Receipts	5,452,407	322,529	9,170
Disbursements:			
Current:			
Security of Persons and Property	2,966,192	285,397	0
Public Health and Welfare Services	206,221	0	0
Leisure Time Activities	0	0	0
Community Environment	30,016	0	0
Transportation	0	0	0
General Government	1,922,797	0	13,656
Capital Outlay	30,752	0	0
Debt Service:			
Principal Retirement	186,953	43,068	0
Interest and Fiscal Charges	58,667	21,281	0
Total Disbursements	5,401,598	349,746	13,656
Excess (Deficiency) of Receipts Over (Under) Disbursements	50,809	(27,217)	(4,486)
Other Financing Sources (Uses):			
Insurance Proceeds	0	93,110	0
Transfers In	135,000	0	0
Transfers Out	(54,797)	0	(60,000)
Advances In	13,492	0	0
Advances Out	0	0	0
Total Other Financing Sources (Uses)	93,695	93,110	(60,000)
Net Change in Fund Balances	144,504	65,893	(64,486)
Fund Balances at Beginning of Year	422,422	207,615	310,414
Fund Balances End of Year	\$ 566,926	\$ 273,508	\$ 245,928

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 141,509	\$ 3,142,752
722,688	1,189,284
114,297	1,813,458
0	72,398
4,389	15,576
37,726	318,310
134,161	387,098
<u>1,154,770</u>	<u>6,938,876</u>
308,376	3,559,965
0	206,221
98,541	98,541
32,765	62,781
442,305	442,305
159,885	2,096,338
0	30,752
34,510	264,531
2,609	82,557
<u>1,078,991</u>	<u>6,843,991</u>
75,779	94,885
7,581	100,691
54,797	189,797
(75,000)	(189,797)
0	13,492
(13,492)	(13,492)
<u>(26,114)</u>	<u>100,691</u>
49,665	195,576
<u>1,024,682</u>	<u>1,965,133</u>
<u>\$ 1,074,347</u>	<u>\$ 2,160,709</u>

CITY OF IRONTON, OHIO

***Reconciliation of the Statement of Receipts, Disbursements and
Changes in Fund Balances of Governmental Funds
To the Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2018***

Net Change in Fund Balances - Total Governmental Funds \$ 195,576

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

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 disbursements and related internal service fund receipts are eliminated. The net receipts (disbursements) of the internal service funds are allocated among the governmental activities.

Change in Net Position - Internal Service Funds	718
<i>Change in Net Position of Governmental Activities</i>	<u><u>\$ 196,294</u></u>

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

**Statement of Receipts, Disbursements and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Receipts:				
Taxes	\$ 2,698,175	\$ 2,700,665	\$ 2,733,724	\$ 33,059
Intergovernmental Receipts	294,070	367,375	378,697	11,322
Charges for Services	1,244,950	1,227,125	1,226,167	(958)
Licenses and Permits	43,695	24,605	24,677	72
Investment Earnings	3,935	5,135	5,080	(55)
Fines and Forfeitures	331,970	267,385	272,063	4,678
All Other Receipts	159,580	236,800	238,266	1,466
Total Receipts	<u>4,776,375</u>	<u>4,829,090</u>	<u>4,878,674</u>	<u>49,584</u>
Disbursements:				
Current:				
Security of Persons and Property	3,065,974	2,990,019	2,959,822	30,197
Public Health and Welfare Services	2,500	1,810	2,028	(218)
Community Environment	0	40,295	0	40,295
General Government	2,012,184	2,040,459	2,095,956	(55,497)
Capital Outlay	22,050	94,654	30,752	63,902
Debt Service:				
Principal Retirement	105,980	105,980	105,980	0
Total Disbursements	<u>5,208,688</u>	<u>5,273,217</u>	<u>5,194,538</u>	<u>78,679</u>
Excess (Deficiency) of Receipts				
Over (Under) Disbursements	(432,313)	(444,127)	(315,864)	128,263
Other Financing Sources (Uses):				
Transfers In	442,240	442,240	442,200	(40)
Transfers Out	(121,335)	(162,661)	(162,099)	562
Total Other Financing Sources (Uses):	<u>320,905</u>	<u>279,579</u>	<u>280,101</u>	<u>522</u>
Net Changes in Fund Balance	(111,408)	(164,548)	(35,763)	128,785
Fund Balance at Beginning of Year	135,423	135,423	135,423	0
Prior Year Encumbrances	61,668	61,668	61,668	0
Fund Balance at End of Year	<u>\$ 85,683</u>	<u>\$ 32,543</u>	<u>\$ 161,328</u>	<u>\$ 128,785</u>

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

***Statement of Receipts, Disbursements and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund – Flood Fund
For the Year Ended December 31, 2018***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Receipts:				
Property Taxes	\$ 267,125	\$ 267,525	\$ 267,519	\$ (6)
Intergovernmental Revenues	19,050	28,485	49,086	20,601
Charges for Services	50	50	42	(8)
Investment Earnings	250	715	715	0
All Other Revenues	735	5,055	5,167	112
Total Receipts	<u>287,210</u>	<u>301,830</u>	<u>322,529</u>	<u>20,699</u>
Disbursements:				
Current:				
Security of Persons and Property	283,942	301,077	296,078	4,999
Debt Service:				
Principal Retirement	61,700	64,350	64,349	1
Total Disbursements	<u>345,642</u>	<u>365,427</u>	<u>360,427</u>	<u>5,000</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	(58,432)	(63,597)	(37,898)	25,699
Other Financing Sources (Uses):				
Insurance Proceeds	0	93,110	93,110	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>93,110</u>	<u>93,110</u>	<u>0</u>
Net Changes in Fund Balance	(58,432)	29,513	55,212	25,699
Fund Balance at Beginning of Year	203,033	203,033	203,033	0
Prior Year Encumbrances	4,582	4,582	4,582	0
Fund Balance at End of Year	<u>\$ 149,183</u>	<u>\$ 237,128</u>	<u>\$ 262,827</u>	<u>\$ 25,699</u>

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

**Statement of Receipts, Disbursements and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund – Municipal Court Computer Fund
For the Year Ended December 31, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Receipts:				
Investment Earnings	\$ 220	\$ 650	\$ 649	\$ (1)
Fines and Forfeitures	30,000	7,475	8,521	1,046
Total Receipts	30,220	8,125	9,170	1,045
Disbursements:				
Current:				
General Government	110,555	50,555	28,401	22,154
Total Disbursements	110,555	50,555	28,401	22,154
Excess (Deficiency) of Receipts Over (Under) Disbursements	(80,335)	(42,430)	(19,231)	23,199
Other Financing Sources (Uses):				
Transfers Out	0	(60,000)	(60,000)	0
Total Other Financing Sources (Uses)	0	(60,000)	(60,000)	0
Net Changes in Fund Balance	(80,335)	(102,430)	(79,231)	23,199
Fund Balance at Beginning of Year	309,859	309,859	309,859	0
Prior Year Encumbrances	555	555	555	0
Fund Balance at End of Year	\$ 230,079	\$ 207,984	\$ 231,183	\$ 23,199

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

**Statement of Net Position – Modified Cash Basis
Proprietary Funds
December 31, 2018**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Sanitation
Assets:			
<i>Current Assets:</i>			
Pooled Cash and Investments	\$ 83,313	\$ 333,228	\$ 199,575
Restricted Assets:			
Cash and Cash Equivalents	0	403,227	0
Total Assets	83,313	736,455	199,575
Net Position:			
Unrestricted	83,313	736,455	199,575
Total Net Position	\$ 83,313	\$ 736,455	\$ 199,575

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

<u>Storm Water</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 0	\$ 616,116	\$ 2,595
<u>313,836</u>	<u>717,063</u>	<u>0</u>
<u>313,836</u>	<u>1,333,179</u>	<u>2,595</u>
<u>313,836</u>	<u>1,333,179</u>	<u>2,595</u>
<u>\$ 313,836</u>	<u>\$ 1,333,179</u>	<u>\$ 2,595</u>

CITY OF IRONTON, OHIO

**Statement of Receipts, Disbursements and Changes in
Fund Net Position – Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2018**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Sanitation
Operating Receipts:			
Charges for Services	\$ 1,995,193	\$ 1,848,769	\$ 667,058
Other Operating Receipts	32,100	0	0
Total Operating Receipts	<u>2,027,293</u>	<u>1,848,769</u>	<u>667,058</u>
Operating Disbursements:			
Personal Services	1,083,861	709,059	456,533
Contractual Services	592,897	521,612	197,714
Materials and Supplies	29,045	13,145	29,737
Capital Outlay	165,552	126,813	3,441
Total Operating Disbursements	<u>1,871,355</u>	<u>1,370,629</u>	<u>687,425</u>
Operating Income (Loss)	155,938	478,140	(20,367)
Nonoperating Receipts (Disbursements):			
Investment Earnings	1,258	8,981	1,313
Interest Charges	(57,470)	(232,500)	(911)
Principal Retirement	(442,000)	(129,375)	(34,290)
Other Nonoperating Receipts	48,840	28,259	15,687
Total Nonoperating Receipts (Disbursements)	<u>(449,372)</u>	<u>(324,635)</u>	<u>(18,201)</u>
Income (Loss) Before Transfers	(293,434)	153,505	(38,568)
Transfers:			
Transfers In	24,144	0	0
Transfers Out	0	(14,986)	0
Total Transfers	<u>24,144</u>	<u>(14,986)</u>	<u>0</u>
Change in Net Position	(269,290)	138,519	(38,568)
Net Position Beginning of Year	<u>352,603</u>	<u>597,936</u>	<u>238,143</u>
Net Position End of Year	<u>\$ 83,313</u>	<u>\$ 736,455</u>	<u>\$ 199,575</u>

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

<u>Storm Water</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 677,318	\$ 5,188,338	\$ 0
<u>0</u>	<u>32,100</u>	<u>16,657</u>
677,318	5,220,438	16,657
9,013	2,258,466	0
394,761	1,706,984	0
0	71,927	15,939
<u>10,000</u>	<u>305,806</u>	<u>0</u>
413,774	4,343,183	15,939
263,544	877,255	718
7,417	18,969	0
(250,125)	(541,006)	0
(212,966)	(818,631)	0
<u>0</u>	<u>92,786</u>	<u>0</u>
(455,674)	(1,247,882)	0
(192,130)	(370,627)	718
0	24,144	0
<u>(9,158)</u>	<u>(24,144)</u>	<u>0</u>
(9,158)	0	0
(201,288)	(370,627)	718
<u>515,124</u>	<u>1,703,806</u>	<u>1,877</u>
<u>\$ 313,836</u>	<u>\$ 1,333,179</u>	<u>\$ 2,595</u>

CITY OF IRONTON, OHIO

***Statement of Net Position – Modified Cash Basis
Fiduciary Funds
December 31, 2018***

	<u>Agency Funds</u>
Assets:	
Cash and Cash Equivalents	\$ 52,728
Total Assets	<u>52,728</u>
Net Position:	
Unrestricted	52,728
Total Net Position	<u>\$ 52,728</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, 2018

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.

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 13.

As discussed further in the Basis of Accounting Portion of this note, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. The following is a summary of the City’s significant accounting policies.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

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. The various funds are summarized by type in the basic financial statements. The following fund types are used by the City:

Governmental Funds

The City classifies funds financed primarily by taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds.

The following are the City's major governmental funds:

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

Flood Fund - This fund is used to account for a property tax levy designated for personnel and operating costs pertaining to flood protection.

Municipal Court Computer Fund - This fund is used to account for monies received from the Municipal Court to be used for a computer system.

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CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Proprietary Funds

The City classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise funds or internal service funds.

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 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. Trust funds are used to account for assets the City holds in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. The City does not have any trust 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 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, 2018

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” receipts and disbursements. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the modified cash balances of the governmental and business-type activities of the City at year end. The government-wide statement of activities presents a comparison between direct disbursements and program receipts for each segment of the business-type activities of the City and for each function or program of the City’s governmental activities. Direct disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program receipts 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. Receipts which are not classified as program receipts are presented as general receipts of the City, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing or draws from the general receipts of the City.

Fund Financial Statements

The City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise 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. The internal service fund is presented in a single column on the face of the proprietary fund financial statements. Fiduciary funds are reported by fund type.

D. Basis of Accounting

The City’s financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the City’s financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount City Council may appropriate.

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

1. Tax Budget

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

2. Estimated Resources

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

On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2018. The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the City Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by City Council.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations (Continued)

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 Receipts, Disbursements, 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. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by City Council during the year.

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.

5. Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances, which are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis).

CITY OF IRONTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the modified cash basis statements to the budgetary basis statements for the General Fund and major Special Revenue Funds:

	Net Change in Fund Balance		
	General	Flood	Municipal Court
	Fund	Fund	Computer Fund
Cash Basis (as reported)	\$144,504	\$65,893	(\$64,486)
Perspective Difference-			
Budgeted Special Revenue Funds			
reclassified as General Fund	17,166	0	0
Advances In reported on modified cash basis	(13,492)	0	0
Encumbrances	(183,941)	(10,681)	(14,745)
Budget Basis	(\$35,763)	\$55,212	(\$79,231)

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CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

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.

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. See Note 4 "Cash, Cash Equivalents and Investments."

G. Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively. The City reports its investments at cost. The City allocates interest among various funds based upon applicable legal and administrative requirements. See Note 4 "Cash, Cash Equivalents and Investments."

H. Inventory and Prepaid Items

The City reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

I. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

J. Long-Term Obligations

The City's modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

K. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the City's modified cash basis of accounting.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Net Position

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for recreation and economic development.

The City applies restricted resources when a disbursement is made for purposes for which both restricted and unrestricted net position is available.

M. Pension/OPEB

For purposes of measuring the net pension/OPEB liability, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

The City recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

N. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated. Exchange transactions between funds are reported as receipts in the seller funds and as disbursements 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 receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements 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, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. 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. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by 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. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balances (Continued)

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.

P. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

A bond reserve account is reported as restricted cash in the financial statements.

Q. Operating Receipts and Disbursements

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts are those receipts that are generated directly from the primary activity of the proprietary funds. For the City, these receipts 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 disbursements are necessary costs incurred to provide the good or service that is the primary activity of the fund. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

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CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE

For 2018, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,” Statement No. 85, “Omnibus 2017,” and Statement No. 86, “Certain Debt Extinguishment Issues.”

GASB Statement No. 75 addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to OPEB.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

These changes were incorporated in the City’s 2018 financial statements; however, there was no effect on beginning net position/fund balance.

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CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

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:

<u>Fund Balances</u>	<u>General</u>	<u>Flood</u>	<u>Municipal Court Computer</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted:					
Flood Wall	\$0	\$273,508	\$0	\$0	\$273,508
Police and Fire Pension	0	0	0	20,750	20,750
Police Department Equipment	0	0	0	153,271	153,271
Street Improvements	0	0	0	233,400	233,400
Recreation Programs	0	0	0	53,101	53,101
Drug and Alcohol Treatment	0	0	0	210,688	210,688
FEMA Programs	0	0	0	4,262	4,262
Municipal Court	0	0	245,928	271,612	517,540
Community Development	0	0	0	120,176	120,176
Debt Service	0	0	0	1,976	1,976
Capital Improvements	0	0	0	5,111	5,111
Total Restricted	<u>0</u>	<u>273,508</u>	<u>245,928</u>	<u>1,074,347</u>	<u>1,593,783</u>
Committed:					
Community Development	14,960	0	0	0	14,960
Health Department	12	0	0	0	12
Fire Department	168,953	0	0	0	168,953
Total Committed	<u>183,925</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>183,925</u>
Assigned:					
Budget Deficit	199,061	0	0	0	199,061
Other Purposes	183,940	0	0	0	183,940
Total Assigned	<u>383,001</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>383,001</u>
Total Fund Balances	<u>\$566,926</u>	<u>\$273,508</u>	<u>\$245,928</u>	<u>\$1,074,347</u>	<u>\$2,160,709</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, 2018

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 deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts. 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, and government national mortgage 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, and with certain limitations bonds and other obligations of political subdivisions 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, 2018

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.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

At December 31, 2018, one of the City's financial institutions still maintained their own collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

At year end the carrying amount of the City's deposits was \$2,742,758 and the bank balance was \$2,952,391. Federal depository insurance covered \$1,188,927 of the bank balance and \$1,763,464 was uninsured and collateralized with securities held by the pledging institutions trust department not in the City's name.

CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

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

B. Investments

The City's investments at December 31, 2018 were as follows:

	Fair Value	Credit Rating	Fair Value Hierarchy	Investment Maturities (in Years) less than 1
US Treasury Notes/Bills	\$806,453	AA+ ¹ /Aaa ²	Level 1	\$806,453
Total Investments	\$806,453			\$806,453

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. Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase.

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.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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 2018 were levied after October 1, 2017 on assessed values as of January 1, 2017, 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 2016. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

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

CITY OF IRONTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 5 - TAXES (Continued)

A. Property Taxes (Continued)

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

The full tax rate for the City's operations for the year ended December 31, 2018 was \$5.28 per \$1,000 of assessed value. The assessed value upon which the 2018 tax collections were based was \$156,815,320. This amount constitutes \$148,168,690 in real property assessed value and \$8,646,630 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.

Real Estate Tax Abatements

As of December 31, 2018, the City provides tax incentives under one (1) program, the Community Reinvestment Area (CRA).

Pursuant to Ohio Revised Code Chapter 5709, the City established a Community Reinvestment Area. The City authorizes incentives through passage of public ordinances, based upon each businesses investment criteria and through a contractual application process with each business. The abatement equals an agreed upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements. The amount of the abatement is deducted from the recipient's property tax bill. The establishment of the Community Reinvestment Area gave the City the ability to maintain and expand business located within the City and created new jobs by abating or reducing assessed valuation of properties, resulting in abated taxes, from new or improved business real estate and includes major housing improvements in specified areas.

The City has offered the CRA abatements to encourage economic stability, maintain property values, and generate new employment opportunities and population growth.

Below is the information relevant to the disclosure of this program for the year ending December 31, 2018.

	Total Amount of Taxes Abated For the year 2018
<i>Community Reinvestment Area (CRA)</i>	
Retail/Real Estate/Medical	\$13,405
	<u>\$13,405</u>

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 5 - TAXES (Continued)

B. Income Tax

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

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

NOTE 6 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2018:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$135,000	\$54,797
Municipal Court Computer Fund	0	60,000
Other Governmental Funds	54,797	75,000
Total Governmental Funds	<u>189,797</u>	<u>189,797</u>
Water Fund	24,144	0
Sewer Fund	0	14,986
Storm Water Fund	0	9,158
Total Proprietary Funds	<u>24,144</u>	<u>24,144</u>
Totals	<u>\$213,941</u>	<u>\$213,941</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 2018 transfers of \$60,000, \$50,000, and \$25,000 from the Municipal Court Computer Fund, Municipal Court Special Projects Fund, and Municipal Court Monitoring and Supervision Fund, respectively, to the General Fund were performed pursuant to a court order for the purpose of reimbursement of salaries paid out of the General Fund.

In 2018 the Sewer Fund and Storm Water Fund transferred \$14,986 and \$9,158, respectively, to the Water Fund for debt service payments.

CITY OF IRONTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 7 – ADVANCES

Following is a summary of advances for all funds for 2018:

<u>Fund</u>	<u>Advances In</u>	<u>Advances Out</u>
General Fund	\$13,492	\$0
Other Governmental Funds	0	13,492
Totals	<u>\$13,492</u>	<u>\$13,492</u>

Advances are used to temporarily provide operating resources to funds with the expectation the resources will be repaid once monies are available in the funds receiving the advance.

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CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 8 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below. 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 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 net pension liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the modified cash basis framework.

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, 2018

NOTE 8 – 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, including requirements for reduced and unreduced benefits):

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, 2018

NOTE 8 – 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.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

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

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2018 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee *	10.0 %	**	***
2018 Actual Contribution Rates			
Employer:			
Pension ****	14.0 %	18.1 %	18.1 %
Post-employment Health Care Benefits ****	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

** This rate is determined by OPERS' Board and has no maximum rate established by ORC.

*** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

**** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$372,208 for 2018.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 8 – 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 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. See OP&F CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits.

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 participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

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

	Police	Firefighters
2018 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2018 through December 31, 2018	12.25 %	12.25 %
2018 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee:		
January 1, 2018 through December 31, 2018	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OPF was \$331,250 for 2018. 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, 2018, the specific liability of the City has an outstanding balance of \$343,586, payable in semi-annual payments through the year 2035.

Pension Liabilities

The net pension liability for OPERS was measured as of December 31, 2017, 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, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. 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:

	OPERS	OP&F	Total
Proportionate Share of the Net Pension Liability	\$3,150,189	\$4,600,956	\$7,751,145
Proportion of the Net Pension Liability-2018	0.020080%	0.074965%	
Proportion of the Net Pension Liability-2017	0.019292%	0.071812%	
Percentage Change	0.000788%	0.003153%	

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.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA (Pre 1/7/13 retirees)	3 percent simple
COLA or Ad Hoc COLA (Post 1/7/13 retirees)	3 percent simple through 2018. 2.15 percent simple, thereafter
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

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.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. 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 annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82% for 2017.

CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

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 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other investments	18.00	5.26
Total	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability was 7.5 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 7.5 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 (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$5,593,933	\$3,150,189	\$1,112,843

CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPF

OPF’s total pension liability as of December 31, 2017 is based on the results of an actuarial valuation date of January 1, 2017, 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. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2017, compared with January 1, 2016, are presented below.

	January 1, 2017	January 1, 2016
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increased based on the lesser of the increase in CPI and 3 percent

For the January 1, 2017, valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

For the January 1, 2017, valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

CITY OF IRONTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

<u>Age</u>	<u>Police</u>	<u>Fire</u>
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

For the January 1, 2016 valuation, rates of death were 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 for the five year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

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CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

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, 2017 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 %	0.00 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income *	20.00	2.37
Global Inflation Protected *	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Real Assets	5.00	6.87
Master Limited Partnerships	8.00	7.36
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.

Discount Rate For 2017, the total pension liability was calculated using the discount rate of 8.00 percent. The discount rate used for 2016 was 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 8.00 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.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

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 8.00 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 (7.00 percent), or one percentage point higher (9.00 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	\$6,378,132	\$4,600,956	\$3,151,507

NOTE 9 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

For 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was effective. This GASB pronouncement had no effect on beginning net position as reported January 1, 2018, as the net OPEB liability is not reported in the accompanying financial statements. The net OPEB liability has been disclosed below.

OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 net OPEB liability represents the City's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB 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 these estimates 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 OPEB are financed; however, the City does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The net OPEB liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the modified cash basis framework.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (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 trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty 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 meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

Each year, the OPERS Board 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 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS 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 into the RMA for participants in the Member-Directed Plan for 2017 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2018.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F 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.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. 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 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

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 2018, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees is also 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.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

The City's contractually required contribution to OP&F was \$7,749 for 2018.

Net OPEB Liability

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>OPERS</u>	<u>OP&F</u>	
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.019652%	0.074965%	
Prior Measurement Date	<u>0.018960%</u>	<u>0.071812%</u>	
Change in Proportionate Share	<u>0.000692%</u>	<u>0.003153%</u>	
			<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$2,134,087	\$4,247,426	\$6,381,513

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

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 and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care 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.

CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's proportionate share of the net OPEB liability	\$2,835,226	\$2,134,087	\$1,566,872

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$2,041,866	\$2,134,087	\$2,229,348

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, 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.

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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	3.24 percent
Prior measurement date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

The long-term expected rate of return on OPEB 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 expected. 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 OP&F's target asset allocation as of December 31, 2017, are summarized below:

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income *	20.00	2.37
Global Inflation Protected Securities*	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Timber	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	<u>120.00 %</u>	

Note: Assumptions are geometric.

* levered 2x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F'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.

Discount Rate The total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.24 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.24 percent), or one percentage point higher (4.24 percent) than the current rate.

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's proportionate share of the net OPEB liability	\$5,309,334	\$4,247,426	\$3,430,335

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

	Non-Medicare	Non-AARP	AARP	Rx Drug	Medicare Part B
Year					
2017	-0.47%	-2.50%	4.50%	-0.47%	5.20%
2018	7.00%	7.00%	4.50%	7.00%	5.10%
2019	6.50%	6.50%	4.50%	6.50%	5.00%
2020	6.00%	6.00%	4.50%	6.00%	5.00%
2021	5.50%	5.50%	4.50%	5.50%	5.00%
2022	5.00%	5.00%	4.50%	5.00%	5.00%
2023 and Later	4.50%	4.50%	4.50%	4.50%	5.00%

To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current healthcare cost trend current rates as outlined in the table above, a one percent decrease in the trend rates and a one percent increase in the trend rates.

	1% Decrease	Current Rates	1% Increase
City's proportionate share of the net OPEB liability	\$3,299,477	\$4,247,426	\$5,524,941

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 10 - LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 2018 were as follows:

				Balance December 31, 2017	Additions	(Reductions)	Balance December 31, 2018	Due Within One Year
Business-Type Activities:								
Ohio Water Development Authority Loans (OWDA):								
2.00%	Water Plant Construction	1994	\$309,807	\$0	(\$309,807)	\$0	\$0	
2.00%	Water Meter Replacement	2011	803,184	0	(25,693)	777,491	26,209	
Total Ohio Water Development Authority Loans			<u>1,112,991</u>	<u>0</u>	<u>(335,500)</u>	<u>777,491</u>	<u>26,209</u>	
Ohio Public Works Commission Loans (OPWC):								
0.00%	Railroad Street Sanitary Sewer	2006	33,750	0	(1,875)	31,875	3,750	
0.00%	Storm Sewer Separation	2013	18,630	0	(466)	18,164	931	
0.00%	Water Storage Improvement	2009	172,500	0	(7,500)	165,000	15,000	
Total Ohio Public Works Commission Loans			<u>224,880</u>	<u>0</u>	<u>(9,841)</u>	<u>215,039</u>	<u>19,681</u>	
General Obligation Bonds:								
5.22%	Water Storage	2008	677,000	0	(99,000)	578,000	104,000	
2.0-5.25%	Sewer System Improvement	2011	9,650,000	0	(255,000)	9,395,000	260,000	
2.35%	Storm Water Improvement	2016	750,000	0	(85,000)	665,000	90,000	
1.75%	Refuse Vehicle	2015	69,180	0	(34,290)	34,890	34,890	
Total General Obligation Bonds			<u>11,146,180</u>	<u>0</u>	<u>(473,290)</u>	<u>10,672,890</u>	<u>488,890</u>	
Total Business-Type Activities			<u>\$12,484,051</u>	<u>\$0</u>	<u>(\$818,631)</u>	<u>\$11,665,420</u>	<u>\$534,780</u>	
Governmental Activities:								
General Obligation Bonds:								
3.40%	Building Improvement Refunding	2013	\$470,000	\$0	(\$90,000)	\$380,000	\$90,000	
3.40%	Fire House Construction Refunding	2013	935,000	0	(45,000)	890,000	45,000	
2.45%	Police Equipment/Vehicles	2017	180,000	0	(34,510)	145,490	35,130	
Total General Obligation Bonds			<u>1,585,000</u>	<u>0</u>	<u>(169,510)</u>	<u>1,415,490</u>	<u>170,130</u>	
Installment Loans:								
3.50%	Moulten Field Flood System	2017	496,912	0	(43,068)	453,844	46,449	
2.15%	Pumper Fire Truck	2014	229,921	0	(51,953)	177,968	57,067	
Total Installment Loans			<u>726,833</u>	<u>0</u>	<u>(95,021)</u>	<u>631,812</u>	<u>103,516</u>	
Police/Fire Accrued Pension Obligations			<u>357,768</u>	<u>0</u>	<u>(14,182)</u>	<u>343,586</u>	<u>14,792</u>	
Total Governmental Activities			<u>\$2,669,601</u>	<u>\$0</u>	<u>(\$278,713)</u>	<u>\$2,390,888</u>	<u>\$288,438</u>	

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 10 - 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, 2018, follows:

Years	OWDA Loans		General Obligation Bonds		OPWC Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$26,209	\$15,419	\$659,020	\$549,230	\$19,681	\$0
2020	26,735	14,893	650,990	527,479	19,681	0
2021	27,273	14,355	671,770	504,361	19,681	0
2022	27,822	13,807	698,600	478,745	19,681	0
2023	28,381	13,247	578,000	452,043	19,681	0
2024-2028	150,694	57,450	2,215,000	1,965,434	92,782	0
2029-2033	166,459	41,684	2,500,000	1,460,815	19,657	0
2034-2038	183,875	24,269	2,785,000	802,725	4,195	0
2039-2042	140,043	5,656	1,330,000	105,788	0	0
Totals	<u>\$777,491</u>	<u>\$200,780</u>	<u>\$12,088,380</u>	<u>\$6,846,620</u>	<u>\$215,039</u>	<u>\$0</u>

Years	Police/Fire Accrued Pension Liability		Installment Loans	
	Principal	Interest	Principal	Interest
	2019	\$14,792	\$14,447	\$103,516
2020	15,427	13,812	106,866	16,833
2021	16,089	13,149	111,907	13,272
2022	16,781	12,458	51,582	10,115
2023	17,501	11,737	53,417	8,281
2024-2028	99,449	46,743	204,524	13,592
2029-2033	122,721	23,470	0	0
2034-2035	40,826	1,716	0	0
Totals	<u>\$343,586</u>	<u>\$137,532</u>	<u>\$631,812</u>	<u>\$82,277</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, 2018 was \$481,118 in principal and interest payments through the year 2035. Only the principal amount of \$343,586 is included in the Long-Term debt amount.

B. 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 31, 2018 current value of \$1,146,733 and a hold value of \$177,968.

C. Moulten Field Flood System Installment Loan

Collateral for the 2017 Moulten Field Flood System installment loan consists of a certificate of deposit in the name of the City of Ironton with a December 31, 2018 current value of \$1,146,733 and a hold value of \$453,844 related to this loan.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 11 - 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, 2018 PEP retained \$500,000 for casualty claims and \$250,000 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Assets	\$49,921,998	\$44,452,326
Liabilities	<u>(14,676,199)</u>	<u>(13,004,011)</u>
Net Position	<u>\$35,245,799</u>	<u>\$31,448,315</u>

At December 31, 2017 and 2018, respectively, the liabilities above include approximately \$11.8 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million and \$11.8 million of unpaid claims to be billed. The Pool's membership increased from 527 members in 2017 to 538 members in 2018. These amounts will be included in future contributions from members when the related claims are due for payment.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 11 - RISK MANAGEMENT (Continued)

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

Contributions to PEP

2017	\$107,210
2018	\$108,079

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 12 - 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 agreement 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, 2018.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 13 - 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, 2018**

NOTE 13 - 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 14 – SIGNIFICANT COMMITMENTS

The City had the following significant contractual commitments at December 31, 2018:

Project	Remaining Contractual Commitment
Sanitary Sewer Separation Phase IV	\$58,051
Ironton General Engineering Services	25,000
Riverfront Bike Trail	985,883
	\$1,068,934

CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 14 – SIGNIFICANT COMMITMENTS (Continued)

Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrances accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

At December 31, 2018 the City had encumbrance commitments in the Governmental Funds as follows:

Fund	Encumbrances
Governmental Funds:	
General	\$196,101
Flood	10,681
Municipal Court Computer	14,745
Other Governmental Funds	27,924
Total Governmental Funds	<u>\$249,451</u>

NOTE 15 – SUBSEQUENT EVENTS

On February 20, 2019, the City obtained a line of credit in the amount of \$250,000 which was approved by Council at the September 27, 2018 meeting. The line of credit is to be drawn upon to pay the City's 10% matching portion for labor and materials costs associated with the Lawrence-Ironton bike trail construction project. Once the City receives the reimbursement for their expenditures, the City will then use that money to repay monies borrowed through the line of credit. The line of credit is at an interest rate of 3.620% per annum based on a year of 360 days. The loan is to be repaid in one payment of all outstanding principal plus all accrued unpaid interest on February 20, 2020. As of August 1, 2019, the City has received \$0 relating to this line of credit.

On July 25, 2019, Council approved an ordinance to be placed on the ballot for the voters of the City to approve a 0.75% increase in City income tax (from 1.0% to 1.75%) for the purpose of providing revenue to be earmarked for street paving, alley clean-up and maintenance, sewer separation expenses, Water Plant renovations, heavy equipment replacement and for additional workers in the Street Department of the City.

On August 22, 2019, Council authorized the issuance and sale of not to exceed \$9,250,000 of Sewer System Refunding Bonds, Series 2010. Additionally, on August 22, 2019, Council approved the following bonds issuances which are intended to be consolidated into a single issue pending approval of additional items: the issuance of not to exceed \$270,000 for acquiring equipment for the Storm Water Department, the issuance of not to exceed \$75,000 of bonds for acquiring equipment for the Water Distribution Department, and the issuance of not to exceed \$600,000 of bonds for refunding the Water System Improvement Bonds, Series 2018. As of September 13, 2019, the bond issuances have not been finalized.

CITY OF IRONTON, OHIO

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF IRONTON, OHIO

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

Ohio Public Employees Retirement System

Year	<u>2014</u>	<u>2015</u>	<u>2016</u>
City's proportion of the net pension liability (asset)	0.018480%	0.018480%	0.019369%
City's proportionate share of the net pension liability (asset)	\$2,178,602	\$2,228,948	\$3,354,908
City's covered payroll	\$2,279,438	\$2,250,508	\$2,408,458
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	95.58%	99.04%	139.30%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%

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

Ohio Police and Fire Pension Fund

Year	<u>2014</u>	<u>2015</u>	<u>2016</u>
City's proportion of the net pension liability (asset)	0.069064%	0.069064%	0.080443%
City's proportionate share of the net pension liability (asset)	\$3,363,628	\$3,577,798	\$5,174,974
City's covered payroll	\$1,409,147	\$1,397,339	\$1,622,091
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	238.70%	256.04%	319.03%
Plan fiduciary net position as a percentage of the total pension liability	73.00%	72.20%	66.77%

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 2014 is not available.

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

CITY OF IRONTON, OHIO

<u>2017</u>	<u>2018</u>
0.019292%	0.020080%
\$4,380,882	\$3,150,189
\$2,492,475	\$2,698,500
175.76%	116.74%
77.25%	84.66%

<u>2017</u>	<u>2018</u>
0.071812%	0.074965%
\$4,548,477	\$4,600,956
\$1,524,281	\$1,553,130
298.40%	296.24%
68.36%	70.91%

CITY OF IRONTON, OHIO

***Schedule of City Pension Contributions
Last Six 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 payroll	\$2,279,438	\$2,250,508	\$2,408,458
Contributions as a percentage of covered 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 payroll	\$1,409,147	\$1,397,339	\$1,622,091
Contributions as a percentage of covered 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.

CITY OF IRONTON, OHIO

<u>2016</u>	<u>2017</u>	<u>2018</u>
\$299,097	\$350,805	\$372,208
<u>299,097</u>	<u>350,805</u>	<u>372,208</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,492,475	\$2,698,500	\$2,658,629
12.00%	13.00%	14.00%

<u>2016</u>	<u>2017</u>	<u>2018</u>
\$325,914	\$331,978	\$331,250
<u>325,914</u>	<u>331,978</u>	<u>331,250</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,524,281	\$1,553,130	\$1,549,748
21.38%	21.37%	21.37%

CITY OF IRONTON, OHIO

***Schedule of City's Proportionate Share of the Net Other Postemployment Benefits (OPEB) Liability
Last Two Years***

Ohio Public Employees Retirement System

Year	<u>2017</u>	<u>2018</u>
City's proportion of the net OPEB liability (asset)	0.018960%	0.019652%
City's proportionate share of the net OPEB liability (asset)	\$1,915,033	\$2,134,087
City's covered payroll	\$2,492,475	\$2,698,500
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	76.83%	79.08%
Plan fiduciary net position as a percentage of the total OPEB liability	54.50%	54.14%

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

Ohio Police and Fire Pension Fund

Year	<u>2017</u>	<u>2018</u>
City's proportion of the net OPEB liability (asset)	0.071812%	0.074965%
City's proportionate share of the net OPEB liability (asset)	\$3,408,737	\$4,247,426
City's covered payroll	\$1,524,281	\$1,553,130
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	223.63%	273.48%
Plan fiduciary net position as a percentage of the total OPEB liability	15.96%	14.13%

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

Notes: The City implemented GASB Statement 75 in 2018.

Information prior to 2017 is not available.

The schedule is reported as of the fiscal date of the Net OPEB Liability.

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CITY OF IRONTON, OHIO

Schedule of City's Other Postemployment Benefit (OPEB) Contributions Last Six Years

Ohio Public Employees Retirement System

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$22,794	\$45,010	\$48,169
Contributions in relation to the contractually required contribution	<u>22,794</u>	<u>45,010</u>	<u>48,169</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$2,279,438	\$2,250,508	\$2,408,458
Contributions as a percentage of covered payroll	1.00%	2.00%	2.00%

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	\$46,891	\$6,987	\$8,110
Contributions in relation to the contractually required contribution	<u>46,891</u>	<u>6,987</u>	<u>8,110</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$1,409,147	\$1,397,339	\$1,622,091
Contributions as a percentage of covered payroll	3.33%	0.50%	0.50%

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

Notes: The City implemented GASB Statement 75 in 2018.

Information prior to 2013 is not available.

CITY OF IRONTON, OHIO

<u>2016</u>	<u>2017</u>	<u>2018</u>
\$49,850	\$26,985	\$0
<u>49,850</u>	<u>26,985</u>	<u>0</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,492,475	\$2,698,500	\$2,658,629
2.00%	1.00%	0.00%

<u>2016</u>	<u>2017</u>	<u>2018</u>
\$7,621	\$7,766	\$7,749
<u>7,621</u>	<u>7,766</u>	<u>7,749</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,524,281	\$1,553,130	\$1,549,748
0.50%	0.50%	0.50%

CITY OF IRONTON, OHIO

Notes to the Required Supplemental Information For the Year Ended December 31, 2018

NET PENSION LIABILITY

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2018.

Changes in assumptions:

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2017: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 8.00% to 7.50%
- Decrease in wage inflation from 3.75% to 3.25%
- Change in future salary increases from a range of 4.25%-10.02% to 3.25%-10.75%
- Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality Table.

2018: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2018.

Changes in assumptions:

2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2018: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 8.25% to 8.00%
- Decrease salary increases from 3.75% to 3.25%
- Change in payroll growth from 3.75% to 3.25%
- Reduce DROP interest rate from 4.5% to 4.0%
- Reduce CPI-based COLA from 2.6% to 2.2%
- Inflation component reduced from 3.25% to 2.75%
- For the January 1, 2017, valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006
- For the January 1, 2017, valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006

CITY OF IRONTON, OHIO

Notes to the Required Supplemental Information For the Year Ended December 31, 2018

NET OPEB LIABILITY

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: For 2018, there were no changes in benefit terms.

Changes in assumptions: For 2018, the single discount rate changed from 4.23% to 3.85%.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms: For 2018, there were no changes in benefit terms.

Changes in assumptions: For 2018, the single discount rate changed from 3.79% to 3.24%.

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OHIO AUDITOR OF STATE KEITH FABER



Corporate Centre of Blue Ash
11117 Kenwood Road
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(513) 361-8550 or (800) 368-7419
SouthwestRegion@ohioauditor.gov

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
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 modified cash-basis 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, (the City) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 16, 2019, wherein we noted the City uses a special purpose framework other than generally accepted accounting principles. We also noted the City adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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 City'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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-001.

City's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not subject the City's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

September 16, 2019

**CITY OF IRONTON
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018**

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

FINDING NUMBER 2018-001

Noncompliance

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

Ohio Admin. Code § 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the City to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The City prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the City may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the City's ability to evaluate and monitor the overall financial condition of the City. To help provide the users with more meaningful financial statements, the City should prepare its annual financial statements according to generally accepted accounting principles.

Officials' Response:

Finance Director will strive to comply in accordance with the ORC for filing upon availability of financial resources.

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**CITY OF IRONTON
LAWRENCE COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2018**

Finding Number	Finding Summary	Status	Additional Information
2017-001	Ohio Admin. Code § 117-2-03 – Financial statements not prepared following generally accepted accounting principles.	Not Corrected	See Finding Number 2018-001.

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OHIO AUDITOR OF STATE KEITH FABER



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
SEPTEMBER 26, 2019**