



OHIO AUDITOR OF STATE  
**KEITH FABER**





**CITY OF IRONTON  
LAWRENCE COUNTY  
DECEMBER 31, 2020**

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CITY OF IRONTON  
LAWRENCE COUNTY  
DECEMBER 31, 2020

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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, 2020, 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, 2020, and the respective changes in modified cash financial position and the budgetary comparison for the General and CARES Act 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 13 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City. We did not modify our opinion regarding this matter.

***Other Matters***

***Supplementary Information***

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***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 2, 2021, 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 2, 2021

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# **CITY OF IRONTON, OHIO**

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## ***Management's Discussion and Analysis For the Year Ended December 31, 2020***

***Unaudited***

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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, 2020. 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 2020 are as follows:

- ❑ In total, net position increased \$1,149,095. Net position of governmental activities increased \$1,698,232, which represents a 65% change from 2019. Net position of business-type activities decreased \$549,137, or 19%.
- ❑ General receipts accounted for \$13,798,376, or 57% 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 \$10,430,093, or 43% of total receipts of \$24,228,469.
- ❑ The City had \$7,698,238 in disbursements related to governmental activities; only \$4,819,107 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 \$4,572,283 and net position were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$6,105,516 in receipts and \$4,795,928 in disbursements. The general fund's fund balance increased \$1,063,633.

### **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

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*Management's Discussion and Analysis  
For the Year Ended December 31, 2020*

*Unaudited*

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## **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, 2020**

**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 and Statement of Changes in 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, 2020 and 2019:

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets:						
Pooled Cash and Investments	\$4,314,262	\$2,616,030	\$1,679,862	\$2,098,967	\$5,994,124	\$4,714,997
Cash and Cash Equivalents	0	0	694,536	824,568	694,536	824,568
Total Assets	<u>4,314,262</u>	<u>2,616,030</u>	<u>2,374,398</u>	<u>2,923,535</u>	<u>6,688,660</u>	<u>5,539,565</u>
Net Position:						
Restricted	2,264,422	1,910,754	694,536	0	2,958,958	1,910,754
Unrestricted	<u>2,049,840</u>	<u>705,276</u>	<u>1,679,862</u>	<u>2,923,535</u>	<u>3,729,702</u>	<u>3,628,811</u>
Total Net Position	<u>\$4,314,262</u>	<u>\$2,616,030</u>	<u>\$2,374,398</u>	<u>\$2,923,535</u>	<u>\$6,688,660</u>	<u>\$5,539,565</u>

## CITY OF IRONTON, OHIO

### Management's Discussion and Analysis For the Year Ended December 31, 2020

*Unaudited*

**Changes in Net Position** – The following table shows the changes in net position for 2020 and 2019:

	Governmental Activities		Business-type Activities		Total	Total
	2020	2019	2020	2019	2020	2019
Receipts						
Program Receipts:						
Charges for Services and Sales	\$2,491,547	\$2,437,172	\$5,610,986	\$5,527,385	\$8,102,533	\$7,964,557
Operating Grants and Contributions	2,072,500	1,595,451	0	0	2,072,500	1,595,451
Capital Grants and Contributions	255,060	850,535	0	0	255,060	850,535
Total Program Receipts	<u>4,819,107</u>	<u>4,883,158</u>	<u>5,610,986</u>	<u>5,527,385</u>	<u>10,430,093</u>	<u>10,410,543</u>
General Receipts:						
Taxes	3,357,851	3,322,907	0	0	3,357,851	3,322,907
Intergovernmental, Unrestricted	415,362	391,234	0	0	415,362	391,234
Investment Earnings	24,272	27,198	11,093	26,748	35,365	53,946
Bond Issuance	0	0	9,215,000	1,868,145	9,215,000	1,868,145
Miscellaneous	774,798	412,406	0	0	774,798	412,406
Total General Receipts	<u>4,572,283</u>	<u>4,153,745</u>	<u>9,226,093</u>	<u>1,894,893</u>	<u>13,798,376</u>	<u>6,048,638</u>
Total Receipts	<u>9,391,390</u>	<u>9,036,903</u>	<u>14,837,079</u>	<u>7,422,278</u>	<u>24,228,469</u>	<u>16,459,181</u>
Program Disbursements						
Security of Persons and Property	3,788,452	3,421,307	0	0	3,788,452	3,421,307
Public Health and Welfare Services	43,325	41,298	0	0	43,325	41,298
Leisure Time Activities	113,790	106,061	0	0	113,790	106,061
Community Environment	79,232	890,712	0	0	79,232	890,712
Transportation	641,144	502,218	0	0	641,144	502,218
General Government	2,395,976	2,257,463	0	0	2,395,976	2,257,463
Capital Outlay	287,422	958,986	0	0	287,422	958,986
Debt Service:						
Principal Retirement	288,364	270,355	0	0	288,364	270,355
Interest and Fiscal Charges	60,533	74,941	0	0	60,533	74,941
Water	0	0	2,301,585	2,738,098	2,301,585	2,738,098
Sewer	0	0	6,799,698	1,782,985	6,799,698	1,782,985
Sanitation	0	0	703,859	702,706	703,859	702,706
Storm Water	0	0	5,575,994	693,133	5,575,994	693,133
Total Disbursements	<u>7,698,238</u>	<u>8,523,341</u>	<u>15,381,136</u>	<u>5,916,922</u>	<u>23,079,374</u>	<u>14,440,263</u>
Change in Net Position Before Transfers and Advances	1,693,152	513,562	(544,057)	1,505,356	1,149,095	2,018,918
Transfers and Advances	5,080	(85,000)	(5,080)	85,000	0	0
Change in Net Position	1,698,232	428,562	(549,137)	1,590,356	1,149,095	2,018,918
Beginning Net Position	2,616,030	2,187,468	2,923,535	1,333,179	5,539,565	3,520,647
Ending Net Position	<u>\$4,314,262</u>	<u>\$2,616,030</u>	<u>\$2,374,398</u>	<u>\$2,923,535</u>	<u>\$6,688,660</u>	<u>\$5,539,565</u>

### Governmental Activities

Net position of the City's Governmental Activities increased \$1,698,232. The City received approximately \$900,000 in Coronavirus Relief Funds through the CARES Act, which are reported as operating grants and contributions. Operating grants and contributions were received in the prior year for the second phase of the gateway project, resulting in a subsequent decrease in community environment disbursements in the current year. Capital grants received in the prior year from the Ohio Department of Transportation for trail and walkway improvements resulted in a subsequent decrease in capital grants and capital outlay in the current year. An increase in miscellaneous receipts can be attributed to refunds received from the Ohio Bureau of Worker's Compensation.

## **CITY OF IRONTON, OHIO**

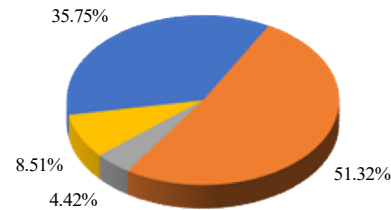
**Management's Discussion and Analysis  
For the Year Ended December 31, 2020**

**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 36% of receipts for governmental activities in 2020. The City's reliance upon tax receipts is demonstrated by the following graph:

Receipts	2020	Percent of Total
Taxes	\$3,357,851	35.75%
Program Receipts	4,819,107	51.32%
Intergovernmental, Unrestricted	415,362	4.42%
General Other	799,070	8.51%
Total Receipts	<u>\$9,391,390</u>	<u>100.00%</u>



### **Business-type Activities**

Net position of the City's business-type activities decreased \$549,137. Charges for services were consistent with the prior year. The City issued \$9,215,000 of refunding bonds in 2020 which were used to retire \$8,865,000 of revenue bonds issued in 2011 in the Sewer and Storm Water departments.

### **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The City's governmental funds reported a combined fund balance of \$4,308,789, which is an increase from last year's balance of \$2,611,488. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2020 and 2019:

	Fund Balance December 31, 2020	Fund Balance December 31, 2019	Increase (Decrease)
General	\$1,764,367	\$700,734	\$1,063,633
CARES Act	288	0	288
Other Governmental	2,544,134	1,910,754	633,380
Total	<u>\$4,308,789</u>	<u>\$2,611,488</u>	<u>\$1,697,301</u>

## **CITY OF IRONTON, OHIO**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2020**

**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:

	2020 <u>Receipts</u>	2019 <u>Receipts</u>	Increase <u>(Decrease)</u>
Taxes	\$2,918,489	\$2,890,419	\$28,070
Intergovernmental Receipts	629,742	468,331	161,411
Charges for Services	1,733,132	1,710,616	22,516
Licenses and Permits	37,569	36,216	1,353
Investment Earnings	14,585	16,806	(2,221)
Fines and Forfeitures	236,658	267,833	(31,175)
All Other Receipts	535,341	244,485	290,856
Total	<u>\$6,105,516</u>	<u>\$5,634,706</u>	<u>\$470,810</u>

General Fund receipts increased \$470,810, or approximately 8%. An increase in intergovernmental receipts was the result of grants received for a bike trail project. An increase in all other receipts can be attributed to refunds received from the Ohio Bureau of Worker's Compensation.

	2020 <u>Disbursements</u>	2019 <u>Disbursements</u>	Increase <u>(Decrease)</u>
Current:			
Security of Persons and Property	\$2,191,516	\$2,912,641	(\$721,125)
Public Health and Welfare Services	43,325	41,298	2,027
Community Environment	8,471	33,731	(25,260)
General Government	2,018,349	1,952,487	65,862
Capital Outlay	287,422	235,084	52,338
Debt Service:			
Principal Retirement	204,439	191,203	13,236
Interest and Fiscal Charges	42,406	49,827	(7,421)
Total	<u>\$4,795,928</u>	<u>\$5,416,271</u>	<u>(\$620,343)</u>

General Fund disbursements decreased \$620,343, or 11%. This decrease can mostly be attributed to police and fire department costs that were paid from the CARES Act Fund.

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

For the General Fund, actual budget basis receipts of \$5.6 million did not significantly change from original and final budget estimates. Actual budget basis disbursements of \$5.6 million did not significantly change from original and final budget estimates. The General Fund actual fund balance at year end was \$1,480,444.

## **CITY OF IRONTON, OHIO**

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**Management's Discussion and Analysis  
For the Year Ended December 31, 2020**

**Unaudited**

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### **DEBT ADMINISTRATION**

The following table summarizes the City's debt outstanding as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Business-Type Activities:		
Ohio Water Development Authority Loans	\$724,546	\$751,282
Ohio Public Works Commission Loans	175,677	195,358
Revenue Bonds	9,150,000	9,135,000
General Obligation Bonds	1,965,658	2,319,145
Total Business-Type Activities	<u>12,015,881</u>	<u>12,400,785</u>
Governmental Activities:		
General Obligation Bonds	1,064,370	1,245,360
Installment Loans	424,213	531,587
Police and Firemen's Accrued Pension	313,367	328,794
Total Governmental Activities	<u>1,801,950</u>	<u>2,105,741</u>
Totals	<u>\$13,817,831</u>	<u>\$14,506,526</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, 2020, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 8.

### **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. 3<sup>rd</sup> St. – 2<sup>nd</sup> Floor, PO Box 704, Ironton, Ohio 45638.

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## *CITY OF IRONTON, OHIO*

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### *Statement of Net Position – Modified Cash Basis December 31, 2020*

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	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Pooled Cash and Investments	\$ 4,314,262	\$ 1,679,862	\$ 5,994,124
Restricted Assets:			
Cash and Cash Equivalents	0	641,112	641,112
Cash and Cash Equivalents with Fiscal Agent	0	53,424	53,424
<b>Total Assets</b>	<u>4,314,262</u>	<u>2,374,398</u>	<u>6,688,660</u>
<b>Net Position:</b>			
Restricted For:			
Capital Projects	5,111	0	5,111
Debt Service	2,769	694,536	697,305
Streets and Highways	540,293	0	540,293
Security of Persons and Property	1,387,059	0	1,387,059
Other Purposes	329,190	0	329,190
Unrestricted	2,049,840	1,679,862	3,729,702
<b>Total Net Position</b>	<u>\$ 4,314,262</u>	<u>\$ 2,374,398</u>	<u>\$ 6,688,660</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, 2020*

	Disbursements	Program Receipts		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Security of Persons and Property	\$ 3,788,452	\$ 1,036,238	\$ 956,991	\$ 8,671
Public Health and Welfare Services	43,325	0	0	0
Leisure Time Activities	113,790	3,691	0	246,389
Community Environment	79,232	115,625	55,492	0
Transportation	641,144	0	729,116	0
General Government	2,395,976	1,335,993	330,901	0
Capital Outlay	287,422	0	0	0
Principal Retirement	288,364	0	0	0
Interest and Fiscal Charges	60,533	0	0	0
<b>Total Governmental Activities</b>	<b>7,698,238</b>	<b>2,491,547</b>	<b>2,072,500</b>	<b>255,060</b>
<b>Business-Type Activities:</b>				
Water	2,301,585	2,105,368	0	0
Sewer	6,799,698	1,859,185	0	0
Sanitation	703,859	724,928	0	0
Storm Water	5,575,994	921,505	0	0
<b>Total Business-Type Activities</b>	<b>15,381,136</b>	<b>5,610,986</b>	<b>0</b>	<b>0</b>
<b>Totals</b>	<b>\$ 23,079,374</b>	<b>\$ 8,102,533</b>	<b>\$ 2,072,500</b>	<b>\$ 255,060</b>

#### **General Receipts, Transfers, and Advances**

Property Taxes

Municipal Income Taxes

Other Local Taxes

Intergovernmental, Unrestricted

Investment Earnings

Refunding Bonds Issued

Miscellaneous

Transfers

Advances

Total General Receipts, Transfers, and Advances

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
\$ (1,786,552)	\$ 0	\$ (1,786,552)
(43,325)	0	(43,325)
136,290	0	136,290
91,885	0	91,885
87,972	0	87,972
(729,082)	0	(729,082)
(287,422)	0	(287,422)
(288,364)	0	(288,364)
(60,533)	0	(60,533)
<u>(2,879,131)</u>	<u>0</u>	<u>(2,879,131)</u>
0	(196,217)	(196,217)
0	(4,940,513)	(4,940,513)
0	21,069	21,069
0	(4,654,489)	(4,654,489)
<u>0</u>	<u>(9,770,150)</u>	<u>(9,770,150)</u>
<u>\$ (2,879,131)</u>	<u>\$ (9,770,150)</u>	<u>\$ (12,649,281)</u>
754,441	0	754,441
2,583,859	0	2,583,859
19,551	0	19,551
415,362	0	415,362
24,272	11,093	35,365
0	9,215,000	9,215,000
774,798	0	774,798
80	(80)	0
5,000	(5,000)	0
<u>4,577,363</u>	<u>9,221,013</u>	<u>13,798,376</u>
1,698,232	(549,137)	1,149,095
<u>2,616,030</u>	<u>2,923,535</u>	<u>5,539,565</u>
<u>\$ 4,314,262</u>	<u>\$ 2,374,398</u>	<u>\$ 6,688,660</u>

**CITY OF IRONTON, OHIO**

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**Balance Sheet – Modified Cash Basis  
Governmental Funds  
December 31, 2020**

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	General	CARES Act	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Pooled Cash and Investments	\$ 1,764,367	\$ 288	\$ 2,544,134	\$ 4,308,789
<b>Total Assets</b>	<b>\$ 1,764,367</b>	<b>\$ 288</b>	<b>\$ 2,544,134</b>	<b>\$ 4,308,789</b>
<b>Fund Balances:</b>				
Restricted	\$ 0	\$ 288	\$ 2,264,134	\$ 2,264,422
Committed	148,135	0	0	148,135
Assigned	73,527	0	280,000	353,527
Unassigned	1,542,705	0	0	1,542,705
<b>Total Fund Balances</b>	<b>\$ 1,764,367</b>	<b>\$ 288</b>	<b>\$ 2,544,134</b>	<b>\$ 4,308,789</b>

See accompanying notes to the basic financial statements

**CITY OF IRONTON, OHIO**

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***Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities - Modified Cash Basis  
December 31, 2020***

---

**Total Governmental Fund Balances** \$ 4,308,789

***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

5,473

***Net Position of Governmental Activities***

\$ 4,314,262

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, 2020*

	General	CARES Act	Other Governmental Funds	Total Governmental Funds
<b>Receipts:</b>				
Taxes	\$ 2,918,489	\$ 0	\$ 439,362	\$ 3,357,851
Intergovernmental Receipts	629,742	928,363	1,184,817	2,742,922
Charges for Services	1,733,132	0	440,500	2,173,632
Licenses and Permits	37,569	0	0	37,569
Investment Earnings	14,585	0	9,687	24,272
Fines and Forfeitures	236,658	0	43,688	280,346
All Other Receipts	535,341	0	239,457	774,798
<b>Total Receipts</b>	<b>6,105,516</b>	<b>928,363</b>	<b>2,357,511</b>	<b>9,391,390</b>
<b>Disbursements:</b>				
Current:				
Security of Persons and Property	2,191,516	928,075	773,620	3,893,211
Public Health and Welfare Services	43,325	0	0	43,325
Leisure Time Activities	0	0	113,790	113,790
Community Environment	8,471	0	70,761	79,232
Transportation	0	0	641,144	641,144
General Government	2,018,349	0	378,558	2,396,907
Capital Outlay	287,422	0	0	287,422
Debt Service:				
Principal Retirement	204,439	0	83,925	288,364
Interest and Fiscal Charges	42,406	0	18,127	60,533
<b>Total Disbursements</b>	<b>4,795,928</b>	<b>928,075</b>	<b>2,079,925</b>	<b>7,803,928</b>
Excess (Deficiency) of Receipts Over (Under) Disbursements	1,309,588	288	277,586	1,587,462
<b>Other Financing Sources (Uses):</b>				
Insurance Proceeds	0	0	104,759	104,759
Transfers In	40,545	0	11,500	52,045
Transfers Out	(11,500)	0	(40,465)	(51,965)
Advances In	85,000	0	280,000	365,000
Advances Out	(360,000)	0	0	(360,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(245,955)</b>	<b>0</b>	<b>355,794</b>	<b>109,839</b>
Net Change in Fund Balances	1,063,633	288	633,380	1,697,301
<b>Fund Balances at Beginning of Year</b>	<b>700,734</b>	<b>0</b>	<b>1,910,754</b>	<b>2,611,488</b>
<b>Fund Balances End of Year</b>	<b>\$ 1,764,367</b>	<b>\$ 288</b>	<b>\$ 2,544,134</b>	<b>\$ 4,308,789</b>

See accompanying notes to the basic financial statements

**CITY OF IRONTON, OHIO**

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***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, 2020***

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Net Change in Fund Balances - Total Governmental Funds \$ 1,697,301

*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	931
<b><i>Change in Net Position of Governmental Activities</i></b>	<u><u>\$ 1,698,232</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, 2020**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Receipts:</b>				
Taxes	\$ 2,827,525	\$ 2,924,725	\$ 2,898,938	\$ (25,787)
Intergovernmental Receipts	643,625	629,745	629,742	(3)
Charges for Services	951,000	1,281,230	1,282,826	1,596
Licenses and Permits	37,885	37,755	37,569	(186)
Investment Earnings	14,265	9,485	9,395	(90)
Fines and Forfeitures	249,310	238,245	238,250	5
All Other Receipts	470,450	502,250	510,059	7,809
Total Receipts	<u>5,194,060</u>	<u>5,623,435</u>	<u>5,606,779</u>	<u>(16,656)</u>
<b>Disbursements:</b>				
Current:				
Security of Persons and Property	3,020,666	3,070,525	3,058,229	12,296
Public Health and Welfare Services	41,240	43,741	43,325	416
General Government	2,112,851	2,131,639	2,084,818	46,821
Capital Outlay	284,585	297,134	287,422	9,712
Debt Service:				
Principal Retirement	104,860	104,860	104,860	0
Total Disbursements	<u>5,564,202</u>	<u>5,647,899</u>	<u>5,578,654</u>	<u>69,245</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	(370,142)	(24,464)	28,125	52,589
<b>Other Financing Sources (Uses):</b>				
Transfers In	346,997	1,255,214	1,256,797	1,583
Transfers Out	0	(11,500)	(17,705)	(6,205)
Advances In	0	85,000	85,000	0
Advances Out	(285,110)	(360,000)	(360,000)	0
Total Other Financing Sources (Uses):	<u>61,887</u>	<u>968,714</u>	<u>964,092</u>	<u>(4,622)</u>
Net Changes in Fund Balance	(308,255)	944,250	992,217	47,967
Fund Balance at Beginning of Year	465,829	465,829	465,829	0
Prior Year Encumbrances	22,398	22,398	22,398	0
Fund Balance at End of Year	<u>\$ 179,972</u>	<u>\$ 1,432,477</u>	<u>\$ 1,480,444</u>	<u>\$ 47,967</u>

See accompanying notes to the basic financial statements

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**CITY OF IRONTON, OHIO**

**Statement of Receipts, Disbursements and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
CARES Act Fund  
For the Year Ended December 31, 2020**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Receipts:</b>				
Intergovernmental Receipts	\$ 0	\$ 928,363	\$ 928,363	\$ 0
Total Receipts	0	928,363	928,363	0
<b>Disbursements:</b>				
Current:				
Security of Persons and Property	0	20,362	20,362	0
Total Disbursements	0	20,362	20,362	0
Excess (Deficiency) of Receipts Over (Under) Disbursements	0	908,001	908,001	0
<b>Other Financing Sources (Uses):</b>				
Transfers Out	0	(908,001)	(908,001)	0
Total Other Financing Sources (Uses):	0	(908,001)	(908,001)	0
Net Changes in Fund Balance	0	0	0	0
Fund Balance at Beginning of Year	0	0	0	0
Fund Balance at End of Year	\$ 0	\$ 0	\$ 0	\$ 0

See accompanying notes to the basic financial statements

**CITY OF IRONTON, OHIO**

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**Statement of Net Position – Modified Cash Basis  
Proprietary Funds  
December 31, 2020**

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	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Sanitation
<b>Assets:</b>			
<i>Current Assets:</i>			
Pooled Cash and Investments	\$ 615,715	\$ 465,635	\$ 203,240
Restricted Assets:			
Cash and Cash Equivalents	0	320,556	0
Cash and Cash Equivalents with Fiscal Agent	0	26,712	0
<b>Total Assets</b>	615,715	812,903	203,240
<b>Net Position:</b>			
Restricted For:			
Debt Service	0	347,268	0
Unrestricted	615,715	465,635	203,240
<b>Total Net Position</b>	\$ 615,715	\$ 812,903	\$ 203,240

See accompanying notes to the basic financial statements

**CITY OF IRONTON, OHIO**

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<u>Storm Water</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 395,272	\$ 1,679,862	\$ 5,473
320,556	641,112	0
26,712	53,424	0
<u>742,540</u>	<u>2,374,398</u>	<u>5,473</u>
347,268	694,536	0
395,272	1,679,862	5,473
<u>\$ 742,540</u>	<u>\$ 2,374,398</u>	<u>\$ 5,473</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, 2020**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Sanitation
<b>Operating Receipts:</b>			
Charges for Services	\$ 1,944,672	\$ 1,806,692	\$ 661,051
Other Operating Receipts	0	0	0
<b>Total Operating Receipts</b>	<u>1,944,672</u>	<u>1,806,692</u>	<u>661,051</u>
<b>Operating Disbursements:</b>			
Personal Services	1,178,666	705,620	473,762
Contractual Services	665,306	637,305	192,203
Materials and Supplies	22,437	14,840	23,303
Other Operating Disbursements	4,309	0	0
Capital Outlay	174,019	504,886	14,591
<b>Total Operating Disbursements</b>	<u>2,044,737</u>	<u>1,862,651</u>	<u>703,859</u>
Operating Income (Loss)	(100,065)	(55,959)	(42,808)
<b>Nonoperating Receipts (Disbursements):</b>			
Investment Earnings	2,748	4,427	1,612
Interest Charges	(42,112)	(158,518)	0
Principal Retirement	(214,736)	(237,737)	0
Refunding Bonds Issued	0	4,607,500	0
Payment to Refunded Bond Escrow Agent	0	(4,540,792)	0
Other Nonoperating Receipts	160,696	52,493	63,877
<b>Total Nonoperating Receipts (Disbursements)</b>	<u>(93,404)</u>	<u>(272,627)</u>	<u>65,489</u>
Income (Loss) Before Transfers and Advances	(193,469)	(328,586)	22,681
<b>Transfers and Advances:</b>			
Transfers In	24,144	0	0
Transfers Out	0	(15,066)	0
Advances In	80,000	0	0
Advances Out	0	0	0
<b>Total Transfers and Advances</b>	<u>104,144</u>	<u>(15,066)</u>	<u>0</u>
Change in Net Position	(89,325)	(343,652)	22,681
Net Position Beginning of Year	705,040	1,156,555	180,559
Net Position End of Year	<u>\$ 615,715</u>	<u>\$ 812,903</u>	<u>\$ 203,240</u>

See accompanying notes to the basic financial statements

**CITY OF IRONTON, OHIO**

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Storm Water	Total	Governmental Activities - Internal Service Funds
\$ 921,505	\$ 5,333,920	\$ 0
0	0	18,493
<u>921,505</u>	<u>5,333,920</u>	<u>18,493</u>
34,467	2,392,515	0
284,348	1,779,162	0
142	60,722	17,562
0	4,309	0
262,854	956,350	0
<u>581,811</u>	<u>5,193,058</u>	<u>17,562</u>
339,694	140,862	931
2,306	11,093	0
(170,960)	(371,590)	0
(282,431)	(734,904)	0
4,607,500	9,215,000	0
(4,540,792)	(9,081,584)	0
0	277,066	0
<u>(384,377)</u>	<u>(684,919)</u>	<u>0</u>
(44,683)	(544,057)	931
0	24,144	0
(9,158)	(24,224)	0
0	80,000	0
(85,000)	(85,000)	0
<u>(94,158)</u>	<u>(5,080)</u>	<u>0</u>
(138,841)	(549,137)	931
881,381	2,923,535	4,542
<u>\$ 742,540</u>	<u>\$ 2,374,398</u>	<u>\$ 5,473</u>

**CITY OF IRONTON, OHIO**

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***Statement of Net Position – Modified Cash Basis  
Fiduciary Funds  
December 31, 2020***

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	<u>Custodial Fund</u>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 16,184
<b>Total Assets</b>	<u>16,184</u>
<b>Net Position:</b>	
Unrestricted	16,184
<b>Total Net Position</b>	<u>\$ 16,184</u>

See accompanying notes to the basic financial statements



**CITY OF IRONTON, OHIO**

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***Statement of Changes in Net Position – Modified Cash Basis  
Fiduciary Funds  
For the Year Ended December 31, 2020***

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	<u>Custodial Fund</u>
<b>Additions:</b>	
Collections of Fines and Forfeitures for Other Governments	\$ 276,297
Total Additions	<u>276,297</u>
<b>Deductions:</b>	
Distribution of Fines and Forfeitures to Other Governments	282,415
Total Deductions	<u>282,415</u>
Change in Net Position	(6,118)
Net Position at Beginning of Year	<u>22,302</u>
Net Position End of Year	<u>\$ 16,184</u>

See accompanying notes to the basic financial statements

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## ***CITY OF IRONTON, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2020***

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#### **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 11.

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*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2020*

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#### **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.

CARES Act Fund - This fund is used to account for Coronavirus Relief funds received through passage of the CARES Act. These funds can be used for necessary expenditures incurred due to the Covid-19 public health emergency.

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## ***CITY OF IRONTON, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2020***

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#### **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 custodial 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. Custodial 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 has one custodial fund, which accounts for municipal court collections that are distributed to the state and various local governments.

# ***CITY OF IRONTON, OHIO***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2020***

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### **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***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2020***

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#### **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 custodial 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 2020. 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***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2020***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **E. Budgetary Process** (Continued)

##### **3. Appropriations**

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department, and object level (the legal level of control).

The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified by the County Budget Commission. The allocation of appropriations among departments and objects within a fund may only be modified during the year by an ordinance of City Council. The budgetary figures which appear on the "Statement of 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**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2020***

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**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 Fund:

	Net Change in Fund Balance	
	General Fund	CARES Act Fund
Cash Basis (as reported)	\$1,063,633	\$288
Perspective Difference-		
Budgeted Special Revenue Funds		
Reclassified as General Fund	525	0
Municipal Court Collections		
Recorded in General Fund	1,592	0
Encumbrances	(73,533)	(288)
Budget Basis	\$992,217	\$0

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## ***CITY OF IRONTON, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2020***

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#### **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 3 "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 3 "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***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2020***

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#### **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 6 and 7, 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**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2020***

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#### **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**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2020***

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#### **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, 2020*

#### NOTE 2 – FUND BALANCE CLASSIFICATION

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

Fund Balances	General	CARES Act	Other Governmental Funds	Total Governmental Funds
Restricted:				
Flood Wall	\$0	\$0	\$527,825	\$527,825
Coronavirus Relief	0	288	0	288
Police and Fire Pension	0	0	21,397	21,397
Police Department Operations	0	0	77,600	77,600
Street Improvements	0	0	540,293	540,293
Recreation Programs	0	0	98,518	98,518
Drug and Alcohol Treatment	0	0	224,465	224,465
FEMA Programs	0	0	30,608	30,608
Municipal Court	0	0	504,876	504,876
Community Development	0	0	89,425	89,425
Economic Development	0	0	141,247	141,247
Debt Service	0	0	2,769	2,769
Capital Improvements	0	0	5,111	5,111
<b>Total Restricted</b>	<b>0</b>	<b>288</b>	<b>2,264,134</b>	<b>2,264,422</b>
Committed:				
Community Development	58,253	0	0	58,253
Fire Department	89,882	0	0	89,882
<b>Total Committed</b>	<b>148,135</b>	<b>0</b>	<b>0</b>	<b>148,135</b>
Assigned:				
Capital Improvements	0	0	280,000	280,000
Other Purposes	73,527	0	0	73,527
<b>Total Assigned</b>	<b>73,527</b>	<b>0</b>	<b>280,000</b>	<b>353,527</b>
Unassigned (Deficits):	1,542,705	0	0	1,542,705
<b>Total Fund Balances</b>	<b>\$1,764,367</b>	<b>\$288</b>	<b>\$2,544,134</b>	<b>\$4,308,789</b>

#### NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

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

## ***CITY OF IRONTON, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2020***

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#### **NOTE 3 - 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***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2020***

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#### **NOTE 3 - 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, 2020, two 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 \$6,010,308 and the bank balance was \$6,357,826. Federal depository insurance covered \$3,474,153 of the bank balance and \$2,883,673 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, 2020*

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

#### **B. Investments**

The City's investments at December 31, 2020 were as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Fair Value Hierarchy</u>	<u>Investment Maturities (in Years) less than 1</u>
US Treasury Notes/Bills	\$694,536	AA+ <sup>1</sup> /Aaa <sup>2</sup>	Level 1	\$694,536
Total Investments	<u>\$694,536</u>			<u>\$694,536</u>

<sup>1</sup> Standard & Poor's

<sup>2</sup> 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 4 - 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 2020 were levied after October 1, 2019 on assessed values as of January 1, 2019, 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**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2020***

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**NOTE 4 - TAXES (Continued)**

**A. Property Taxes (Continued)**

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

The full tax rate for the City's operations for the year ended December 31, 2020 was \$5.28 per \$1,000 of assessed value. The assessed value upon which the 2020 tax collections were based was \$167,786,610. This amount constitutes \$157,541,290 in real property assessed value and \$10,245,320 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, 2020, 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, 2020.

	<u>Total Amount of Taxes Abated for the Year 2020</u>
<i>Community Reinvestment Area (CRA)</i>	
Retail/Real Estate/Medical	<u>\$20,748</u>
	<u><u>\$20,748</u></u>

## CITY OF IRONTON, OHIO

### *Notes to the Basic Financial Statements For the Year Ended December 31, 2020*

#### NOTE 4 - TAXES (Continued)

##### **B. Income Tax**

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

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

#### NOTE 5 – TRANSFERS AND ADVANCES

Following is a summary of transfers in and out for all funds for 2020:

Fund	Transfer In	Transfer Out
General Fund	\$40,545	\$11,500
Other Governmental Funds	11,500	40,465
Total Governmental Funds	52,045	51,965
Water Fund	24,144	0
Sewer Fund	0	15,066
Storm Water Fund	0	9,158
Total Proprietary Funds	24,144	24,224
Totals	\$76,189	\$76,189

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 2020 the Municipal Court Special Projects Fund transferred \$40,000 to the General Fund pursuant to a court order for the purpose of reimbursement of salaries paid out of the General Fund. The Sewer Fund and Storm Water Fund transferred \$14,986 and \$9,158, respectively, to the Water Fund for debt service payments.

Following is a summary of advances for all funds for 2020:

Fund	Advances In	Advances Out
General Fund	\$85,000	\$360,000
Other Governmental Funds	280,000	0
Total Governmental Funds	365,000	360,000
Water Fund	80,000	0
Storm Water Fund	0	85,000
Total Proprietary Funds	80,000	85,000
Totals	\$445,000	\$445,000

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. In 2020 the General Fund advanced \$80,000 to the Water Fund to assist with cash flow. In addition, the General Fund advanced \$280,000 to the Capital Infrastructure Project Fund for future capital projects.

## ***CITY OF IRONTON, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2020***

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#### **NOTE 6 – 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, 2020*

### NOTE 6 – 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):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
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
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<b>Public Safety</b>	<b>Public Safety</b>	<b>Public Safety</b>
<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Law Enforcement</b>	<b>Law Enforcement</b>	<b>Law Enforcement</b>
<b>Age and Service Requirements:</b> Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>
<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 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***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2020***

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#### **NOTE 6 – 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. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

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 3.00% 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 3.00%.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% to the member's FAS for the first 30 years of service.

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. 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% 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 annuitization of the benefit (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. For additional information, see the Plan Statement in the OPERS CAFR.

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

**CITY OF IRONTON, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2020**

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**NOTE 6 – 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>
<b>2020 Statutory Maximum Contribution Rates</b>			
Employer	14.0 %	18.1 %	18.1 %
Employee *	10.0 %	**	***
<b>2020 Actual Contribution Rates</b>			
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 \$397,089 for 2020.

## ***CITY OF IRONTON, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2020***

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#### **NOTE 6 – 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](http://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 Comprehensive Annual Financial Report 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, will receive a COLA equal to either 3.00% or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to 3.00% of their base pension or disability benefit.



**CITY OF IRONTON, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2020**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

	Police	Firefighters
<b>2020 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2020 through December 31, 2020	12.25 %	12.25 %
<b>2020 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee:		
January 1, 2020 through December 31, 2020	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OPF was \$336,207 for 2020. 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, 2020, the specific liability of the City has an outstanding balance of \$313,367, payable in semi-annual payments through the year 2035.

***Pension Liabilities***

The net pension liability for OPERS was measured as of December 31, 2019, 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, 2019, and was determined by rolling forward the total pension liability as of January 1, 2019, to December 31, 2019. 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	\$3,736,109	\$4,304,120	\$8,040,229
Proportion of the Net Pension Liability-2020	0.018902%	0.063892%	
Proportion of the Net Pension Liability-2019	0.019245%	0.069033%	
Percentage Change	(0.000343%)	(0.005141%)	

***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**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2020**

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**NOTE 6 – 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, 2019 and December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	December 31, 2019
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)	1.4 percent simple through 2020. 2.15 percent simple, thereafter
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age
	December 31, 2018
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	7.2 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 2019, 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 17.2% for 2019.

**CITY OF IRONTON, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2020**

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**NOTE 6 – 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 2019 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	25.00 %	1.83 %
Domestic Equities	19.00	5.75
Real Estate	10.00	5.20
Private Equity	12.00	10.70
International Equities	21.00	7.66
Other investments	13.00	4.98
<b>Total</b>	<b>100.00 %</b>	<b>5.61 %</b>

**Discount Rate** The discount rate used to measure the total pension liability was 7.2 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 7.2 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 (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability	\$6,162,052	\$3,736,109	\$1,555,257

**CITY OF IRONTON, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2020**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)**

**Actuarial Assumptions – OPF**

OPF’s total pension liability as of December 31, 2019 is based on the results of an actuarial valuation date of January 1, 2019, 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, 2019, compared with January 1, 2018, are presented below.

	January 1, 2019	January 1, 2018
Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of inflation rate of 2.75 percent plus productivity increase rate of 0.5	3.25 percent per annum, compounded annually, consisting of inflation rate of 2.75 percent plus productivity increase rate of 0.5
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

For the January 1, 2019 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 Buck 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, 2019 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 Buck Modified 2016 Improvement Scale.

## CITY OF IRONTON, OHIO

### *Notes to the Basic Financial Statements For the Year Ended December 31, 2020*

#### NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)

Age	Police	Fire
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 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, 2019 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	1.00 %
Domestic Equity	16.00	5.40
Non-US Equity	16.00	5.80
Private Markets	8.00	8.00
Core Fixed Income *	23.00	2.70
High Yield Fixed Income	7.00	4.70
Private Credit	5.00	5.50
U.S. Inflation Linked Bonds*	17.00	2.50
Master Limited Partnerships	8.00	6.60
Real Assets	8.00	7.40
Private Real Estate	12.00	6.40
Total	120.00 %	

\* levered 2x

Note: Assumptions are geometric.

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

## CITY OF IRONTON, OHIO

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2020*

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#### NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)

**Discount Rate** For 2019, the total pension liability was calculated using the discount rate of 8.00 percent. The discount rate used for 2018 was 8.00 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.

**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	\$5,965,361	\$4,304,120	\$2,914,657

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## ***CITY OF IRONTON, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2020***

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#### **NOTE 7 - DEFINED BENEFIT OPEB PLANS**

##### ***Net OPEB Liability***

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.

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## ***CITY OF IRONTON, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2020***

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#### **NOTE 7 - 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 20 or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. 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 2020, 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***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2020***

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#### **NOTE 7 - 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 0 percent during calendar year 2020. 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 2020 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 2020.

#### ***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 health care 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. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental 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](http://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**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2020***

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**NOTE 7 - DEFINED BENEFIT OPEB PLANS (Continued)**

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 2020, 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.

The City's contractually required contribution to OP&F was \$7,865 for 2020.

***Net OPEB Liability***

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, 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, 2019, and was determined by rolling forward the total OPEB liability as of January 1, 2019, to December 31, 2019. 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 and OPEB expense:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$2,515,688	\$631,110	\$3,146,798
Proportion of the Net OPEB Liability-2020	0.018213%	0.063892%	
Proportion of the Net OPEB Liability-2019	<u>0.018654%</u>	<u>0.069033%</u>	
Percentage Change	<u>(0.000441%)</u>	<u>(0.005141%)</u>	

## **CITY OF IRONTON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2020***

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#### **NOTE 7 - 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, 2018, rolled forward to the measurement date of December 31, 2019. 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	3.16 percent
Prior Measurement date	3.96 percent
Investment Rate of Return:	
Current measurement date	6.00 percent
Prior Measurement date	6.00 percent
Municipal Bond Rate:	
Current measurement date	2.75 percent
Prior Measurement date	3.71 percent
Health Care Cost Trend Rate:	
Current measurement date	10.5 percent initial, 3.5 percent ultimate in 2030
Prior Measurement date	10.0 percent, initial 3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age Normal

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.

**CITY OF IRONTON, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2020**

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**NOTE 7 - DEFINED BENEFIT OPEB PLANS (Continued)**

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.

During 2019, 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 was 19.7 percent for 2019.

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 2019 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	36.00 %	1.53 %
Domestic Equities	21.00	5.75
Real Estate Investment Trust	6.00	5.69
International Equities	23.00	7.66
Other investments	14.00	4.90
Total	<u>100.00 %</u>	<u>4.55 %</u>

**Discount Rate** A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. 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 6.00 percent and a municipal bond rate of 2.75 percent.

## CITY OF IRONTON, OHIO

### *Notes to the Basic Financial Statements For the Year Ended December 31, 2020*

#### NOTE 7 - DEFINED BENEFIT OPEB PLANS (Continued)

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.

***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 3.16 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 (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
City's proportionate share of the net OPEB liability	\$3,292,182	\$2,515,688	\$1,893,970

***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 2020 is 10.50 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 3.50 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	\$2,441,453	\$2,515,688	\$2,588,978

#### ***Changes between Measurement Date and Reporting Date***

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

## CITY OF IRONTON, OHIO

### *Notes to the Basic Financial Statements For the Year Ended December 31, 2020*

#### NOTE 7 - DEFINED BENEFIT OPEB PLANS (Continued)

##### *Actuarial Assumptions – OP&F*

OP&F's total OPEB liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, 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, 2019, with actuarial liabilities rolled forward to December 31, 2019	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5	Inflation rate of 2.75 percent plus productivity increase rate of 0.5
Single discount rate	3.56 percent	4.66 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

## **CITY OF IRONTON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2020***

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#### **NOTE 7 - 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 Buck 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 Buck 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, 2019, are summarized below:

**CITY OF IRONTON, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2020**

**NOTE 7 - DEFINED BENEFIT OPEB PLANS (Continued)**

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	1.00 %
Domestic Equity	16.00	5.40
Non-US Equity	16.00	5.80
Private Markets	8.00	8.00
Core Fixed Income *	23.00	2.70
High Yield Fixed Income	7.00	4.70
Private Credit	5.00	5.50
U.S. Inflation Linked Bonds*	17.00	2.50
Master Limited Partnerships	8.00	6.60
Real Assets	8.00	7.40
Private Real Estate	12.00	6.40
Total	<u>120.00 %</u>	

\* levered 2x

Note: Assumptions are geometric.

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** For 2019, the total OPEB liability was calculated using the discount rate of 3.56 percent. For 2018, the total OPEB liability was calculated using the discount rate of 4.66 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 of 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 2.75 percent at December 31, 2019 and 4.13 percent at December 31, 2018, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.56 percent for 2019 and 4.66 percent for 2018. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2034. The long-term expected rate of return on health care investments was applied to projected costs through 2034, and the municipal bond rate was applied to all health care costs after that date.



## CITY OF IRONTON, OHIO

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2020*

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#### NOTE 7 - DEFINED BENEFIT OPEB PLANS (Continued)

***Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*** The 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 3.56 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 (2.56 percent), or one percentage point higher (4.56 percent) than the current rate.

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
City's proportionate share of the net OPEB liability	\$782,536	\$631,110	\$505,286

***Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate*** The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

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## CITY OF IRONTON, OHIO

### Notes to the Basic Financial Statements For the Year Ended December 31, 2020

#### NOTE 8 - DEBT

The City's debt activity and year end balances at December 31, 2020 is as follows:

		Balance December 31, 2019	Additions	(Reductions)	Balance December 31, 2020	Due Within One Year	
<b>Business-Type Activities:</b>							
Ohio Water Development Authority Loans (OWDA):							
2.00%	Water Meter Replacement	2011	\$751,282	\$0	(\$26,736)	\$724,546	\$27,273
Total Ohio Water Development Authority Loans			<u>751,282</u>	<u>0</u>	<u>(26,736)</u>	<u>724,546</u>	<u>27,273</u>
Ohio Public Works Commission Loans (OPWC):							
0.00%	Railroad Street Sanitary Sewer	2006	28,125	0	(3,750)	24,375	3,750
0.00%	Storm Sewer Separation	2013	17,233	0	(931)	16,302	931
0.00%	Water Storage Improvement	2009	150,000	0	(15,000)	135,000	15,000
Total Ohio Public Works Commission Loans			<u>195,358</u>	<u>0</u>	<u>(19,681)</u>	<u>175,677</u>	<u>19,681</u>
Revenue Bonds:							
2.0-5.25%	Sewer System Improvement	2011	9,135,000	0	(9,135,000)	0	0
3.40%	Sewer System Improvement Refunding	2020	0	9,215,000	(65,000)	9,150,000	330,000
Total Revenue Bonds			<u>9,135,000</u>	<u>9,215,000</u>	<u>(9,200,000)</u>	<u>9,150,000</u>	<u>330,000</u>
General Obligation Bonds:							
2.40%	Water Storage Refunding	2019	472,000	0	(114,000)	358,000	116,000
2.40%	Water Facility Improvements	2019	587,000	0	(53,000)	534,000	54,000
2.40%	Track Hoe	2019	66,000	0	(6,000)	60,000	6,000
2.35%	Storm Water Improvement	2016	575,000	0	(90,000)	485,000	95,000
2.40%	Street Sweeper	2019	266,000	0	(24,000)	242,000	24,000
3.00%	Sewer System Improvement	2019	353,145	0	(66,487)	286,658	68,496
Total General Obligation Bonds			<u>2,319,145</u>	<u>0</u>	<u>(353,487)</u>	<u>1,965,658</u>	<u>363,496</u>
Total Business-Type Activities			<u>\$12,400,785</u>	<u>\$9,215,000</u>	<u>(\$9,599,904)</u>	<u>\$12,015,881</u>	<u>\$740,450</u>
<b>Governmental Activities:</b>							
General Obligation Bonds:							
3.40%	Building Improvement Refunding	2013	\$290,000	\$0	(\$95,000)	\$195,000	\$95,000
3.40%	Fire House Construction Refunding	2013	845,000	0	(50,000)	795,000	50,000
2.45%	Police Equipment/Vehicles	2017	110,360	0	(35,990)	74,370	36,770
Total General Obligation Bonds			<u>1,245,360</u>	<u>0</u>	<u>(180,990)</u>	<u>1,064,370</u>	<u>181,770</u>
Installment Loans:							
3.50%	Moulten Field Flood System	2017	409,822	0	(47,935)	361,887	49,811
2.15%	Pumper Fire Truck	2014	121,765	0	(59,439)	62,326	62,326
Total Installment Loans			<u>531,587</u>	<u>0</u>	<u>(107,374)</u>	<u>424,213</u>	<u>112,137</u>
Police/Fire Accrued Pension Obligations			<u>328,794</u>	<u>0</u>	<u>(15,427)</u>	<u>313,367</u>	<u>16,089</u>
Total Governmental Activities			<u>\$2,105,741</u>	<u>\$0</u>	<u>(\$303,791)</u>	<u>\$1,801,950</u>	<u>\$309,996</u>

*Direct Placements and Direct Borrowings* – All outstanding loans and bonds of the City are the result of direct placements and direct borrowings of debt.

*Line of Credit* – The City obtained a line of credit in the amount of \$250,000 at an interest rate of 3.620%. The City has received \$0 relating to this line of credit.

## CITY OF IRONTON, OHIO

### *Notes to the Basic Financial Statements For the Year Ended December 31, 2020*

#### NOTE 8 - DEBT (Continued)

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2020, follows:

Years	OWDA Loans		Bonds		OPWC Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$27,273	\$14,355	\$875,266	\$394,726	\$19,681	\$0
2022	27,822	13,807	903,166	368,572	19,681	0
2023	28,381	13,247	778,699	341,535	19,681	0
2024	28,952	12,678	680,897	318,441	19,681	0
2025	29,533	12,095	623,000	298,108	19,681	0
2026-2030	156,812	51,332	2,774,000	1,214,438	70,282	0
2031-2035	173,218	34,924	2,655,000	760,750	4,657	0
2036-2040	191,341	16,802	2,890,000	301,410	2,333	0
2041-2042	61,214	1,228	0	0	0	0
Totals	<u>\$724,546</u>	<u>\$170,468</u>	<u>\$12,180,028</u>	<u>\$3,997,980</u>	<u>\$175,677</u>	<u>\$0</u>

Years	Police/Fire Accrued Pension Liability		Installment Loans	
	Principal	Interest	Principal	Interest
2021	\$16,089	\$13,149	\$112,137	\$13,272
2022	16,781	12,458	51,582	10,115
2023	17,501	11,737	53,417	8,281
2024	18,253	10,985	55,297	6,401
2025	19,037	10,201	57,283	4,414
2026-2030	108,175	38,017	94,497	2,777
2031-2035	117,531	12,726	0	0
Totals	<u>\$313,367</u>	<u>\$109,273</u>	<u>\$424,213</u>	<u>\$45,260</u>

*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, 2020 was \$422,640 in principal and interest payments through the year 2035. Only the principal amount of \$313,367 is included in the Long-Term debt amount.

*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, 2020 current value of \$1,146,733 and a hold value of \$62,326.

*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, 2020 current value of \$1,146,733 and a hold value of \$361,887 related to this loan.

## ***CITY OF IRONTON, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2020***

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#### **NOTE 8 - DEBT (Continued)**

*Debt Defeasance* – In September 2020 the City defeased \$8,865,000 of sewer system improvement revenue bonds dated July 13, 2011 through the issuance of \$9,215,000 of sewer system improvement revenue refunding bonds. The net proceeds of the 2020 bonds have been used to currently refund the 2011 bonds. The refunding reduced the City’s debt service payments over the life of the refunded bonds by \$1,663,026. The City obtained an economic gain (difference between the present values of the old and new debt service payments) of \$1,105,334.

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## *CITY OF IRONTON, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2020*

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#### **NOTE 9 - RISK MANAGEMENT**

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

##### Risk Pool Membership

The City is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the City's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities as of December 31, 2020:

	<u>2020</u>
Cash and investments	\$40,318,971
Actuarial liabilities	\$14,111,510

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.

## ***CITY OF IRONTON, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2020***

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#### **NOTE 10 - 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, 2020.

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## ***CITY OF IRONTON, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2020***

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#### **NOTE 11 - JOINTLY GOVERNED ORGANIZATIONS**

Huntington-Ironton Empowerment Zone - The Huntington-Ironton Empowerment Zone Board (EZ) is a 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***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2020***

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#### **NOTE 11 - 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 12 – SIGNIFICANT COMMITMENTS**

The City had the following significant contractual commitments at December 31, 2020:

<u>Project</u>	<u>Remaining Contractual Commitment</u>
Brumberg Building-CDBG	\$144,508
Etna Street Park-CDBG	40,200
Brumberg-ARC-CDBG	250,000
3rd Street Project-RLF	10,000
Brumberg-RLF	50,140
Admin Costs -RLF	20,000
CAO Professional Costs-Gen Fund	35,000
Ironton Engineering Costs-Various Cost Centers	150,000
RCAP	98,000
	<u>\$797,848</u>



## **CITY OF IRONTON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2020***

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#### **NOTE 12 – 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, 2020 the City had encumbrance commitments in the Governmental Funds as follows:

<u>Fund</u>	<u>Encumbrances</u>
Governmental Funds:	
General	\$79,111
CARES Act	288
Other Governmental Funds	<u>107,286</u>
Total Governmental Funds	<u><u>\$186,685</u></u>

#### **NOTE 13 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. The City's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

#### **NOTE 14 – SUBSEQUENT EVENTS**

On April 27, 2021, the City entered into a contract with ABM Facility Support Services, LLC, in the amount of \$2,677,572, for a bundled energy solutions project which includes professional services, engineering, design, procurement and installation of the infrastructure improvements.

On May 13, 2021, the City Council adopted ordinance number 21-27 providing for the issuance of not to exceed \$2,750,000 of bonds for the purpose of acquiring energy conservation improvements in municipal buildings.

On May 13, 2021, the City Council adopted ordinance number 21-28 providing for the issuance of not to exceed \$2,300,000 of bonds for the purpose of construction related to streets and bridge improvements.

On May 24, 2021, the City Council adopted ordinance number 21-32 providing for the issuance of not to exceed \$1,004,000 of bonds for the purpose of refunding the Various Purpose Bonds, Series 2013.

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*REQUIRED SUPPLEMENTARY INFORMATION*

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**CITY OF IRONTON, OHIO**

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

**Ohio Public Employees Retirement System**

Year	2014	2015	2016	2017
City's proportion of the net pension liability (asset)	0.018480%	0.018480%	0.019369%	0.019292%
City's proportionate share of the net pension liability (asset)	\$2,178,602	\$2,228,948	\$3,354,908	\$4,380,882
City's covered payroll	\$2,279,438	\$2,250,508	\$2,408,458	\$2,492,475
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	95.58%	99.04%	139.30%	175.76%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%	77.25%

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

**Ohio Police and Fire Pension Fund**

Year	2014	2015	2016	2017
City's proportion of the net pension liability (asset)	0.069064%	0.069064%	0.080443%	0.071812%
City's proportionate share of the net pension liability (asset)	\$3,363,628	\$3,577,798	\$5,174,974	\$4,548,477
City's covered payroll	\$1,409,147	\$1,397,339	\$1,622,091	\$1,524,281
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	238.70%	256.04%	319.03%	298.40%
Plan fiduciary net position as a percentage of the total pension liability	73.00%	72.20%	66.77%	68.36%

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.

See notes to the required supplementary information

**CITY OF IRONTON, OHIO**

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<u>2018</u>	<u>2019</u>	<u>2020</u>
0.020080%	0.019245%	0.018902%
\$3,150,189	\$5,270,815	\$3,736,109
\$2,698,500	\$2,658,629	\$2,700,357
116.74%	198.25%	138.36%
84.66%	74.70%	82.17%

<u>2018</u>	<u>2019</u>	<u>2020</u>
0.074965%	0.069033%	0.063892%
\$4,600,956	\$5,634,917	\$4,304,120
\$1,553,130	\$1,549,748	\$1,502,239
296.24%	363.60%	286.51%
70.91%	63.07%	69.89%

**CITY OF IRONTON, OHIO**

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***Schedule of City Pension Contributions  
Last Eight Years***

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**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.

See notes to the required supplementary information

***CITY OF IRONTON, OHIO***

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<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$299,097	\$350,805	\$372,208	\$378,050	\$397,089
<u>299,097</u>	<u>350,805</u>	<u>372,208</u>	<u>378,050</u>	<u>397,089</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,492,475	\$2,698,500	\$2,658,629	\$2,700,357	\$2,836,350
12.00%	13.00%	14.00%	14.00%	14.00%

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$325,914	\$331,978	\$331,250	\$321,029	\$336,207
<u>325,914</u>	<u>331,978</u>	<u>331,250</u>	<u>321,029</u>	<u>336,207</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,524,281	\$1,553,130	\$1,549,748	\$1,502,239	\$1,573,077
21.38%	21.37%	21.37%	21.37%	21.37%

**CITY OF IRONTON, OHIO**

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

**Ohio Public Employees Retirement System**

Year	2017	2018	2019	2020
City's proportion of the net OPEB liability (asset)	0.018960%	0.019652%	0.018654%	0.018213%
City's proportionate share of the net OPEB liability (asset)	\$1,915,033	\$2,134,087	\$2,432,041	\$2,515,688
City's covered payroll	\$2,492,475	\$2,698,500	\$2,658,629	\$2,700,357
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	76.83%	79.08%	91.48%	93.16%
Plan fiduciary net position as a percentage of the total OPEB liability	54.50%	54.14%	46.33%	47.80%

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

**Ohio Police and Fire Pension Fund**

Year	2017	2018	2019	2020
City's proportion of the net OPEB liability (asset)	0.071812%	0.074965%	0.069033%	0.063892%
City's proportionate share of the net OPEB liability (asset)	\$3,408,737	\$4,247,426	\$628,651	\$631,110
City's covered payroll	\$1,524,281	\$1,553,130	\$1,549,748	\$1,502,239
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	223.63%	273.48%	40.56%	42.01%
Plan fiduciary net position as a percentage of the total OPEB liability	15.96%	14.13%	46.57%	47.08%

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.

See notes to the required supplementary information



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**CITY OF IRONTON, OHIO**

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

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**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.

See notes to the required supplementary information

**CITY OF IRONTON, OHIO**

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2016	2017	2018	2019	2020
\$49,850	\$26,985	\$0	\$0	\$0
<u>49,850</u>	<u>26,985</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,492,475	\$2,698,500	\$2,658,629	\$2,700,357	\$2,836,350
2.00%	1.00%	0.00%	0.00%	0.00%

2016	2017	2018	2019	2020
\$7,621	\$7,766	\$7,749	\$7,511	\$7,865
<u>7,621</u>	<u>7,766</u>	<u>7,749</u>	<u>7,511</u>	<u>7,865</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,524,281	\$1,553,130	\$1,549,748	\$1,502,239	\$1,573,077
0.50%	0.50%	0.50%	0.50%	0.50%

## **CITY OF IRONTON, OHIO**

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### ***Notes to the Required Supplementary Information For the Year Ended December 31, 2020***

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#### **NET PENSION LIABILITY**

##### **OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)**

*Changes in benefit terms:* There were no changes in benefit terms for the period 2014-2020.

*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 the 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.

2019: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 7.50% to 7.20%

2020: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Change in COLA from 3.00% to 1.4% for post 1/7/13 retirees.

##### **OHIO POLICE AND FIRE (OP&F) PENSION FUND**

*Changes in benefit terms:* There were no changes in benefit terms for the period 2014-2020.

*Changes in assumptions:*

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

## ***CITY OF IRONTON, OHIO***

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### ***Notes to the Required Supplementary Information For the Year Ended December 31, 2020***

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#### **NET PENSION LIABILITY** (Continued)

#### **OHIO POLICE AND FIRE (OP&F) PENSION FUND** (Continued)

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

2019-2020: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

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## **CITY OF IRONTON, OHIO**

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### ***Notes to the Required Supplementary Information For the Year Ended December 31, 2020***

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#### **NET OPEB LIABILITY**

##### **OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)**

*Changes in benefit terms:* There were no changes in benefit terms for the periods 2018-2020.

*Changes in assumptions:*

For 2018, the single discount rate changed from 4.23% to 3.85%.

2019: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.85% to 3.96%.
- Reduction in actuarial assumed rate of return from 6.50% to 6.00%
- Change in health care cost trend rate from 7.5% to 10%
- The Municipal Bond Rate changed from 3.31% to 3.71%

2020: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.96% to 3.16%.
- Change in health care cost trend rate from 10.0% to 10.5%
- The Municipal Bond Rate changed from 3.71% to 2.75%

##### **OHIO POLICE AND FIRE (OP&F) PENSION FUND**

*Changes in benefit terms:*

2018: There were no changes in benefit terms.

2019: The retiree health care model and the current self-insured health care plan were replaced with a stipend-based health care model.

2020: There were no changes in benefit terms.

*Changes in assumptions:*

2018: The single discount rate changed from 3.79% to 3.24%.

2019: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.24% to 4.66%.

2020: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 4.66% to 3.56%.

CITY OF IRONTON  
LAWRENCE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2020

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Grant Year	Provided Through to Subrecipients	Total Federal Expenditures
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
<i>Passed through Ohio Development Services Agency</i>				
Community Development Block Grants/State's Program	14.228	A-D-18-2CA-1	\$ 0	\$ 55,492
Total U.S. Department of Housing and Urban Development			<u>0</u>	<u>55,492</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>				
<i>Passed Through Ohio Office of Criminal Justice Services</i>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2019-JG-LLE-5111	0	4,538
<i>Direct Program</i>				
Equitable Sharing Program	16.922	N/A	<u>0</u>	<u>4,500</u>
Total U.S. Department of Justice			<u>0</u>	<u>9,038</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
<i>Passed Through Ohio Department of Transportation</i>				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	91063	<u>0</u>	<u>24,098</u>
Total Department of Homeland Security			<u>0</u>	<u>24,098</u>
<b>U.S. DEPARTMENT OF TREASURY</b>				
<i>Passed Through Ohio Office of Budget and Management</i>				
COVID-19 Coronavirus Relief Fund	21.019	N/A	<u>0</u>	<u>928,075</u>
Total Department of Treasury			<u>0</u>	<u>928,075</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
<i>Passed Through Ohio Department of Public Safety</i>				
Disaster Grants - Public Assistance	97.036	FEMA-4424-DR-087-37464-00	<u>0</u>	<u>20,537</u>
Total Department of Homeland Security			<u>0</u>	<u>20,537</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 0</u></u>	<u><u>\$ 1,037,240</u></u>

The accompanying notes are an integral part of this schedule.

**CITY OF IRONTON  
LAWRENCE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**NOTE A - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Ironton (the City's) under programs of the federal government for the year ended December 31, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C - INDIRECT COST RATE**

The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM WITH REVOLVING LOAN CASH BALANCE**

The City has an Ohio Small Cities Community Development Block Grant (CDBG) Housing Program Income Account. The current cash balance of the City of Ironton's local program income accounts as of December 31, 2020 is \$82,346.

**NOTE E - MATCHING REQUIREMENTS**

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



# OHIO AUDITOR OF STATE KEITH FABER



Corporate Centre of Blue Ash  
11117 Kenwood Road  
Blue Ash, Ohio 45242-1817  
(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, 2020, 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 2, 2021, wherein we noted the City uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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 2020-001.

**City's Response to Findings**

The City's response to the Finding identified in our audit is described in the accompanying Schedule of Findings and Corrective Action Plan. 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 2, 2021

# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the City Council:

### ***Report on Compliance for the Major Federal Program***

We have audited the City of Ironton's, Lawrence County, Ohio (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the City of Ironton's major federal program for the year ended December 31, 2020. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the City's major federal program.

### ***Management's Responsibility***

The City's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the City's compliance for the City's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the City's major program. However, our audit does not provide a legal determination of the City's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the City of Ironton complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2020.

**Report on Internal Control Over Compliance**

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio  
September 2, 2021

**CITY OF IRONTON  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
DECEMBER 31, 2020**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	COVID-19 Coronavirus Relief Fund – CFDA #21.019
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	No

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

**FINDING NUMBER 2020-001**

**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, report on the modified cash basis of accounting 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.

**3. FINDINGS FOR FEDERAL AWARDS**

None.



# The City of Ironton

*"Overlooking The Beautiful Ohio River"*

**JOHN W. ELAM**, Finance Director

Ironton City Center • 301 S. 3rd St. • P.O. Box 704 • Ironton, OH 45638  
 Phone: (740) 533-0439 • Fax: (740) 533-6104 • Email: [jelam@ironton-ohio.com](mailto:jelam@ironton-ohio.com)

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
 2 CFR 200.511(b)  
 DECEMBER 31, 2020**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2019-001	Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03 – Financial statements not prepared following generally accepted accounting principles.	Not Corrected	See Finding Number 2020-001.
2019-002	City did not post an on behalf of Ohio Department of Taxation federal grant in the amount of \$723,902.	Corrective Action Taken and Finding is Fully Corrected	

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## The City of Ironton

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### **CORRECTIVE ACTION PLAN** **2 CFR § 200.511(c)** **December 31, 2020**

<b>Finding Number:</b>	2020-001
<b>Planned Corrective Action:</b>	Finance Director will strive to comply in accordance with the ORC for filing upon availability of financial resources.
<b>Anticipated Completion Date:</b>	December 31, 2021
<b>Responsible Contact Person:</b>	John Elam, Finance Director



# OHIO AUDITOR OF STATE KEITH FABER



**CITY OF IRONTON  
LAWRENCE COUNTY**

## **AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 9/21/2021**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)