



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**CITY OF IRONTON  
LAWRENCE COUNTY**

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**STATE OF OHIO**  
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**REPORT OF INDEPENDENT ACCOUNTANTS**

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

To the Board of City Council:

We have audited the accompanying general purpose financial statements of the City of Ironton, Lawrence County, Ohio (the City), as of and for the year ended December 31, 2001. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Ironton, Lawrence County, as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 to the general purpose financial statements, the City adopted Governmental Accounting Standards Board Statements 33 and 36 for the year ending December 31, 2001.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2002 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

**Jim Petro**  
Auditor of State

October 17, 2002

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**THE CITY OF IRONTON, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**DECEMBER 31, 2001**

	<i>Governmental</i>			
	<i>Fund Types</i>			
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds
<u>Assets and Other Debits:</u>				
Assets:				
Cash and Cash Equivalents	\$876,954	\$1,561,708	\$617	\$70,659
Investments	46,296	46,834	0	0
Receivables (net of allowance for doubtful accounts):				
Taxes	468,037	222,878	0	0
Accounts	1,358	885	0	0
Special Assessments	0	0	274,500	0
Interest	184	0	0	0
Loans	0	85,917	0	0
Due from Other Funds	11,578	5,886	0	1,420
Intergovernmental Receivables	437,118	245,607	0	128,707
Inventory of Supplies at Cost	0	10,418	0	0
Prepaid Items	14,527	2,087	0	0
Restricted Assets:				
Cash and Cash Equivalents	0	0	0	53,913
Fixed Assets (net of accumulated depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Funds	0	0	0	0
Amount to be Provided for General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	\$1,856,052	\$2,182,220	\$275,117	\$254,699



**THE CITY OF IRONTON, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**DECEMBER 31, 2001**

<i>Proprietary Fund Types</i>		<i>Fiduciary Fund Types</i>	<i>Account Groups</i>		Totals (Memorandum Only)
Enterprise Funds	Internal Service Fund	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	
\$2,224,164	\$13,010	\$62,151	\$0	\$0	\$4,809,263
117,421	0	0	0	0	210,551
0	0	0	0	0	690,915
284,554	0	0	0	0	286,797
0	0	0	0	0	274,500
586	0	0	0	0	770
0	0	0	0	0	85,917
0	0	0	0	0	18,884
0	0	0	0	0	811,432
132,715	0	0	0	0	143,133
6,505	0	0	0	0	23,119
0	0	0	0	0	53,913
12,004,353	0	0	8,705,272	0	20,709,625
0	0	0	0	617	617
0	0	0	0	2,794,648	2,794,648
<u>\$14,770,298</u>	<u>\$13,010</u>	<u>\$62,151</u>	<u>\$8,705,272</u>	<u>\$2,795,265</u>	<u>\$30,914,084</u>

(Continued)

**THE CITY OF IRONTON, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**DECEMBER 31, 2001**

	<i>Governmental</i>			
	<i>Fund Types</i>			
	General	Special	Debt	Capital
	Fund	Revenue	Service	Projects
	Funds	Funds	Funds	Funds
<u>Liabilities, Equity and Other Credits:</u>				
Liabilities:				
Accounts Payable	\$10,911	\$6,379	\$0	\$0
Accrued Wages and Benefits	132,660	23,575	0	0
Retainage Payable	0	0	0	53,913
Due to Other Funds	0	0	0	0
Due to Others	0	0	0	0
Accrued Interest Payable	341	0	0	2,118
Deferred Revenue	502,321	489,058	274,500	80,012
Compensated Absences Payable	0	0	0	0
Capital Lease Payable	0	0	0	0
General Obligation Notes Payable	100,000	0	0	90,000
Intergovernmental Payable	1,960	0	0	0
Installment Loans Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Ohio Water Development				
Authority Loan Payable	0	0	0	0
Long-Term Obligation Payable	0	0	0	0
Police/Fire Accrued Pension Liability	0	0	0	0
Total Liabilities	748,193	519,012	274,500	226,043
Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	189,840	5,059	0	17,200
Reserved for Supplies Inventory	0	10,418	0	0
Reserved for Prepaid Items	14,527	2,087	0	0
Reserved for Debt Service	0	0	617	0
Unreserved	903,492	1,645,644	0	11,456
Total Equity and Other Credits	1,107,859	1,663,208	617	28,656
Total Liabilities, Equity and Other Credits	\$1,856,052	\$2,182,220	\$275,117	\$254,699

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

**THE CITY OF IRONTON, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**DECEMBER 31, 2001**

<i>Proprietary Fund Types</i>	<i>Fiduciary Fund Types</i>	<i>Account Groups</i>		Totals (Memorandum Only)	
Enterprise Funds	Internal Service Fund	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	
\$54,395	\$7,319	\$1,300	\$0	\$0	\$80,304
56,017	0	0	0	0	212,252
0	0	0	0	0	53,913
0	0	18,884	0	0	18,884
0	0	22,385	0	0	22,385
424	0	0	0	0	2,883
0	0	0	0	0	1,345,891
164,895	0	0	0	348,146	513,041
0	0	0	0	747	747
0	0	0	0	0	190,000
180	0	0	0	0	2,140
9,588	0	0	0	517,649	527,237
0	0	0	0	1,355,000	1,355,000
5,968,798	0	0	0	0	5,968,798
0	0	0	0	54,240	54,240
0	0	0	0	519,483	519,483
<u>6,254,297</u>	<u>7,319</u>	<u>42,569</u>	<u>0</u>	<u>2,795,265</u>	<u>10,867,198</u>
0	0	0	8,705,272	0	8,705,272
8,516,001	5,691	0	0	0	8,521,692
0	0	15,000	0	0	227,099
0	0	0	0	0	10,418
0	0	0	0	0	16,614
0	0	0	0	0	617
0	0	4,582	0	0	2,565,174
<u>8,516,001</u>	<u>5,691</u>	<u>19,582</u>	<u>8,705,272</u>	<u>0</u>	<u>20,046,886</u>
<u>\$14,770,298</u>	<u>\$13,010</u>	<u>\$62,151</u>	<u>\$8,705,272</u>	<u>\$2,795,265</u>	<u>\$30,914,084</u>

**THE CITY OF IRONTON, OHIO**  
**COMBINED STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	<i>Governmental</i>			<i>Fiduciary</i>		Totals (Memorandum Only)
	<i>Fund Types</i>			<i>Fund Type</i>		
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Expendable Trust Funds	
<b>Revenues:</b>						
Taxes	\$2,151,397	\$206,956	\$0	\$0	\$0	\$2,358,353
Intergovernmental Revenues	975,241	526,492	0	253,235	0	1,754,968
Charges for Services	32,832	344,053	0	0	0	376,885
Licenses and Permits	29,887	64,010	0	0	0	93,897
Investment Earnings	16,569	28,852	7,223	0	0	52,644
Special Assessments	0	0	63,797	0	0	63,797
Fines and Forfeitures	222,259	98,216	0	25,296	0	345,771
All Other Revenues	86,815	72,234	0	0	25,592	184,641
<b>Total Revenues</b>	<b>3,515,000</b>	<b>1,340,813</b>	<b>71,020</b>	<b>278,531</b>	<b>25,592</b>	<b>5,230,956</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Security of Persons and Property	1,712,739	180,274	0	0	0	1,893,013
Public Health and Welfare Services	3,859	204,468	0	0	0	208,327
Leisure Time Activities	0	61,103	0	0	0	61,103
Community Environment	0	60,441	0	0	0	60,441
Transportation	39,668	364,683	0	0	0	404,351
General Government	1,197,474	13,943	0	0	0	1,211,417
Other Expenditures	0	0	0	0	18,568	18,568
Capital Outlay	0	127,146	0	254,255	0	381,401
<b>Debt Service:</b>						
Principal Retirement	67,181	74,538	145,000	0	0	286,719
Interest and Fiscal Charges	13,170	46,673	83,650	3,814	0	147,307
<b>Total Expenditures</b>	<b>3,034,091</b>	<b>1,133,269</b>	<b>228,650</b>	<b>258,069</b>	<b>18,568</b>	<b>4,672,647</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	480,909	207,544	(157,630)	20,462	7,024	558,309
<b>Other Financing Sources (Uses):</b>						
Operating Transfers In	493,500	160,866	644,490	20,175	0	1,319,031
Operating Transfers Out	(677,386)	(87,069)	(548,926)	0	0	(1,313,381)
<b>Total Other Financing Sources (Uses)</b>	<b>(183,886)</b>	<b>73,797</b>	<b>95,564</b>	<b>20,175</b>	<b>0</b>	<b>5,650</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	297,023	281,341	(62,066)	40,637	7,024	563,959
<b>Restated Fund Balance (Deficit)</b>						
Beginning of Year	810,836	1,379,832	62,683	(11,981)	12,558	2,253,928
Increase in Inventory Reserve	0	2,035	0	0	0	2,035
<b>Fund Balance End of Year</b>	<b>\$1,107,859</b>	<b>\$1,663,208</b>	<b>\$617</b>	<b>\$28,656</b>	<b>\$19,582</b>	<b>\$2,819,922</b>

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

**THE CITY OF IRONTON, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	<i>General Fund</i>			<i>Special Revenue Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$2,162,415	\$2,184,303	\$21,888	\$199,110	\$206,691	\$7,581
Intergovernmental Revenues	961,378	961,884	506	526,829	516,197	(10,632)
Charges for Services	33,218	34,576	1,358	344,123	344,053	(70)
Licenses and Permits	29,922	29,887	(35)	62,286	64,010	1,724
Investment Earnings	16,500	16,620	120	17,213	17,419	206
Special Assessments	0	0	0	0	0	0
Fines and Forfeitures	224,337	224,751	414	95,636	95,636	0
All Other Revenues	78,920	85,912	6,992	35,383	37,739	2,356
Total Revenues	3,506,690	3,537,933	31,243	1,280,580	1,281,745	1,165
<b>Expenditures:</b>						
<b>Current:</b>						
Security of Persons and Property	1,783,382	1,757,953	25,429	194,803	185,229	9,574
Public Health and Welfare Services	3,810	3,683	127	215,344	209,336	6,008
Leisure Time Activities	0	0	0	62,243	61,443	800
Transportation	40,786	40,134	652	389,393	373,504	15,889
General Government	1,436,049	1,404,381	31,668	164,000	14,325	149,675
Other Expenditures	0	0	0	237	0	237
Capital Outlay	0	0	0	143,093	130,653	12,440
<b>Debt Service:</b>						
Principal Retirement	102,191	102,181	10	74,538	74,538	0
Interest and Fiscal Charges	82,212	82,209	3	56,988	56,988	0
Total Expenditures	3,448,430	3,390,541	57,889	1,300,639	1,106,016	194,623
<b>Excess (Deficiency) of</b>						
Revenues Over (Under) Expenditures	58,260	147,392	89,132	(20,059)	175,729	195,788
<b>Other Financing Sources (Uses):</b>						
Proceeds from General Obligation Notes	0	0	0	0	0	0
Operating Transfers In	597,223	597,223	0	160,866	160,866	0
Operating Transfers Out	(677,386)	(677,386)	0	(76,754)	(76,754)	0
Total Other Financing Sources (Uses)	(80,163)	(80,163)	0	84,112	84,112	0
<b>Excess (Deficiency) of Revenues and</b>						
Other Financing Sources Over (Under)						
Expenditures and Other Financing Uses	(21,903)	67,229	89,132	64,053	259,841	195,788
Fund Balance at Beginning of Year	613,085	613,085	0	818,025	818,025	0
Prior Year Encumbrances	40,224	40,224	0	14,375	14,375	0
Fund Balance at End of Year	\$631,406	\$720,538	\$89,132	\$896,453	\$1,092,241	\$195,788

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

(Continued)

**THE CITY OF IRONTON, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	<i>Debt Service Funds</i>			<i>Capital Projects Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$0	\$0	\$0	\$0	\$0	\$0
Intergovernmental Revenues	0	0	0	383,635	204,540	(179,095)
Charges for Services	0	0	0	0	0	0
Licenses and Permits	0	0	0	0	0	0
Investment Earnings	7,120	7,223	103	0	0	0
Special Assessments	63,797	63,797	0	0	0	0
Fines and Forfeitures	0	0	0	25,256	25,256	0
All Other Revenues	0	0	0	0	0	0
Total Revenues	70,917	71,020	103	408,891	229,796	(179,095)
<b>Expenditures:</b>						
Current:						
Security of Persons and Property	0	0	0	0	0	0
Public Health and Welfare Services	0	0	0	0	0	0
Leisure Time Activities	0	0	0	0	0	0
Transportation	0	0	0	0	0	0
General Government	0	0	0	0	0	0
Other Expenditures	0	0	0	0	0	0
Capital Outlay	0	0	0	581,962	303,740	278,222
Debt Service:						
Principal Retirement	110,000	110,000	0	190,000	190,000	0
Interest and Fiscal Charges	10,301	9,787	514	0	0	0
Total Expenditures	120,301	119,787	514	771,962	493,740	278,222
Excess (Deficiency) of						
Revenues Over (Under) Expenditures	(49,384)	(48,767)	617	(363,071)	(263,944)	99,127
<b>Other Financing Sources (Uses):</b>						
Proceeds from General Obligation Notes	0	0	0	190,000	190,000	0
Operating Transfers In	535,627	535,627	0	15,000	15,000	0
Operating Transfers Out	(548,926)	(548,926)	0	0	0	0
Total Other Financing Sources (Uses)	(13,299)	(13,299)	0	205,000	205,000	0
Excess (Deficiency) of Revenues and						
Other Financing Sources Over (Under)						
Expenditures and Other Financing Uses	(62,683)	(62,066)	617	(158,071)	(58,944)	99,127
Fund Balance at Beginning of Year	62,683	62,683	0	114,066	114,066	0
Prior Year Encumbrances	0	0	0	52,250	52,250	0
Fund Balance at End of Year	\$0	\$617	\$617	\$8,245	\$107,372	\$99,127

(Continued)

**THE CITY OF IRONTON, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	<i>Expendable Trust Funds</i>			<i>Totals (Memorandum Only)</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$0	\$0	\$0	\$2,361,525	\$2,390,994	\$29,469
Intergovernmental Revenues	0	0	0	1,871,842	1,682,621	(189,221)
Charges for Services	0	0	0	377,341	378,629	1,288
Licenses and Permits	0	0	0	92,208	93,897	1,689
Investment Earnings	0	0	0	40,833	41,262	429
Special Assessments	0	0	0	63,797	63,797	0
Fines and Forfeitures	0	0	0	345,229	345,643	414
All Other Revenues	25,592	25,592	0	139,895	149,243	9,348
Total Revenues	25,592	25,592	0	5,292,670	5,146,086	(146,584)
<b>Expenditures:</b>						
Current:						
Security of Persons and Property	0	0	0	1,978,185	1,943,182	35,003
Public Health and Welfare Services	0	0	0	219,154	213,019	6,135
Leisure Time Activities	0	0	0	62,243	61,443	800
Transportation	0	0	0	430,179	413,638	16,541
General Government	0	0	0	1,600,049	1,418,706	181,343
Other Expenditures	33,568	33,568	0	33,805	33,568	237
Capital Outlay	0	0	0	725,055	434,393	290,662
Debt Service:						
Principal Retirement	0	0	0	476,729	476,719	10
Interest and Fiscal Charges	0	0	0	149,501	148,984	517
Total Expenditures	33,568	33,568	0	5,674,900	5,143,652	531,248
Excess (Deficiency) of						
Revenues Over (Under) Expenditures	(7,976)	(7,976)	0	(382,230)	2,434	384,664
<b>Other Financing Sources (Uses):</b>						
Proceeds from General Obligation Notes	0	0	0	190,000	190,000	0
Operating Transfers In	0	0	0	1,308,716	1,308,716	0
Operating Transfers Out	0	0	0	(1,303,066)	(1,303,066)	0
Total Other Financing Sources (Uses)	0	0	0	195,650	195,650	0
Excess (Deficiency) of Revenues and						
Other Financing Sources Over (Under)						
Expenditures and Other Financing Uses	(7,976)	(7,976)	0	(186,580)	198,084	384,664
Fund Balance at Beginning of Year	2,215	2,215	0	1,610,074	1,610,074	0
Prior Year Encumbrances	10,343	10,343	0	117,192	117,192	0
Fund Balance at End of Year	\$4,582	\$4,582	\$0	\$1,540,686	\$1,925,350	\$384,664

**THE CITY OF IRONTON, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN RETAINED EARNINGS**  
**ALL PROPRIETARY FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	<i>Enterprise Funds</i>	<i>Internal Service Fund</i>	<i>Totals (Memorandum Only)</i>
<u>Operating Revenues:</u>			
Charges for Services	\$2,805,336	\$0	\$2,805,336
Other Operating Revenues	0	88,256	88,256
Total Operating Revenues	2,805,336	88,256	2,893,592
<u>Operating Expenses:</u>			
Personal Services	1,306,124	0	1,306,124
Materials and Supplies	357,377	0	357,377
Contractual Services	164,872	0	164,872
Utilities	144,822	0	144,822
Depreciation	450,736	0	450,736
Other Operating Expenses	318,348	106,875	425,223
Total Operating Expenses	2,742,279	106,875	2,849,154
Operating Income (Loss)	63,057	(18,619)	44,438
<u>Nonoperating Revenues (Expenses):</u>			
Investment Earnings	81,461	0	81,461
Interest and Fiscal Charges	(244,727)	0	(244,727)
Other Nonoperating Revenue	22,782	0	22,782
Other Nonoperating Expenses	(30,000)	0	(30,000)
Total Nonoperating Revenues (Expenses)	(170,484)	0	(170,484)
Loss Before Operating Transfers	(107,427)	(18,619)	(126,046)
<u>Operating Transfers:</u>			
Operating Transfers In	33,071	0	33,071
Operating Transfers Out	(38,721)	0	(38,721)
Total Operating Transfers	(5,650)	0	(5,650)
Net Loss	(113,077)	(18,619)	(131,696)
Retained Earnings at Beginning of Year	8,629,078	24,310	8,653,388
Retained Earnings at End of Year	\$8,516,001	\$5,691	\$8,521,692

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



**THE CITY OF IRONTON OHIO**  
**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	<i>Enterprise Funds</i>	<i>Internal Service Fund</i>	<i>Totals (Memorandum Only)</i>
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$3,098,809	\$88,256	\$3,187,065
Cash Payments for Goods and Services	(995,326)	(106,136)	(1,101,462)
Cash Payments to Employees	(1,307,017)	0	(1,307,017)
Net Cash Provided (Used) by Operating Activities	<u>796,466</u>	<u>(17,880)</u>	<u>778,586</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfers In from Other Funds	33,071	0	33,071
Transfers Out to Other Funds	(38,721)	0	(38,721)
Net Cash Used for Noncapital Financing Activities	<u>(5,650)</u>	<u>0</u>	<u>(5,650)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and Construction of Assets	(262,078)	0	(262,078)
Principal Paid on Installment Loans	(3,548)	0	(3,548)
Principal Paid on Ohio Water Development Authority Loans	(397,243)	0	(397,243)
Principal Paid on Capital Lease	(1,054)	0	(1,054)
Interest Paid on All Debt	(244,885)	0	(244,885)
Net Cash Used for Capital and Related Financing Activities	<u>(908,808)</u>	<u>0</u>	<u>(908,808)</u>
<u>Cash Flows from Investing Activities:</u>			
Sale of Investments	27,987	0	27,987
Receipts of Interest	81,765	0	81,765
Net Cash Provided by Investing Activities	<u>109,752</u>	<u>0</u>	<u>109,752</u>
Net Decrease in Cash and Cash Equivalents	(8,240)	(17,880)	(26,120)
Cash and Cash Equivalents at Beginning of Year	2,232,404	30,890	2,263,294
Cash and Cash Equivalents at End of Year	<u>\$2,224,164</u>	<u>\$13,010</u>	<u>\$2,237,174</u>

(Continued)

**THE CITY OF IRONTON OHIO**  
**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Enterprise Funds</u>	<u>Internal Service Fund</u>	<u>Totals (Memorandum Only)</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided (Used) by Operating Activities:</u>			
Operating Income (Loss)	\$63,057	(\$18,619)	\$44,438
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	450,736	0	450,736
Miscellaneous Nonoperating Revenue	22,782	0	22,782
Miscellaneous Nonoperating Expense	(30,000)	0	(30,000)
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	270,691	0	270,691
Increase in Inventory	(7,212)	0	(7,212)
Decrease in Prepaid Items	453	0	453
Increase in Accounts Payable	26,672	739	27,411
Decrease in Accrued Wages and Benefits	(14,726)	0	(14,726)
Increase in Intergovernmental Payable	180	0	180
Increase in Compensated Absences	13,833	0	13,833
Total Adjustments	<u>733,409</u>	<u>739</u>	<u>734,148</u>
Net Cash Provided (Used) by Operating Activities	<u>\$796,466</u>	<u>(\$17,880)</u>	<u>\$778,586</u>

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

**THE CITY OF IRONTON, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2001**

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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.

The accompanying general purpose financial statements of the City present the financial position of the various fund types and account groups, the results of operations of the various fund types and the cash flows of the proprietary funds. The financial statements are presented as of December 31, 2001 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

**A. Reporting Entity**

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

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

The City is involved with the following organizations which are defined as jointly governed organizations. Additional financial information concerning these jointly governed organizations is presented in Note 19:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**B. Basis of Presentation - Fund Accounting**

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

***Governmental Funds***

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

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

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

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

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

***Proprietary Funds***

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

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, whereby the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City maintains separate enterprise funds for its water, sewer and sanitation (refuse collection) services.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**B. Basis of Presentation - Fund Accounting** (Continued)

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

***Fiduciary Funds***

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

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

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

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

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

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

**C. Basis of Accounting**

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

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

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

**C. Basis of Accounting (Continued)**

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

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

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

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

**D. Budgetary Process**

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

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

**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.

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

**D. Budgetary Process** (Continued)

2. Estimated Resources

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

On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2001.

3. Appropriations

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

4. Encumbrances

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

5. Lapsing of Appropriations

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**D. Budgetary Process** (Continued)

6. Budgetary Basis of Accounting

The City's budgetary process accounts for the City's transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on the cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. Encumbrances are recorded as the equivalent of expenditures (budgetary basis) as opposed to reservation of fund balance (GAAP basis).

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

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses				
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Fund	Expendable Trust Funds
GAAP Basis (as reported)	\$297,023	\$281,341	(\$62,066)	\$40,637	\$7,024
Increase (Decrease):					
Accrued Revenues at December 31, 2001 received during 2002	(415,954)	(72,115)	0	(50,115)	0
Accrued Revenues at December 31, 2000 received during 2001	438,887	58,090	0	1,380	0
Accrued Expenditures at December 31, 2001 paid during 2002	145,872	29,954	0	56,031	1,300
Accrued Expenditures at December 31, 2000 paid during 2001	(195,785)	(40,466)	0	(89,677)	0
2000 Prepays for 2001	14,425	2,050	0	0	0
2001 Prepays for 2002	(14,527)	(2,087)	0	0	0
Note Proceeds	100,000	0	0	90,000	0
Note Retirement	(100,000)	0	0	(90,000)	0
Entity Difference-CDBG Loan	0	14,513	0	0	0
Outstanding Encumbrances	(202,712)	(11,439)	0	(17,200)	(16,300)
Budget Basis	\$67,229	\$259,841	(\$62,066)	(\$58,944)	(\$7,976)



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

**E. Cash and Cash Equivalents**

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

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

**F. Investments**

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

**G. Inventory**

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

**H. Fixed Assets and Depreciation**

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

**1. Property, Plant and Equipment-General Governmental Purposes**

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

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

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

**H. Fixed Assets and Depreciation** (Continued)

2. Property, Plant and Equipment - Proprietary Funds

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

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

**I. Long-Term Obligations**

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

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

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

**J. Compensated Absences**

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

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

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

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

**K. Pensions**

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

**L. Interfund Transactions**

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

- Operating transfers are reported as "Other Financing Sources and Uses" in the governmental funds, as "Operating Transfers In" by the recipient fund, and "Operating Transfers Out" by the disbursing fund.
- Residual Equity Transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance. The City did not perform any residual equity transfers in 2001.

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

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

**M. Reservations of Fund Balance**

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

**N. Total Columns on Combined Financial Statements - Overview**

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

**O. Receivables and Payables**

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

Using this criteria, the City has elected to not record Court receivables within the Agency fund type. These amounts, while potentially significant, are not considered measurable, and because collections are often significantly in arrears, the City is unable to determine a reasonable value.

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**NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES**

For fiscal year 2001, the City has implemented GASB Statement No. 33 “Accounting and Financial Reporting for Nonexchange Transactions” and GASB Statement No. 36 “Recipient Reporting for Certain Shared Nonexchange Revenues”. At December 31, 2000, the implementation of GASB Statements No. 33 and 36 had the following effect on fund balances:

Fund Name	Fund Balance as Reported 12/31/00	GASB 33 & 36 Implementation	Fund Balance as Restated 12/31/00
General Fund	\$696,517	\$114,319	\$810,836
Special Revenue Funds	\$1,351,344	\$28,488	\$1,379,832

In addition to the above noted change to fund balance the restatement of fund balances had the following effect on prior year excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses:

Fund Name	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses as Reported 12/31/00	GASB 33 & 36 Implementation	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses as Restated 12/31/00
General Fund	(\$109,778)	\$114,319	\$4,541
Special Revenue Funds	\$381,936	\$28,488	\$410,424

Certain adjustments were made to the beginning balance of the General Long-Term Obligations account group due to an overstatement in the reporting of capital leases payable. The balance decreased \$18,786, from the previously reported amount of \$3,082,279, to the restated amount of \$3,063,493.

**NOTE 3 - COMPLIANCE AND ACCOUNTABILITY**

**Fund Deficit** - The fund deficit at December 31, 2001 of \$86,905 in the Fire Construction Fund (capital projects fund) arose from the recognition of general obligation notes payable under the modified accrual basis. Under the budgetary basis of accounting, proceeds from the sale of notes are recognized as revenue and expenditures are recognized when paid, therefore, a deficit does not exist. Operating transfers are provided when cash is required, not when accruals occur.

**NOTE 4 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS**

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

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

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

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

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

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

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, "*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*," collateral held in single financial institution collateral pools with securities being held by the pledging financial institution's agent in the pool's name are classified as Category 3.

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

*Deposits:*

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

*Investments:*

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

**A. Deposits**

At year end, the carrying value of the City's deposits was \$5,073,727 and the bank balance was \$4,792,046. Of the bank balance, \$444,643 was insured by the Federal Deposit Insurance Corporation (FDIC). The remaining deposits were classified as Category 3.

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

**B. Reconciliation of Cash, Cash Equivalents and Investments**

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

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Combined Balance Sheet	\$4,863,176	\$210,551
Certificates of Deposit (with maturities of more than 3 months)	210,551	(210,551)
Per GASB Statement No. 3	<u>\$5,073,727</u>	<u>\$0</u>

**NOTE 5 - TAXES**

**A. Property Taxes**

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2001 were levied after October 1, 2000 on assessed values as of January 1, 2000, the lien date. Assessed values were established by the County Auditor at 35% of appraised market value. All property is required to be reappraised every six years, and equalization adjustments are made in the third year following reappraisal. The last revaluation was completed in 1998. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder is payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually: the first payment is due April 30; the remainder payable by September 20.

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



**NOTE 5 – TAXES (Continued)**

**A. Property Taxes (Continued)**

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

The full tax rate for all City operations for the year ended December 31, 2001 was \$4.28 per \$1,000 of assessed value. The assessed value upon which the 2001 levy was based was \$123,150,810. This amount constitutes \$103,669,770 in real property assessed value, \$7,052,100 in public utility assessed value and \$12,428,940 in tangible personal property assessed value. Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .428% (4.28 mills) of assessed value.

**B. Income Tax**

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

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

**NOTE 6 - RECEIVABLES**

Receivables at December 31, 2001 consisted of taxes, interest, loans, intergovernmental, interfund, special assessments and accounts receivables.

**NOTE 7 - OPERATING TRANSFERS**

Following is a summary of operating transfers in and out for all funds for 2001:

Fund	Transfers In	Transfers Out
General Fund	\$493,500	\$677,386
Special Revenue Funds:		
Flood Fund	1,500	0
Swimming Pool Fund	8,716	0
Street Fund	75,650	0
Health Fund	75,000	0
Fire Fee Fund	0	71,815
Municipal Court Home Monitoring Fund	0	7,500
Municipal Court Home Supervision Fund	0	7,500
Empowerment Zone Fund	0	254
Total Special Revenue Funds	160,866	87,069
Debt Service Funds:		
Special Assessment Escrow Fund	0	25,325
Local Government Fund	644,490	523,601
Total Debt Service Funds	644,490	548,926
Capital Projects Fund:		
Fire Construction Fund	20,175	0
Enterprise Funds:		
Water Fund	0	38,721
Sewer Fund	33,071	0
Total Enterprise Funds	33,071	38,721
Totals	\$1,352,102	\$1,352,102

**NOTE 8 - INTERFUND RECEIVABLES/PAYABLES**

Following is a summary of interfund receivables/payables for all funds at December 31, 2001:

	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
General Fund	\$11,578	\$0
Special Revenue Funds:		
Indigent DUI Fund	240	0
Municipal Court Computer Fund	3,021	0
Municipal Court Home Monitoring Fund	1,285	0
Municipal Court Home Supervision Fund	1,340	0
Total Special Revenue Funds	5,886	0
Capital Projects Fund:		
Municipal Court Special Projects Fund	1,420	0
Agency Fund:		
Municipal Court Fund	0	18,884
Totals	\$18,884	\$18,884

**NOTE 9 - FIXED ASSETS**

**A. General Fixed Assets**

Summary by category of changes in general fixed assets:

Category	January 1, 2001	Additions	Deletions	December 31, 2001
Land	\$885,007	\$0	\$0	\$885,007
Buildings	1,423,178	0	0	1,423,178
Land Improvements	3,573,879	496,392	0	4,070,271
Machinery and Equipment	2,319,529	30,202	(22,915)	2,326,816
Totals	\$8,201,593	\$526,594	(\$22,915)	\$8,705,272

Schedule of General Fixed Assets at December 31, 2001:

	General Fixed Assets	Investment in General Fixed Assets	
Land	\$885,007		
Buildings	1,423,178	General Fund	\$3,945,221
Land Improvements	4,070,271	Special Revenue Funds	4,746,089
Machinery and Equipment	2,326,816	Enterprise Funds	13,962
Total	\$8,705,272	Total	\$8,705,272

**B. Proprietary Fixed Assets**

Summary by category at December 31, 2001:

Category	Historic Cost	Accumulated Depreciation	Book Value
Land	\$60,060	\$0	\$60,060
Land Improvements	6,518,141	(1,173,428)	5,344,713
Buildings and Improvements	8,945,937	(4,083,566)	4,862,371
Machinery and Equipment	4,325,505	(2,588,296)	1,737,209
Property, Plant and Equipment	\$19,849,643	(\$7,845,290)	\$12,004,353

**NOTE 10 – DEFINED BENEFIT PENSION PLANS**

All of the City's full-time employees participate in one of two separate retirement systems which are cost-sharing multiple employer defined benefit pension plans.

**A. Public Employees Retirement System (the "PERS of Ohio")**

The following information was provided by the PERS of Ohio to assist the City in complying with GASB Statement No. 27, *"Accounting for Pensions by State and Local Government Employers."*

All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in the PERS of Ohio, a cost-sharing multiple employer defined benefit pension plan. The PERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Public Employees Retirement System of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the PERS of Ohio. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The 2001 employer contribution rate for local government employer units was 13.55%, of covered payroll, 9.25% to fund the pension and 4.3% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the PERS of Ohio for the years ending December 31, 2001, 2000 and 1999 were \$285,847, \$234,063 and \$299,799, respectively, which were equal to the required contributions for each year.

The PERS of Ohio provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the PERS of Ohio is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the PERS of Ohio. The portion of the 2001 employer contribution rate (identified above) that was used to fund health care for the year 2001 was 4.3% of covered payroll which amounted to \$90,712.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio's latest actuarial review performed as of December 31, 2000. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or

**NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

depreciation on investment assets. The investment assumption rate for 2000 was 7.75%. An annual increase of 4.75% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increase, were assumed to range from 0.54% to 5.1%. Health care costs were assumed to increase 4.75% annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 411,076. The actuarial value of the PERS of Ohio net assets available for OPEB at December 31, 2000 is \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively.

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

All City full-time police officers and full-time firefighters participate in the OP&F Fund, a cost-sharing multiple-employer defined benefit pension plan. The OP&F Fund provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the OP&F Fund. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2001, 2000 and 1999 were \$92,518, \$99,557 and \$122,309 for police and \$117,150, \$125,911 and \$127,035 for firefighters, respectively, which were equal to the required contributions for each year.

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-thirds basis. The health care coverage provided by the OP&F Fund is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

**NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

The portion of the 2001 covered payroll that was used to fund postemployment health care benefits was \$35,584 representing 7.5% of covered payroll for police and \$36,609 representing 7.5% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. As of December 31, 2000, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 12,853 for police and 10,037 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2000 were \$106,160,054, which was net of member contributions of \$5,657,431.

**NOTE 11 - COMPENSATED ABSENCES**

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

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

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

At December 31, 2001, the total liability for accumulated unpaid compensated absences recorded in the General Long-Term Obligations Account Group was as follows:

	<u>Hours</u>	<u>Amount</u>
Sick Leave	24,675	\$266,487
Vacation / Compensatory Time	<u>7,103</u>	<u>81,659</u>
Total	<u><u>31,778</u></u>	<u><u>\$348,146</u></u>

In addition, the accrued liability for accumulated unpaid compensated absences recorded in the enterprise funds increased \$13,833 from a beginning year balance of \$151,062 to a year end balance of \$164,895.

**NOTE 12 - NOTES PAYABLE**

The Ohio Revised Code provides that notes including renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. The maximum maturity for notes anticipating general obligation bonds payable from special assessments is five years. Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts at least equal to, and payable no later than, those principal maturities required if the bonds had been issued at the expiration of the initial five year period. The following general obligation notes were payable at December 31, 2001:

	Balance January 1, 2001	Issued (Retired)	Balance December 31, 2001
<b>General Fund:</b>			
5.14% Real Estate Acquisition and Improvement	\$100,000	(\$100,000)	\$0
2.67% Real Estate Acquisition and Improvement	0	100,000	100,000
Total General Fund	<u>100,000</u>	<u>0</u>	<u>100,000</u>
<b>Capital Projects Funds:</b>			
5.75% Fire Department Building Improvement	90,000	(90,000)	0
3.50% Fire Department Building Improvement	0	90,000	90,000
Total Capital Projects Funds	<u>90,000</u>	<u>0</u>	<u>90,000</u>
Total Notes Payable	<u><u>\$190,000</u></u>	<u><u>\$0</u></u>	<u><u>\$190,000</u></u>

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

**NOTE 13 - LONG-TERM OBLIGATIONS**

Long-term debt and other long-term obligations of the City at December 31, 2001 were as follows:

			Balance December 31, 2000	Issued (Retired)	Balance December 31, 2001
<b>Enterprise Funds:</b>					
Installment Loan:					
4.50%	Equipment Acquisition (48%)	2004	\$13,136	(\$3,548)	\$9,588
Total Enterprise Installment Loan			13,136	(3,548)	9,588
O.W.D.A. Loans			6,366,041	(397,243)	5,968,798
Capital Leases			1,054	(1,054)	0
Total Enterprise Long-Term Debt and Other Long-Term Obligations			<u>\$6,380,231</u>	<u>(\$401,845)</u>	<u>\$5,978,386</u>
<b>General Long-Term Debt:</b>					
General Obligation Bond:					
varies	Building Improvement	2022	\$1,390,000	(\$35,000)	\$1,355,000
Special Assessment Bond:					
7.75%	Street Assessment	2001	110,000	(110,000)	0
Long-Term Obligations:					
Community Action Organization Loan			54,240	0	54,240
Total Long-Term Obligations			54,240	0	54,240
Installment Loans :					
5.00%	Equipment Acquisition	2001	16,058	(16,058)	0
5.25%	Fire Equipment Acquisition	2008	462,400	(57,800)	404,600
4.37%	Equipment Acquisition	2003	62,545	(19,963)	42,582
4.50%	Equipment Acquisition (52%)	2004	14,338	(3,871)	10,467
5.58%	Motor Vehicle Acquisition	2005	75,000	(15,000)	60,000
Total Installment Loans			630,341	(112,692)	517,649
Total General Long-Term Debt			<u>2,184,581</u>	<u>(\$257,692)</u>	<u>1,926,889</u>
<b>Other Long-Term Obligations:</b>					
Intergovernmental Payable			7,000	(7,000)	0
Compensated Absences			329,655	18,491	348,146
Restated Capital Leases			15,836	(15,089)	747
Police/Fire Accrued Pension Liability			526,421	(6,938)	519,483
Total Other Long-Term Obligations			<u>878,912</u>	<u>(10,536)</u>	<u>868,376</u>
Total General Long-Term Debt and Other Long-Term Obligations			<u>\$3,063,493</u>	<u>(\$268,228)</u>	<u>\$2,795,265</u>



**NOTE 13 - LONG-TERM OBLIGATIONS (Continued)**

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2001, follows:

Years	Installment Loans		OWDA Loans		General Obligation Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2002	\$101,391	\$27,266	\$417,831	\$223,745	\$35,000	\$72,322
2003	102,655	22,132	439,992	201,584	40,000	70,748
2004	76,991	16,941	463,865	177,711	40,000	68,908
2005	72,800	12,975	489,602	151,974	45,000	67,027
2006	57,800	9,104	517,367	124,210	45,000	64,890
2007-2011	115,600	9,104	1,594,899	310,718	255,000	288,805
2012-2016	0	0	1,431,621	148,394	340,000	210,650
2017-2035	0	0	613,621	18,383	555,000	111,650
<b>Totals</b>	<b>\$527,237</b>	<b>\$97,522</b>	<b>\$5,968,798</b>	<b>\$1,356,719</b>	<b>\$1,355,000</b>	<b>\$955,000</b>

Years	Capital Lease		Police/Fire Accrued Pension Liability		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2002	\$747	\$0	\$7,236	\$22,002	\$562,205	\$345,335
2003	0	0	7,546	21,691	590,193	316,155
2004	0	0	7,870	21,367	588,726	284,927
2005	0	0	8,210	21,029	615,612	253,005
2006	0	0	8,562	20,676	628,729	218,880
2007-2011	0	0	48,654	97,539	2,014,153	706,166
2012-2016	0	0	60,039	83,152	1,831,660	442,196
2017-2035	0	0	371,366	168,232	1,539,987	298,265
<b>Totals</b>	<b>\$747</b>	<b>\$0</b>	<b>\$519,483</b>	<b>\$455,688</b>	<b>\$8,371,265</b>	<b>\$2,864,929</b>

**A. Police and Firemen's Pension Fund**

The City's liability for past service costs related to the Police and Firemen's Pension Fund at December 31, 2001 was \$975,171 in principal and interest payments through the year 2035. Only the principal amount of \$519,483 is included in the General Long Term Obligations Account Group.

**NOTE 13 - LONG-TERM OBLIGATIONS (Continued)**

**B. Community Action Organization Loan**

During 1998, the City entered into a long-term obligation with the Community Action Organization of Lawrence County. The loan was for the purchase of land to be used by the City at a future time. The original amount of the loan was for \$300,000. As of December 31, 2001, \$245,760 in principal has been paid towards the balance of the loan. The City has the option of either paying more on the principal of the loan during the next ten years or waiting ten years and paying the balance due at the end of the ten-year period. The principal amount due of \$54,240 is included in the General Long-Term Obligations Account Group.

**NOTE 14 - CAPITAL LEASE**

The City is obligated under one lease for a copy machine accounted for as a capital lease. The cost of the copy machine is accounted for in the General Fixed Assets Account Group and in the General Long-Term Obligations Account Group. The original cost of the copy machine under capital lease totals \$8,958.

The following is a schedule of the future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of December 31, 2001.

Year Ending December 31,	General Long-Term Obligations Account Group
2002	\$747
Less amount representing interest at the City's incremental borrowing rate of interest	0
Present value of minimum lease payments	\$747

**NOTE 15 - CONSTRUCTION COMMITMENTS**

As of December 31, 2001, the City had the following commitments with respect to capital projects:

Capital Projects	Remaining Construction Commitment	Date of Completion
Sewer Line Extension	\$27,871	April 2002
On-Systems Paving Project	111,602	March 2002
Total	\$139,473	

**NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

Included in the services provided by the City which are financed primarily by user charges are water treatment and distribution and wastewater collection and treatment. The key financial information for the year ended December 31, 2001 for these enterprise activities is as follows:

	Water	Sewer	Sanitation	Total
Operating Revenues	\$1,314,062	\$920,366	\$570,908	\$2,805,336
Depreciation	189,065	240,213	21,458	450,736
Operating Income	56,823	1,830	4,404	63,057
Operating Transfers In	0	33,071	0	33,071
Operating Transfers Out	38,721	0	0	38,721
Net Loss	(22,149)	(75,275)	(15,653)	(113,077)
Property, Plant and Equipment:				
Additions	56,690	177,263	1,255	235,208
Deletions	0	0	89,217	89,217
Assets	7,704,486	6,704,611	361,201	14,770,298
Net Working Capital	1,615,884	765,035	274,010	2,654,929
Ohio Water Development Authority and Installment Loans Payable	4,521,127	1,457,259	0	5,978,386
Total Equity	3,086,342	5,151,281	278,378	8,516,001

**NOTE 17 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2001, the City participated in the Public Entities Pool of Ohio ("PEP"), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

PEP retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

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

PEP retains property risks, including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**NOTE 17 - RISK MANAGEMENT (Continued)**

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$19,358,458	\$17,112,129
Liabilities	(8,827,588)	(7,715,035)
Retained Earnings	<u>\$10,530,870</u>	<u>\$9,397,094</u>
<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$1,890,323	\$1,575,614
Liabilities	(469,100)	(281,561)
Retained Earnings	<u>\$1,421,223</u>	<u>\$1,294,053</u>

The City of Ironton carried commercial (or maintained self-insurance) insurance coverage for the years 2000 - 2001 for all other risks, including health insurance and pays unemployment claims to the State of Ohio as incurred.

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

**NOTE 18 - CONTINGENCIES**

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

The City is under review from the Department of Housing and Urban Development for the Community Development Block Grant program. The amount of loss, if any, as a result of this review cannot be determined at this time. No provisions have been made within the financial statements for refund or repayment, if any, of grant monies.

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2001.

**NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS**

Ironton-Lawrence County Community Action Organization - The Ironton-Lawrence County Community Action Organization (CAO) is an IRS 501C3 non-profit organization established to plan, develop, and coordinate programs and services designed to combat problems of poverty and seek the elimination of the conditions of poverty that affect the residents of Lawrence County. The CAO administers Community Development Block Grants for the City. The CAO Board is comprised of public officials from the County, municipalities, villages, and townships within the County. Other members are representatives of the poor in the area served and officials or members of the private sector of the community. The CAO controls its own operations and budget. In 2001, the City paid the CAO \$63,077. Of that amount, \$9,900 was paid for the Revolving Loan Fund 2000 Administration, \$49,691 was paid for the Revolving Loan Fund 2001 Administration, and \$3,486 was paid for the Rehab Revolving Loan Fund 2001 Administration.

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

The purposes of the governing foundation include:

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

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

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

**CITY OF IRONTON  
LAWRENCE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Disbursements</b>
<b>UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grant Small Cities Program	AC98-134-1 AT98-134-1	14.228	\$14,202 46,380
Total Community Development Block Grant			<u>60,582</u>
HOME Investment Partnerships Programs	AC98-134-2	14.239	<u>3,566</u>
<i>Passed Through the Huntington, WV Ironton, OH Empowerment Zone, INC.:</i>			
Empowerment Zone Programs	N/A	14.244	<u>134,039</u>
Total United States Department of Housing and Urban Development			<u>198,187</u>
<b>UNITED STATES DEPARTMENT OF HIGHWAYS</b>			
<i>Passed Through Ohio Department of Transportation:</i>			
Highway Planning and Construction	2000-LPA-PID-20779	20.205	<u>93,565</u>
Total United States Department of Highways			<u>93,565</u>
<b>UNITED STATES DEPARTMENT OF HEALTH</b>			
<i>Passed Through Ohio Department of Health:</i>			
Medical Assistance Program EPSDT	N/A	93.778	<u>13,681</u>
Total United States Department of Health			<u>13,681</u>
<b>TOTAL FEDERAL AWARDS EXPENDITURES</b>			<b><u><u>\$305,433</u></u></b>

*The notes to the Schedule of Federal Awards Expenditures are an integral part of this Schedule.*

**CITY OF IRONTON  
LAWRENCE COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - SUBRECIPIENTS**

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

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

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

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

These loans are collateralized by mortgages on the property. At December 31, 2001, the gross amount of loans outstanding under this program were \$85,917. Delinquent amounts due were \$0.

**NOTE D - MATCHING REQUIREMENTS**

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

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Athens Mall Suite B  
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www.auditor.state.oh.us

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

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

To the City Council:

We have audited the accompanying general purpose financial statements of the City of Ironton, Lawrence County, Ohio (the City), as of and for the year ended December 31, 2001, and have issued our report thereon dated October 17, 2002, wherein we noted the City adopted Governmental Accounting Standards Board Statements 33 and 36 for the year ending December 31, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated October 17, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated October 17, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long horizontal stroke extending to the right.

**Jim Petro**  
Auditor of State

October 17, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

To the City Council:

**Compliance**

We have audited the compliance of the City of Ironton, Lawrence County, Ohio (the City), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2001. The City's major federal programs are identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2001.

**Internal Control over Compliance**

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

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

October 17, 2002

**CITY OF IRONTON  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
DECEMBER 31, 2001**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Empowerment Zone Programs, CFDA #14.244  Highway Planning and Construction Grant, CFDA #20.205
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**CITY OF IRONTON  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
DECEMBER 31, 2001  
(Continued)**

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**CITY OF IRONTON**  
**LAWRENCE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 26, 2002**