



Dave Yost • Auditor of State

**CITY OF IRONTON
LAWRENCE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component unit and remaining fund information of the City of Ironton, Lawrence County, Ohio (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

The City did not update capital asset information on the 2013 financial statements. The 2013 capital asset information was unchanged from the 2012 information. Also, the City did not provide adequate support for the amounts reported as the City's capital assets and net investment in capital assets in the Statement of Net Position for Governmental and Business Type Activities, Water Fund, Sewer Fund, Sanitation Fund and Storm Water Fund. Therefore, we were unable to obtain sufficient appropriate audit evidence about the existence, rights, completeness and valuation of the City's capital assets and the accuracy of the City's net investment in capital assets. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinions

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinions on Statement of Net Position for Governmental and Business Type Activities, Water Fund, Sewer Fund, Sanitation Fund and Storm Water Fund* paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental and Business Type Activities, Water Fund, Sewer Fund, Sanitation Fund and Storm Water Fund of the City of Ironton, Lawrence County, Ohio, as of December 31, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, Debt Service Fund, Capital Infrastructure Project Fund and the aggregate discretely presented component unit and remaining fund information of the City of Ironton, Lawrence County, Ohio, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 18 to the basic financial statements, the January 1, 2013 Business Type Activities Net Position and Water Fund Balance were restated due to a correction for utility deposits.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the City's basic financial statements taken as a whole.

The Schedule of Federal Award Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2016, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

January 28, 2016

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CITY OF IRONTON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2013

Unaudited

The discussion and analysis of the City of Ironton's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2013. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2013 are as follows:

- ❑ In total, net position increased \$80,937. Net position of governmental activities increased \$950,584, which represents a 4% change from 2012. Net position of business-type activities decreased 75%, or \$869,647 from 2012.
- ❑ General revenues accounted for \$3,697,031 in revenue, or 28% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions, and capital grants and contributions accounted for \$9,428,974, or 72% of total revenues of \$13,126,005.
- ❑ The City had \$7,852,854 in expenses related to governmental activities; only \$5,116,370 of these expenses were offset by program specific charges for services and sales, operating grants and contributions, and capital grants and contributions. General revenues (primarily taxes) of \$3,687,068 and net position were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$5,383,042 in revenues and \$5,256,362 in expenditures. The general fund's fund balance increased \$562,644.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

CITY OF IRONTON, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2013*

Unaudited

Government-Wide Financial Statements

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

The two government-wide statements report the City's net position and how it has changed. Net position is one way to measure the City's financial health.

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

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

- Governmental Activities – Most of the City's programs and services are reported here including general government, public safety, street maintenance, construction and repair, health and social services, and recreation.
- Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water, sewer, refuse collection, and storm water services are reported as business-type activities.
- Component Unit – The City's financial statements include financial data for the Ironton Port Authority. The Component Unit is described in the notes to the financial statements.

Fund Financial Statements

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

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

CITY OF IRONTON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2013**

Unaudited

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of the City's net position at December 31, 2013 and 2012:

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	Restated	2013	Restated
				2012		2012
Current and Other Assets	\$6,027,659	\$4,052,463	\$3,971,311	\$5,256,643	\$9,998,970	\$9,309,106
Capital Assets, Net	24,305,013	24,305,013	11,566,732	11,566,732	35,871,745	35,871,745
Total Assets	<u>30,332,672</u>	<u>28,357,476</u>	<u>15,538,043</u>	<u>16,823,375</u>	<u>45,870,715</u>	<u>45,180,851</u>
Long-Term Debt Outstanding	2,979,307	2,707,433	15,071,036	15,443,701	18,050,343	18,151,134
Other Liabilities	1,013,869	261,746	177,002	220,022	1,190,871	481,768
Total Liabilities	<u>3,993,176</u>	<u>2,969,179</u>	<u>15,248,038</u>	<u>15,663,723</u>	<u>19,241,214</u>	<u>18,632,902</u>
Deferred Inflows of Resources	<u>491,218</u>	<u>490,603</u>	<u>0</u>	<u>0</u>	<u>491,218</u>	<u>490,603</u>
Net Position						
Net Investment in Capital Assets	21,967,689	22,247,300	2,450,375	7,124,610	24,418,064	29,371,910
Restricted	3,020,215	2,315,774	0	0	3,020,215	2,315,774
Unrestricted	<u>860,374</u>	<u>334,620</u>	<u>(2,160,370)</u>	<u>(5,964,958)</u>	<u>(1,299,996)</u>	<u>(5,630,338)</u>
Total Net Position	<u><u>\$25,848,278</u></u>	<u><u>\$24,897,694</u></u>	<u><u>\$290,005</u></u>	<u><u>\$1,159,652</u></u>	<u><u>\$26,138,283</u></u>	<u><u>\$26,057,346</u></u>

CITY OF IRONTON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2013**

Unaudited

Changes in Net Position – The following table shows the changes in net position for 2013 and 2012:

	Governmental Activities		Business-type Activities		Total	Total
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues:						
Charges for Services and Sales	\$2,335,223	\$2,128,735	\$4,312,604	\$4,205,745	\$6,647,827	\$6,334,480
Operating Grants and Contributions	1,377,046	587,739	0	0	1,377,046	587,739
Capital Grants and Contributions	1,404,101	897,205	0	116,905	1,404,101	1,014,110
Total Program Revenues	<u>5,116,370</u>	<u>3,613,679</u>	<u>4,312,604</u>	<u>4,322,650</u>	<u>9,428,974</u>	<u>7,936,329</u>
General Revenues:						
Taxes	2,753,573	2,788,824	0	0	2,753,573	2,788,824
Intergovernmental, Unrestricted	621,023	484,619	0	0	621,023	484,619
Investment Earnings	29,125	42,908	9,963	18,452	39,088	61,360
Miscellaneous	283,347	333,230	0	0	283,347	333,230
Total General Revenues	<u>3,687,068</u>	<u>3,649,581</u>	<u>9,963</u>	<u>18,452</u>	<u>3,697,031</u>	<u>3,668,033</u>
Total Revenues	<u>8,803,438</u>	<u>7,263,260</u>	<u>4,322,567</u>	<u>4,341,102</u>	<u>13,126,005</u>	<u>11,604,362</u>
Program Expenses						
Security of Persons and Property	2,973,350	3,079,130	0	0	2,973,350	3,079,130
Public Health and Welfare Services	273,293	224,630	0	0	273,293	224,630
Leisure Time Activities	99,094	88,761	0	0	99,094	88,761
Community Environment	499,194	1,984,667	0	0	499,194	1,984,667
Transportation	1,705,917	478,541	0	0	1,705,917	478,541
General Government	2,164,081	2,722,706	0	0	2,164,081	2,722,706
Interest and Fiscal Charges	137,925	109,349	0	0	137,925	109,349
Water	0	0	1,480,306	1,792,377	1,480,306	1,792,377
Sewer	0	0	1,810,298	1,503,839	1,810,298	1,503,839
Sanitation	0	0	737,082	650,613	737,082	650,613
Storm Water	0	0	1,164,528	982,852	1,164,528	982,852
Total Expenses	<u>7,852,854</u>	<u>8,687,784</u>	<u>5,192,214</u>	<u>4,929,681</u>	<u>13,045,068</u>	<u>13,617,465</u>
Change in Net Position	950,584	(1,424,524)	(869,647)	(588,579)	80,937	(2,013,103)
Beginning Net Position - Restated	<u>24,897,694</u>	<u>26,322,218</u>	<u>1,159,652</u>	<u>1,748,231</u>	<u>26,057,346</u>	<u>28,070,449</u>
Ending Net Position	<u>\$25,848,278</u>	<u>\$24,897,694</u>	<u>\$290,005</u>	<u>\$1,159,652</u>	<u>\$26,138,283</u>	<u>\$26,057,346</u>

Governmental Activities

Net position of the City's Governmental Activities increased \$950,584. Moving Ohio Forward Grants for the demolition of dilapidated housing and economic development grants contributed to the increase in operating grants and contributions. Ohio Department of Transportation and FEMA Grants contributed to the increase in capital grants and contributions.

Clean Ohio grants for the cleanup of the downtown riverfront received in the prior year resulted in the subsequent decrease in community environment expenses in 2013.

CITY OF IRONTON, OHIO

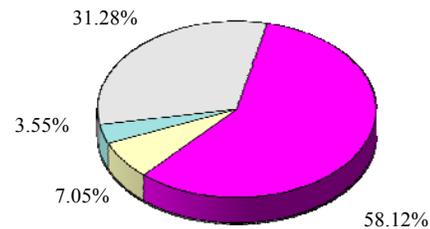
**Management's Discussion and Analysis
For the Year Ended December 31, 2013**

Unaudited

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

Taxes made up 31.28% of revenues for governmental activities for the City in fiscal year 2013. The City's reliance upon tax revenues is demonstrated by the following graph:

Revenue Sources	2013	Percent of Total
Taxes	\$2,753,573	31.28%
Program Revenues	5,116,370	58.12%
Intergovernmental, Unrestricted	621,023	7.05%
General Other	312,472	3.55%
Total Revenue	<u>\$8,803,438</u>	<u>100.00%</u>



Business-type Activities

Net position of the City's business-type activities decreased \$869,647. Revenues and expenses were consistent with the prior year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$2,713,415, which is an increase from last year's balance of \$2,144,294. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2013 and 2012:

	Fund Balance December 31, 2013	Fund Balance December 31, 2012	Increase (Decrease)
General	\$1,309,846	\$747,202	\$562,644
Debt Service	30,892	30,551	341
Capital Infrastructure Project	13,575	13,575	0
Other Governmental	1,359,102	1,352,966	6,136
Total	<u>\$2,713,415</u>	<u>\$2,144,294</u>	<u>\$569,121</u>

CITY OF IRONTON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2013**

Unaudited

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

	2013 Revenues	2012 Revenues	Increase (Decrease)
Taxes	\$2,518,168	\$2,566,909	(\$48,741)
Intergovernmental Revenues	691,908	546,006	145,902
Charges for Services	1,558,093	1,537,986	20,107
Licenses and Permits	104,609	103,648	961
Investment Earnings	16,082	20,745	(4,663)
Special Assessments	1,989	3,345	(1,356)
Fines and Forfeitures	303,062	302,947	115
All Other Revenue	189,131	193,021	(3,890)
Total	\$5,383,042	\$5,274,607	\$108,435

General Fund revenues in 2013 remained stable when compared with the prior year, increasing \$108,435, or approximately 2%.

	2013 Expenditures	2012 Expenditures	Increase (Decrease)
Security of Persons and Property	\$2,708,473	\$2,847,983	(\$139,510)
Public Health and Welfare Services	266,850	225,388	41,462
Community Environment	5,940	37,565	(31,625)
General Government	1,877,060	1,668,598	208,462
Capital Outlay	140,541	0	140,541
Debt Service:			
Principal Retirement	184,055	168,784	15,271
Interest and Fiscal Charges	73,443	111,139	(37,696)
Total	\$5,256,362	\$5,059,457	\$196,905

General Fund expenditures increased \$196,905, or 4%. A decrease in salaries and related costs in the police department resulted in the decrease in security of persons and property. Increases in legal fees related to the settlement of an environmental claim contributed to an increase in general government. Capital outlay increases consisted of vehicle purchases, Natureworks Trail project expenditures and improvements related to a sewer backup incident in the City Hall main lobby.

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

For the General Fund, actual budget basis revenue of \$4.9 million did not significantly change from original and final budget estimates. Actual budget basis expenditures of \$5.0 million did not significantly change from original and final budget estimates. The General Fund had an adequate fund balance to cover expenditures.

CITY OF IRONTON, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2013*

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2013 the City had \$35,871,745 net of accumulated depreciation invested in land, construction in progress, buildings, land improvements, machinery and equipment, and infrastructure. Of this total, \$24,305,013 was related to governmental activities and \$11,566,732 to the business-type activities. The following table shows fiscal year 2013 and 2012 balances:

	Governmental Activities		Increase (Decrease)
	2013	2012	
Land	\$1,740,045	\$1,740,045	\$0
Construction in Progress	161,933	161,933	0
Buildings	3,150,900	3,150,900	0
Land Improvements	4,454,077	4,454,077	0
Machinery and Equipment	3,477,572	3,477,572	0
Infrastructure	35,825,162	35,825,162	0
Less: Accumulated Depreciation	(24,504,676)	(24,504,676)	0
Totals	\$24,305,013	\$24,305,013	\$0

	Business-Type Activities		Increase (Decrease)
	2013	2012	
Land	\$60,060	\$60,060	\$0
Construction in Progress	894,546	894,546	0
Land Improvements	6,534,456	6,534,456	0
Buildings and Improvements	4,051,851	4,051,851	0
Machinery and Equipment	5,627,138	5,627,138	0
Infrastructure	5,364,722	5,364,722	0
Less: Accumulated Depreciation	(10,966,041)	(10,966,041)	0
Totals	\$11,566,732	\$11,566,732	\$0

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

CITY OF IRONTON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2013**

Unaudited

Debt

At December 31, 2013, the City had \$14,257,478 in bonds outstanding, \$667,177 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Governmental Activities:		
General Obligation Bonds	\$2,291,622	\$1,940,000
Installment Loans	45,702	75,061
General Obligation Notes	0	42,652
Police and Firemen's Accrued Pension	408,891	420,384
Compensated Absences	233,092	229,336
Total Governmental Activities	<u>2,979,307</u>	<u>2,707,433</u>
Business-Type Activities:		
Ohio Water Development Authority Loans	\$2,389,904	\$2,705,772
Ohio Public Works Commission Loans	313,445	309,375
Installment Loans	197,506	342,350
General Obligation Bonds	11,965,856	11,928,000
Compensated Absences	204,325	158,204
Total Business-Type Activities	<u>15,071,036</u>	<u>15,443,701</u>
Totals	<u>\$18,050,343</u>	<u>\$18,151,134</u>

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.50% of the total assessed value of real and personal property. At December 31, 2013, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 12.

ECONOMIC FACTORS

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

REQUESTS FOR INFORMATION

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

CITY OF IRONTON, OHIO

Statement of Net Position
December 31, 2013

	Governmental Activities	Business-Type Activities	Total	Component Unit Ironton Port Authority
Assets:				
Pooled Cash and Investments	\$ 2,324,857	\$ 2,830,755	\$ 5,155,612	\$ 0
Receivables:				
Taxes	1,003,825	0	1,003,825	0
Accounts	161,706	413,791	575,497	0
Intergovernmental	2,062,180	0	2,062,180	0
Loans	441,756	0	441,756	0
Internal Balances	(477)	477	0	0
Prepays	33,812	1,852	35,664	0
Restricted Assets:				
Cash and Cash Equivalents with Fiscal Agent	0	724,436	724,436	0
Capital Assets:				
Capital Assets Not Being Depreciated	1,901,978	954,606	2,856,584	0
Capital Assets Being Depreciated	22,403,035	10,612,126	33,015,161	0
Total Assets	30,332,672	15,538,043	45,870,715	0
Liabilities:				
Accounts Payable	178,303	13,178	191,481	0
Accrued Wages and Benefits	203,485	118,816	322,301	0
Intergovernmental Payable	825	0	825	0
Contracts Payable	623,394	0	623,394	0
Accrued Interest Payable	7,862	45,008	52,870	0
Long Term Liabilities:				
Due Within One Year	392,435	1,001,540	1,393,975	0
Due in More Than One Year	2,586,872	14,069,496	16,656,368	0
Total Liabilities	3,993,176	15,248,038	19,241,214	0
Deferred Inflows of Resources:				
Property Tax Levy for Next Fiscal Year	491,218	0	491,218	0
Net Position:				
Net Investment in Capital Assets	21,967,689	2,450,375	24,418,064	0
Restricted For:				
Capital Projects	144,392	0	144,392	0
Debt Service	30,892	0	30,892	0
Streets and Highways	409,413	0	409,413	0
Security of Persons and Property	714,362	0	714,362	0
Other Purposes	1,721,156	0	1,721,156	0
Unrestricted (Deficit)	860,374	(2,160,370)	(1,299,996)	0
Total Net Position	\$ 25,848,278	\$ 290,005	\$ 26,138,283	\$ 0

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

Statement of Activities For the Year Ended December 31, 2013

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 2,973,350	\$ 725,899	\$ 0	\$ 0
Public Health and Welfare Services	273,293	111,094	54,066	0
Leisure Time Activities	99,094	20,972	0	0
Community Environment	499,194	150,629	769,855	0
Transportation	1,705,917	0	508,615	1,404,101
General Government	2,164,081	1,326,629	44,510	0
Interest and Fiscal Charges	137,925	0	0	0
Total Governmental Activities	7,852,854	2,335,223	1,377,046	1,404,101
Business-Type Activities:				
Water	1,480,306	1,978,928	0	0
Sewer	1,810,298	1,170,369	0	0
Sanitation	737,082	684,635	0	0
Storm Water	1,164,528	478,672	0	0
Total Business-Type Activities	5,192,214	4,312,604	0	0
Total Primary Government	\$ 13,045,068	\$ 6,647,827	\$ 1,377,046	\$ 1,404,101
Component Unit:				
Ironton Port Authority	\$ 605,040	\$ 147,396	\$ 182,132	

General Revenues

Property Taxes
Municipal Income Taxes
Intergovernmental, Unrestricted
Investment Earnings
Miscellaneous
Total General Revenues

Change in Net Position

Net Position Beginning of Year - Restated, See Note 18

Net Position End of Year

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

Net (Expense) Revenue and Changes in Net Position			Component Unit
Governmental Activities	Business-Type Activities	Total	Ironton Port Authority
\$ (2,247,451)	\$ 0	\$ (2,247,451)	
(108,133)	0	(108,133)	
(78,122)	0	(78,122)	
421,290	0	421,290	
206,799	0	206,799	
(792,942)	0	(792,942)	
(137,925)	0	(137,925)	
<u>(2,736,484)</u>	<u>0</u>	<u>(2,736,484)</u>	
0	498,622	498,622	
0	(639,929)	(639,929)	
0	(52,447)	(52,447)	
0	(685,856)	(685,856)	
0	(879,610)	(879,610)	
\$ (2,736,484)	\$ (879,610)	\$ (3,616,094)	
			<u>\$ (275,512)</u>
488,641	0	488,641	0
2,264,932	0	2,264,932	0
621,023	0	621,023	0
29,125	9,963	39,088	0
283,347	0	283,347	0
<u>3,687,068</u>	<u>9,963</u>	<u>3,697,031</u>	<u>0</u>
950,584	(869,647)	80,937	(275,512)
24,897,694	1,159,652	26,057,346	275,512
<u>\$ 25,848,278</u>	<u>\$ 290,005</u>	<u>\$ 26,138,283</u>	<u>\$ 0</u>

CITY OF IRONTON, OHIO

Balance Sheet
Governmental Funds
December 31, 2013

	General	Debt Service	Capital Infrastructure Project
Assets:			
Pooled Cash and Investments	\$ 822,559	\$ 30,892	\$ 13,575
Receivables:			
Taxes	725,749	0	0
Accounts	149,131	0	0
Intergovernmental	174,436	0	623,394
Loans	0	0	0
Interfund Loans Receivable	130,402	0	0
Prepaid Items	33,769	0	0
Total Assets	\$ 2,036,046	\$ 30,892	\$ 636,969
Liabilities:			
Accounts Payable	\$ 138,145	\$ 0	\$ 0
Accrued Wages and Benefits Payable	174,760	0	0
Intergovernmental Payable	825	0	0
Contracts Payable	0	0	623,394
Interfund Loans Payable	0	0	0
Total Liabilities	313,730	0	623,394
Deferred Inflows of Resources:			
Unavailable Amounts	160,005	0	0
Property Tax Levy for Next Fiscal Year	252,465	0	0
Total Deferred Inflows of Resources	412,470	0	0
Fund Balances:			
Nonspendable	33,769	0	0
Restricted	11,121	30,892	13,575
Committed	285,215	0	0
Assigned	288,488	0	0
Unassigned	691,253	0	0
Total Fund Balances	1,309,846	30,892	13,575
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,036,046	\$ 30,892	\$ 636,969

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 1,457,313	\$ 2,324,339
278,076	1,003,825
12,575	161,706
1,264,350	2,062,180
441,756	441,756
0	130,402
43	33,812
<u>\$ 3,454,113</u>	<u>\$ 6,158,020</u>
\$ 39,565	\$ 177,710
28,725	203,485
0	825
0	623,394
130,402	130,402
<u>198,692</u>	<u>1,135,816</u>
1,657,566	1,817,571
238,753	491,218
<u>1,896,319</u>	<u>2,308,789</u>
43	33,812
1,520,191	1,575,779
0	285,215
0	288,488
(161,132)	530,121
<u>1,359,102</u>	<u>2,713,415</u>
<u>\$ 3,454,113</u>	<u>\$ 6,158,020</u>

CITY OF IRONTON, OHIO

***Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2013***

Total Governmental Fund Balances \$ 2,713,415

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

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

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

Other long-term assets are not available to pay for current-
period expenditures and therefore are deferred in the funds. 1,817,571

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

 Internal Service Net Position (75)
 Allocation to Business-Type Activities (477) (552)

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

 General Obligation Bonds Payable (2,291,622)
 Installment Loans (45,702)
 Police/Fire Pension Accrued Liability (408,891)
 Compensated Absences Payable related to Governmental Funds (233,092)
 Accrued Interest Payable (7,862) (2,987,169)

Net Position of Governmental Activities \$ 25,848,278

See accompanying notes to the basic financial statements

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CITY OF IRONTON, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2013

	General	Debt Service	Capital Infrastructure Project
Revenues:			
Taxes	\$ 2,518,168	\$ 0	\$ 0
Intergovernmental Revenues	691,908	0	1,191,267
Charges for Services	1,558,093	0	0
Licenses and Permits	104,609	0	0
Investment Earnings	16,082	341	0
Special Assessments	1,989	0	0
Fines and Forfeitures	303,062	0	0
All Other Revenue	189,131	0	0
Total Revenue	5,383,042	341	1,191,267
Expenditures:			
Current:			
Security of Persons and Property	2,708,473	0	0
Public Health and Welfare Services	266,850	0	0
Leisure Time Activities	0	0	0
Community Environment	5,940	0	0
Transportation	0	0	0
General Government	1,877,060	0	0
Capital Outlay	140,541	0	1,191,267
Debt Service:			
Principal Retirement	184,055	1,940,000	0
Interest and Fiscal Charges	73,443	65,000	0
Total Expenditures	5,256,362	2,005,000	1,191,267
Excess (Deficiency) of Revenues			
Over Expenditures	126,680	(2,004,659)	0
Other Financing Sources (Uses):			
Sale of Capital Assets	760	0	0
Sale of Bonds	397,000	0	0
Refunding Bonds Issued	0	2,005,000	0
Transfers In	38,204	0	0
Transfers Out	0	0	0
Loan Proceeds	0	0	0
Total Other Financing Sources (Uses)	435,964	2,005,000	0
Net Change in Fund Balances	562,644	341	0
Fund Balances at Beginning of Year	747,202	30,551	13,575
Fund Balances End of Year	\$ 1,309,846	\$ 30,892	\$ 13,575

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 229,678	\$ 2,747,846
866,127	2,749,302
184,034	1,742,127
0	104,609
12,702	29,125
0	1,989
183,436	486,498
93,456	282,587
1,569,433	8,144,083
265,929	2,974,402
0	266,850
100,156	100,156
493,254	499,194
534,824	534,824
91,467	1,968,527
40,754	1,372,562
133,358	2,257,413
375	138,818
1,660,117	10,112,746
(90,684)	(1,968,663)
0	760
4,622	401,622
0	2,005,000
0	38,204
(38,204)	(38,204)
130,402	130,402
96,820	2,537,784
6,136	569,121
1,352,966	2,144,294
\$ 1,359,102	\$ 2,713,415

CITY OF IRONTON, OHIO

***Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Fiscal Year Ended December 31, 2013***

Net Change in Fund Balances - Total Governmental Funds		\$ 569,121
<i>Amounts reported for governmental activities in the statement of activities are different because</i>		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		658,595
The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net position.		
General Obligation Bonds Issued		(2,406,622)
Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General Obligation Bond Principal Payment	2,055,000	
Installment Loan Principal Payment	29,359	
Long Term Note Payable Payment	42,652	
Police/Fire Pension Accrued Liability	11,493	2,138,504
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		893
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in Compensated Absences - Governmental Funds		(9,063)
The internal service funds, which are used by management to charge the costs of services to individual funds, are not included in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities and business-type activities.		
Change in Net Position - Internal Service Funds	(1,463)	
Change in portion of internal service fund net position allocated to Business-Type Activities	619	(844)
<i>Change in Net Position of Governmental Activities</i>		<u><u>\$ 950,584</u></u>

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2013**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 2,740,118	\$ 2,758,130	\$ 2,465,725	\$ (292,405)
Intergovernmental Revenue	401,675	744,475	705,648	(38,827)
Charges for Services	1,301,400	1,243,495	1,202,194	(41,301)
Licenses and Permits	31,085	34,000	27,133	(6,867)
Investment Earnings	8,228	9,000	8,389	(611)
Special Assessments	2,743	3,000	1,989	(1,011)
Fines and Forfeitures	292,569	320,000	302,736	(17,264)
All Other Revenues	223,195	265,800	162,674	(103,126)
Total Revenues	<u>5,001,013</u>	<u>5,377,900</u>	<u>4,876,488</u>	<u>(501,412)</u>
Expenditures:				
Current:				
Security of Persons and Property	3,052,406	3,021,962	2,756,061	265,901
Public Health and Welfare Services	4,686	5,079	4,987	92
Community Environment	8,471	9,181	6,108	3,073
General Government	1,876,294	2,167,658	1,918,311	249,347
Capital Outlay	50,000	175,000	175,000	0
Debt Service:				
Principal Retirement	145,785	158,000	101,403	56,597
Interest and Fiscal Charges	0	0	32,369	(32,369)
Total Expenditures	<u>5,137,642</u>	<u>5,536,880</u>	<u>4,994,239</u>	<u>542,641</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(136,629)	(158,980)	(117,751)	41,229
Other Financing Sources (Uses):				
Sale of Capital Assets	1,000	1,000	760	(240)
Sale of Bonds	175,000	275,000	397,000	122,000
Transfers In	274,949	274,949	274,979	30
Transfers Out	(110,000)	(110,000)	(95,000)	15,000
Advances Out	0	0	(15,000)	(15,000)
Total Other Financing Sources (Uses):	<u>340,949</u>	<u>440,949</u>	<u>562,739</u>	<u>121,790</u>
Net Changes in Fund Balance	204,320	281,969	444,988	163,019
Fund Balance at Beginning of Year	(55,445)	(55,445)	(55,445)	0
Prior Year Encumbrances	20,631	20,631	20,631	0
Fund Balance at End of Year	<u>\$ 169,506</u>	<u>\$ 247,155</u>	<u>\$ 410,174</u>	<u>\$ 163,019</u>

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2013**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Sanitation
Assets:			
<i>Current Assets:</i>			
Pooled Cash and Investments	\$ 138,615	\$ 1,399,492	\$ 188,868
Receivables:			
Accounts	176,550	115,062	71,087
Prepaid Items	1,477	375	0
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agent	0	362,218	0
<i>Total Current Assets</i>	316,642	1,877,147	259,955
<i>Non Current Assets:</i>			
Capital Assets:			
Capital Assets Not Being Depreciated	481,030	402,976	0
Depreciable Capital Assets, Net	5,634,730	4,857,299	45,712
Total Assets	6,432,402	7,137,422	305,667
Liabilities:			
<i>Current Liabilities:</i>			
Accounts Payable	8,859	57	4,262
Accrued Wages and Benefits	61,704	33,335	23,738
Accrued Interest Payable	4,402	20,303	0
Installment Loans Payable - Current	3,043	74,550	0
Compensated Absences Payable - Current	37,241	28,638	8,787
General Obligation Bonds Payable - Current	83,301	167,738	31,300
OWDA Loans Payable - Current	310,317	0	0
OPWC Loans Payable - Current	15,000	3,750	0
<i>Total Current Liabilities</i>	523,867	328,371	68,087

CITY OF IRONTON, OHIO

<u>Storm Water</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 1,103,780	\$ 2,830,755	\$ 518
51,092	413,791	0
0	1,852	0
<u>362,218</u>	<u>724,436</u>	<u>0</u>
1,517,090	3,970,834	518
70,600	954,606	0
<u>74,385</u>	<u>10,612,126</u>	<u>0</u>
1,662,075	15,537,566	518
0	13,178	593
39	118,816	0
20,303	45,008	0
71,507	149,100	0
0	74,666	0
165,437	447,776	0
0	310,317	0
931	19,681	0
<u>258,217</u>	<u>1,178,542</u>	<u>593</u>

(Continued)

CITY OF IRONTON, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2013**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Sanitation
<i>Long Term Liabilities:</i>			
Compensated Absences Payable	59,223	47,872	22,564
General Obligation Bonds Payable	947,321	5,238,190	96,700
Installment Loans Payable	1,816	24,203	0
OWDA Loans Payable	2,079,587	0	0
OPWC Loans Payable	225,000	46,875	0
Total Liabilities	3,836,814	5,685,511	187,351
Net Position:			
Net Investment in Capital Assets	2,450,375	0	0
Unrestricted	145,213	1,451,911	118,316
Total Net Position	\$ 2,595,588	\$ 1,451,911	\$ 118,316

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

Net Position of Business-type Activities

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

<u>Storm Water</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
0	129,659	0
5,235,869	11,518,080	0
22,387	48,406	0
0	2,079,587	0
21,889	293,764	0
<u>5,538,362</u>	<u>15,248,038</u>	<u>593</u>
0	2,450,375	0
(3,876,287)	(2,160,847)	(75)
<u>\$ (3,876,287)</u>	<u>\$ 289,528</u>	<u>\$ (75)</u>
	<u>477</u>	
	<u>\$ 290,005</u>	

CITY OF IRONTON, OHIO

Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds For the Year Ended December 31, 2013

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Sanitation
Operating Revenues:			
Charges for Services	\$ 1,923,892	\$ 1,160,801	\$ 677,730
Other Operating Revenue	27,950	0	0
Total Operating Revenues	<u>1,951,842</u>	<u>1,160,801</u>	<u>677,730</u>
Operating Expenses:			
Personal Services	802,843	592,408	413,000
Contractual Services	523,922	956,208	297,609
Materials and Supplies	21,585	13,608	26,473
Other Operating Expenses	1,041	0	0
Total Operating Expenses	<u>1,349,391</u>	<u>1,562,224</u>	<u>737,082</u>
Operating Income (Loss)	602,451	(401,423)	(59,352)
Nonoperating Revenue (Expenses):			
Investment Earnings	2,891	4,341	2,682
Interest Expense	(130,296)	(248,074)	0
Other Nonoperating Revenue	27,086	9,568	6,905
Total Nonoperating Revenues (Expenses)	<u>(100,319)</u>	<u>(234,165)</u>	<u>9,587</u>
Income (Loss) Before Transfers	502,132	(635,588)	(49,765)
Transfers:			
Transfers In	23,702	0	0
Transfers Out	0	(16,930)	0
Total Transfers	<u>23,702</u>	<u>(16,930)</u>	<u>0</u>
Change in Net Position	525,834	(652,518)	(49,765)
Net Position Beginning of Year - Restated, See Note 18	2,069,754	2,104,429	168,081
Net Position End of Year	<u>\$ 2,595,588</u>	<u>\$ 1,451,911</u>	<u>\$ 118,316</u>

Change in Net Position - Total Enterprise Funds

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

Change in Net Position - Business-type Activities

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

Storm Water	Total	Governmental Activities - Internal Service Fund
\$ 478,672	\$ 4,241,095	\$ 0
0	27,950	16,301
478,672	4,269,045	16,301
3,616	1,811,867	0
913,002	2,690,741	0
0	61,666	17,764
0	1,041	0
916,618	4,565,315	17,764
(437,946)	(296,270)	(1,463)
49	9,963	0
(247,910)	(626,280)	0
0	43,559	0
(247,861)	(572,758)	0
(685,807)	(869,028)	(1,463)
0	23,702	0
(6,772)	(23,702)	0
(6,772)	0	0
(692,579)	(869,028)	(1,463)
(3,183,708)	1,158,556	1,388
\$ (3,876,287)	\$ 289,528	\$ (75)
	\$ (869,028)	
	(619)	
	\$ (869,647)	

CITY OF IRONTON, OHIO

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2013**

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Sanitation
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$1,962,935	\$1,153,277	\$666,107
Cash Payments for Goods and Services	(543,491)	(972,893)	(336,069)
Cash Payments to Employees	(805,630)	(568,104)	(418,930)
Net Cash Provided (Used) by Operating Activities	613,814	(387,720)	(88,892)
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfers In from Other Funds	23,702	0	0
Transfers Out to Other Funds	0	(16,930)	0
Net Cash Provided (Used) by Noncapital Financing Activities	23,702	(16,930)	0
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Issuance of Bonds	4,622	105,928	128,000
Issuance of OPWC Loans	0	0	0
Principal Paid on OPWC Loans	(15,000)	(3,750)	0
Principal Paid on Installment Loans	(2,956)	(72,422)	0
Principal Paid on General Obligation Bonds	(77,000)	(112,500)	0
Principal Paid on OWDA Loans	(315,868)	0	0
Interest Paid on All Debt	(130,626)	(248,261)	0
Net Cash Provided (Used) by Capital and Related Financing Activities	(536,828)	(331,005)	128,000
<u>Cash Flows from Investing Activities:</u>			
Receipts of Interest	2,891	4,341	2,682
Net Cash Provided by Investing Activities	2,891	4,341	2,682
Net Increase (Decrease) in Cash and Cash Equivalents	103,579	(731,314)	41,790
Cash and Cash Equivalents at Beginning of Year	35,036	2,493,024	147,078
Cash and Cash Equivalents at End of Year	\$138,615	\$1,761,710	\$188,868
<u>Reconciliation of Cash and Cash Equivalents per the Balance Sheet</u>			
Cash and Cash Equivalents	\$138,615	\$1,399,492	\$188,868
Restricted Cash and Cash Equivalents	0	0	0
Restricted Cash and Cash Equivalents with Fiscal Agent	0	362,218	0
Cash and Cash Equivalents at End of Year	\$138,615	\$1,761,710	\$188,868

CITY OF IRONTON, OHIO

		Governmental Activities
Storm Water	Total	Internal Service
\$467,492	\$4,249,811	\$16,301
(913,002)	(2,765,455)	(17,498)
(3,616)	(1,796,280)	0
(449,126)	(311,924)	(1,197)
0	23,702	0
(6,772)	(23,702)	0
(6,772)	0	0
101,306	339,856	0
23,286	23,286	0
(466)	(19,216)	0
(69,466)	(144,844)	0
(112,500)	(302,000)	0
0	(315,868)	0
(248,097)	(626,984)	0
(305,937)	(1,045,770)	0
49	9,963	0
49	9,963	0
(761,786)	(1,347,731)	(1,197)
2,227,784	4,902,922	1,715
\$1,465,998	\$3,555,191	\$518
\$1,103,780	\$2,830,755	\$518
0	0	0
362,218	724,436	0
\$1,465,998	\$3,555,191	\$518

(Continued)

CITY OF IRONTON, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2013

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Sanitation
	<u>Reconciliation of Operating Income (Loss) to Net Cash</u> <u>Provided (Used) by Operating Activities:</u>		
Operating Income (Loss)	\$602,451	(\$401,423)	(\$59,352)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Miscellaneous Nonoperating Revenue	26,516	9,568	6,905
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(15,423)	(17,092)	(18,528)
Increase in Prepaid Items	0	(225)	0
Increase (Decrease) in Accounts Payable	3,057	(2,852)	(11,987)
Decrease in Accrued Wages and Benefits	(27,188)	(2,219)	(1,127)
Increase (Decrease) in Compensated Absences	24,401	26,523	(4,803)
Total Adjustments	11,363	13,703	(29,540)
Net Cash Provided (Used) by Operating Activities	\$613,814	(\$387,720)	(\$88,892)

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

<u>Storm Water</u>	<u>Total</u>	<u>Governmental Activities</u>
		<u>Internal Service</u>
(\$437,946)	(\$296,270)	(\$1,463)
0	42,989	0
(11,180)	(62,223)	0
0	(225)	0
0	(11,782)	266
0	(30,534)	0
0	46,121	0
<u>(11,180)</u>	<u>(15,654)</u>	<u>266</u>
<u>(\$449,126)</u>	<u>(\$311,924)</u>	<u>(\$1,197)</u>

CITY OF IRONTON, OHIO

Statement of Assets and Liabilities
Fiduciary Funds
December 31, 2013

	<u>Agency Funds</u>
Assets:	
Cash and Cash Equivalents	\$ 55,247
Total Assets	<u>55,247</u>
Liabilities:	
Due to Others	<u>55,247</u>
Total Liabilities	<u>\$ 55,247</u>

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements are presented as of December 31, 2013 and for the year then ended, and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

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

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

In addition the City has the following component unit:

The Ironton Port Authority is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio pursuant to the authority of Sections 4582.21 to 4582.59 of the Ohio Revised Code. The Port Authority was established on July 23, 2003 by the Ironton City Council.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The purpose of the Port Authority is to be involved in the activities that enhance, foster, aid, provide or promote transportation, economic development, housing, recreation, education, governmental operations, culture or research within the City of Ironton. The Port Authority provides services that are enumerated in Sections 4582.21 to 4582.59 of the Ohio Revised Code. These services include, but are not limited to, the power to purchase, construct, reconstruct, enlarge, improve, equip, develop, sell, exchange, lease, convey other interest in and operate Port Authority facilities to accomplish these activities. The Port Authority operates on a fiscal year ending December 31. The Port Authority is reflected as a discretely presented component unit of the City of Ironton. Complete financial statements of the component unit can be obtained from the Ironton Port Authority, 301 South 3rd Street, Ironton, Ohio 45638. In 2013 the Port Authority was dissolved.

The City is involved with the following organizations which are defined as jointly governed organizations: Huntington-Ironton Empowerment Zone, Woodland Union Cemetery, KYOVA Interstate Planning Commission, Ohio Valley Regional Development Commission and Lawrence County Economic Development Corporation (LEDC). Additional information concerning these jointly governed organizations is presented in Note 15.

B. Basis of Presentation - Fund Accounting

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

Governmental Funds

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

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

Debt Service Fund - This fund is used to account for resources that are used for payment of principal, interest and fiscal charges on general obligation debt.

Capital Infrastructure Project Fund - This fund is used to account for monies used to build and/or repair infrastructure.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Proprietary Funds

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

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

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

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

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

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

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

Fiduciary Funds

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

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

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

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

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

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

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

D. Basis of Accounting

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

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

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

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

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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

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

E. Budgetary Process

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

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

1. Tax Budget

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

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

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

On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2013.

3. Appropriations

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

4. Lapsing of Appropriations

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

CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Budgetary Basis of Accounting

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

	<u>Net Change in Fund Balance</u>
	<u>General Fund</u>
GAAP Basis (as reported)	\$562,644
Increase (Decrease):	
Accrued Revenues at December 31, 2013 received during 2014	(656,115)
Accrued Revenues at December 31, 2012 received during 2013	645,021
Accrued Expenditures at December 31, 2013 paid during 2014	313,730
Accrued Expenditures at December 31, 2012 paid during 2013	(232,902)
2012 Prepays for 2013	15,746
2013 Prepays for 2014	(33,769)
Outstanding Encumbrances	(224,442)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	<u>55,075</u>
Budget Basis	<u><u>\$444,988</u></u>

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

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

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

G. Investments

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

H. Capital Assets and Depreciation

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

1. Property, Plant and Equipment - Governmental Activities

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

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets and Depreciation (Continued)

2. Property, Plant and Equipment – Business Type Activities

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

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

3. Depreciation

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

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

CITY OF IRONTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2013***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Long-Term Obligations

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

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

J. Compensated Absences

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

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

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences (Continued)

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

K. Net Position

Net position represents the difference between assets, liabilities, and deferred outflows/inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for Other Purposes includes state and federal grants for community development and mandatory fines for various court programs.

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

L. Pensions

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

M. Interfund Transactions

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

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balances

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

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

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

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

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

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

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

O. Restricted Assets

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

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Operating Revenues and Expenses

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

Q. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City reports no deferred outflows of resources.

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City and that are either unusual in nature or infrequent in occurrence. The City had no special or extraordinary items to report during fiscal year 2013.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 2 – FUND BALANCE CLASSIFICATION

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

Fund Balances	General Fund	Debt Service Fund	Capital Infrastructure Project Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepaid Items	\$33,769	\$0	\$0	\$43	\$33,812
Total Nonspendable	<u>33,769</u>	<u>0</u>	<u>0</u>	<u>43</u>	<u>33,812</u>
Restricted:					
Community Corrections Program	11,121	0	0	0	11,121
Police and Fire Pension	0	0	0	35,938	35,938
Police Department Equipment	0	0	0	20,670	20,670
Street Improvements	0	0	0	261,427	261,427
Drug and Alcohol Treatment and Education	0	0	0	209,517	209,517
FEMA Programs	0	0	0	2,025	2,025
Municipal Court	0	0	0	536,438	536,438
Community Development and Improvement	0	0	0	192,957	192,957
Debt Service	0	30,892	0	0	30,892
Capital Improvements	0	0	13,575	261,219	274,794
Total Restricted	<u>11,121</u>	<u>30,892</u>	<u>13,575</u>	<u>1,520,191</u>	<u>1,575,779</u>
Committed:					
Health Department	23,964	0	0	0	23,964
Fire Department	261,251	0	0	0	261,251
Total Committed	<u>285,215</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>285,215</u>
Assigned:					
Subsequent Year Appropriations	203,015	0	0	0	203,015
Other Purposes	85,473	0	0	0	85,473
Total Assigned	<u>288,488</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>288,488</u>
Unassigned (Deficits):	691,253	0	0	(161,132)	530,121
Total Fund Balances	<u>\$1,309,846</u>	<u>\$30,892</u>	<u>\$13,575</u>	<u>\$1,359,102</u>	<u>\$2,713,415</u>

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

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

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

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

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

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

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

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

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

CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2013**

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

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

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

A. Deposits

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

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

At year end the carrying amount of the City's deposits was \$3,685,212 and the bank balance was \$4,186,791. Federal depository insurance covered \$753,933 of the bank balance and \$3,432,858 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$3,432,858</u>
Total Balance	<u><u>\$3,432,858</u></u>

CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2013**

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

B. Investments

The City's investments at December 31, 2013 were as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years) less than 1</u>
US Treasury Notes/Bills	<u>\$2,250,083</u>	AA+ ¹ /Aaa ²	<u>\$2,250,083</u>
Total Investments	<u><u>\$2,250,083</u></u>		<u><u>\$2,250,083</u></u>

¹ Standard & Poor's

² Moody's Investor Service

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

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

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

NOTE 4 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property located in the City. Real property taxes (other than public utility) collected during 2013 were levied after October 1, 2012 on assessed values as of January 1, 2012, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 2010. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 4 - TAXES (Continued)

A. Property Taxes (Continued)

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

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

The full tax rate for the City's operations for the year ended December 31, 2013 was \$4.28 per \$1,000 of assessed value. The assessed value upon which the 2013 tax collections were based was \$141,409,600. This amount constitutes \$134,206,270 in real property assessed value and \$7,203,330 in public utility assessed value. Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .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 employees' compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 5 - RECEIVABLES

Receivables at December 31, 2013 consisted of taxes, accounts, loans, and intergovernmental receivables arising from shared revenues.

NOTE 6 – INTERFUND ACCOUNTS

On the Statement of Net Position, the Governmental Activities reported an internal balance at December 31, 2013 of \$477, which was offset in the Business-Type Activities by the same amount. This amount relates to the consolidation of internal service activities on the Government-Wide Statements.

Following is a summary of interfund receivables and payables for all funds at December 31, 2013:

Fund	Interfund Loans Receivable	Interfund Loans Payable
General Fund	\$130,402	\$0
Other Governmental Funds	0	130,402
Totals	<u>\$130,402</u>	<u>\$130,402</u>

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

NOTE 7 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2013:

Fund	Transfer In	Transfer Out
General Fund	\$38,204	\$0
Other Governmental Funds	0	38,204
Total Governmental Funds	<u>38,204</u>	<u>38,204</u>
Water Fund	23,702	0
Sewer Fund	0	16,930
Storm Water Fund	0	6,772
Total Proprietary Funds	<u>23,702</u>	<u>23,702</u>
Totals	<u>\$61,906</u>	<u>\$61,906</u>

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

In 2013 the transfer of \$38,204 from the Other Governmental Funds to the General Fund was performed pursuant to a court order for the purpose of reimbursement of salaries paid out of the General Fund.

In 2013 the Sewer Fund and Storm Water Fund transferred \$16,930 and \$6,772, respectively, to the Water Fund for debt service payments.

CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2013**

NOTE 8 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2013:

Historical Cost:

Class	December 31, 2012	Additions	Deletions	December 31, 2013
Capital assets not being depreciated:				
Land	\$1,740,045	\$0	\$0	\$1,740,045
Construction in Progress	161,933	0	0	161,933
Subtotal	1,901,978	0	0	1,901,978
Capital assets being depreciated:				
Buildings	3,150,900	0	0	3,150,900
Land Improvements	4,454,077	0	0	4,454,077
Machinery and Equipment	3,477,572	0	0	3,477,572
Infrastructure	35,825,162	0	0	35,825,162
Subtotal	46,907,711	0	0	46,907,711
Total Cost	\$48,809,689	\$0	\$0	\$48,809,689

Accumulated Depreciation:

Class	December 31, 2012	Additions	Deletions	December 31, 2013
Buildings	(\$901,115)	\$0	\$0	(\$901,115)
Land Improvements	(3,353,786)	0	0	(3,353,786)
Machinery and Equipment	(2,153,660)	0	0	(2,153,660)
Infrastructure	(18,096,115)	0	0	(18,096,115)
Total Depreciation	(\$24,504,676)	\$0	\$0	(\$24,504,676)
Net Value:	\$24,305,013			\$24,305,013

* Depreciation expenses were charged to governmental functions as follows:

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

CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2013**

NOTE 8 – CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2013:

Historical Cost:

Class	December 31, 2012	Additions	Deletions	December 31, 2013
<i>Capital assets not being depreciated:</i>				
Land	\$60,060	\$0	\$0	\$60,060
Construction in Progress	894,546	0	0	894,546
Subtotal	954,606	0	0	954,606
<i>Capital assets being depreciated:</i>				
Land Improvements	6,534,456	0	0	6,534,456
Buildings and Improvements	4,051,851	0	0	4,051,851
Machinery and Equipment	5,627,138	0	0	5,627,138
Infrastructure	5,364,722	0	0	5,364,722
Subtotal	21,578,167	0	0	21,578,167
Total Cost	\$22,532,773	\$0	\$0	\$22,532,773

Accumulated Depreciation:

Class	December 31, 2012	Additions	Deletions	December 31, 2013
Land Improvements	(\$2,108,518)	\$0	\$0	(\$2,108,518)
Buildings and Improvements	(2,081,606)	0	0	(2,081,606)
Machinery and Equipment	(3,949,586)	0	0	(3,949,586)
Infrastructure	(2,826,331)	0	0	(2,826,331)
Total Depreciation	(\$10,966,041)	\$0	\$0	(\$10,966,041)
<i>Net Value:</i>	\$11,566,732			\$11,566,732

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 9 – DEFINED BENEFIT PENSION PLANS

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

A. Ohio Public Employees Retirement System ("OPERS")

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

All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in one of the three pension plans administered by OPERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including postemployment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The ORC provides statutory authority for employee and employer contributions. For 2013, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2013 employer contribution rate for local government employer units was 14.00% of covered payroll, which is the maximum contribution rate set by State statutes. Employer contribution rates are actuarially determined. A portion of the City's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The portion of employer contributions allocated to pension obligations for members in the Traditional and Combined Plans was 13.0% for calendar year 2013. The contribution requirements of plan members and the City are established and may be amended by the OPERS Board. The City's contributions for pension obligations to OPERS for the years ending December 31, 2013, 2012, and 2011 were \$296,327, \$225,779 and \$246,149, respectively, which were equal to the required contributions for each year.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

All City full-time police officers and full-time firefighters participate in OP&F, a cost-sharing multiple-employer defined benefit pension plan. OP&F 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 ORC. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164, by calling (614) 228-2975, or by visiting www.op-f.org.

From January 1, 2013 through July 1, 2013, plan members were required to contribute 10.0% of their annual covered salary. From July 2, 2013 through December 31, 2013, plan members were required to contribute 10.75% of their annual covered salary. Throughout 2013, employers were required to contribute 19.5% and 24.0% respectively for police officers and firefighters. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The portion of employer contributions used to fund pension obligations from January 1, 2013 through May 31, 2013 was 14.81% for police officers and 19.31% for firefighters. The portion of employer contributions used to fund pension obligations from June 1, 2013 through December 31, 2013 was 16.65% for police officers and 21.15% for firefighters. The City's contributions for pension obligations to the OP&F Fund for the years ending December 31, 2013, 2012, and 2011 were \$95,272, \$90,743 and \$86,492 for police officers and \$147,885, \$132,317 and \$131,056 for firefighters, respectively, which were equal to the required contributions for each year.

NOTE 10 - POSTEMPLOYMENT BENEFITS

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

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

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 1.0% for calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2% for both plans, as recommended by the OPERS actuary. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OPERS for the years ending December 31, 2013, 2012, and 2011 were \$22,794, \$90,311 and \$98,459, respectively, which were equal to the required contributions for each year.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

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

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

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2013, the portion of employer contributions allocated to health care was 4.69% of covered payroll from January 1, 2013 through May 31, 2013 and 2.85% of covered payroll from June 1, 2013 through December 31, 2013 for both police officers and firefighters. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees’ primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City’s contributions for health care to the OP&F for the years ending December 31, 2013, 2012, and 2011 were \$20,917, \$48,041 and \$45,790 for police and \$25,974, \$51,776 and \$51,283 for firefighters, respectively, which were equal to the required contributions for each year.

CITY OF IRONTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2013***

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. Employees are compensated at a rate of 100% of the balance up to a maximum of 90 days or 720 hours. Any balance in excess of 90 days is paid out at a rate of 25%. The monetary compensation is at the hourly rate of compensation of the employee at the time of resignation if the employee is not given credit at his next place of employment.

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

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

At December 31, 2013, the total liability for accumulated unpaid compensated absences recorded in the Governmental Activities was as follows:

	<u>Hours</u>	<u>Amount</u>
Sick Leave	5,516	\$102,154
Vacation / Compensatory Time	7,959	130,938
Total	<u>13,475</u>	<u>\$233,092</u>

In addition, the accrued liability for accumulated unpaid compensated absences recorded in the enterprise funds increased \$46,121 from a beginning year balance of \$158,204 to a year-end balance of \$204,325.

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CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 2013 were as follows:

				Balance December 31, 2012	Additions	(Reductions)	Balance December 31, 2013	Due Within One Year
Business-Type Activities:								
Ohio Water Development Authority Loans (OWDA):								
2.00%	Loan #0239	1994	\$1,770,068	\$0	(\$280,601)	\$1,489,467	\$286,214	
2.00%	Loan #5873	2011	935,704	0	(35,267)	900,437	24,103	
Total Ohio Water Development Authority Loans			<u>2,705,772</u>	<u>0</u>	<u>(315,868)</u>	<u>2,389,904</u>	<u>310,317</u>	
Ohio Public Works Commission Loans (OPWC):								
0.00%	Railroad Street Sanitary Sewer	2006	54,375	0	(3,750)	50,625	3,750	
0.00%	Sanitary Sewer Separation	2013	0	23,286	(466)	22,820	931	
0.00%	Water Storage Improvement	2009	255,000	0	(15,000)	240,000	15,000	
Total Ohio Public Works Commission Loans			<u>309,375</u>	<u>23,286</u>	<u>(19,216)</u>	<u>313,445</u>	<u>19,681</u>	
Installment Loans:								
2.9-3.34%	Sewer Backflow Preventer	2010	342,350	0	(144,844)	197,506	149,100	
General Obligation Bonds:								
5.22%	Water Storage	2008	1,103,000	0	(77,000)	1,026,000	81,000	
2.0-5.25%	Sewer System Improvement	2011	10,825,000	0	(225,000)	10,600,000	230,000	
1.50%	Refuse Vehicle	2013	0	128,000	0	128,000	31,300	
0.90%	Sewer Backflow Preventer	2013	0	211,856	0	211,856	105,476	
Total General Obligation Bonds			<u>11,928,000</u>	<u>339,856</u>	<u>(302,000)</u>	<u>11,965,856</u>	<u>447,776</u>	
Compensated Absences			<u>158,204</u>	<u>108,617</u>	<u>(62,496)</u>	<u>204,325</u>	<u>74,666</u>	
Total Business-Type Long-Term Debt			<u>\$15,443,701</u>	<u>\$471,759</u>	<u>(\$844,424)</u>	<u>\$15,071,036</u>	<u>\$1,001,540</u>	
Governmental Activities Long-Term Debt:								
General Obligation Bonds:								
Varies	Building Improvement	1997	\$835,000	\$0	(\$835,000)	\$0	\$0	
Varies	Fire House Construction	2003	1,105,000	0	(1,105,000)	0	0	
3.40%	Building Improvement Refunding	2013	0	865,000	(75,000)	790,000	80,000	
3.40%	Fire House Construction Refunding	2013	0	1,140,000	(40,000)	1,100,000	40,000	
1.50%	Various Purpose	2013	0	397,000	0	397,000	97,100	
0.90%	Sewer Backflow Preventer	2013	0	4,622	0	4,622	2,301	
Total General Obligation Bonds			<u>1,940,000</u>	<u>2,406,622</u>	<u>(2,055,000)</u>	<u>2,291,622</u>	<u>219,401</u>	
Loan:								
0.00%	Ironton Port Authority	2013	0	130,402	(130,402)	0	0	
Installment Loans:								
2.9-3.34%	Sewer Backflow Preventer	2010	7,815	0	(2,956)	4,859	3,043	
2.50%	HVAC Cooling Tower	2011	67,246	0	(26,403)	40,843	27,067	
Total Installment Loans			<u>75,061</u>	<u>0</u>	<u>(29,359)</u>	<u>45,702</u>	<u>30,110</u>	
General Obligation Notes								
4.69%	Fire Pumper Acquisition	2007	42,652	0	(42,652)	0	0	
Total General Obligation Notes			<u>42,652</u>	<u>0</u>	<u>(42,652)</u>	<u>0</u>	<u>0</u>	
Police/Fire Accrued Pension Obligations			420,384	0	(11,493)	408,891	11,986	
Compensated Absences			<u>229,336</u>	<u>158,906</u>	<u>(155,150)</u>	<u>233,092</u>	<u>130,938</u>	
Total Other Long-Term Obligations:			<u>649,720</u>	<u>158,906</u>	<u>(166,643)</u>	<u>641,983</u>	<u>142,924</u>	
Total Governmental Activities			<u>\$2,707,433</u>	<u>\$2,695,930</u>	<u>(\$2,424,056)</u>	<u>\$2,979,307</u>	<u>\$392,435</u>	

CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2013**

NOTE 12 - 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, 2013, follows:

Years	OWDA Loans		General Obligation Bonds		OPWC Loans		Police/Fire Accrued Pension Liability		Installment Loans	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$286,214	\$29,790	\$667,177	\$611,934	\$19,681	\$0	\$11,986	\$17,252	\$179,210	\$4,710
2015	291,938	24,065	673,901	597,639	19,681	0	12,501	16,737	63,998	470
2016	297,776	18,226	581,300	581,548	19,681	0	13,038	16,200	0	0
2017	303,732	12,270	603,100	564,823	19,681	0	13,598	15,640	0	0
2018	309,807	6,196	489,000	547,141	19,681	0	14,182	15,056	0	0
2019-2023	0	0	2,613,000	2,445,907	98,407	0	80,590	65,603	0	0
2024-2028	0	0	2,015,000	1,958,384	92,782	0	99,449	46,743	0	0
2029-2033	0	0	2,500,000	1,460,815	19,658	0	122,721	23,470	0	0
2034-2038	0	0	2,785,000	802,725	4,193	0	40,826	1,716	0	0
2039-2040	0	0	1,330,000	105,788	0	0	0	0	0	0
Totals	<u>\$1,489,467</u>	<u>\$90,547</u>	<u>\$14,257,478</u>	<u>\$9,676,704</u>	<u>\$313,445</u>	<u>\$0</u>	<u>\$408,891</u>	<u>\$218,417</u>	<u>\$243,208</u>	<u>\$5,180</u>

A. Police and Firemen's Pension Fund

The City's liability for past service costs related to the Police and Firemen's Pension Fund at December 31, 2013 was \$627,308 in principal and interest payments through the year 2035. Only the principal amount of \$408,891 is included in the Long-Term debt amount.

B. OWDA Loans

The City's project related to OWDA Loan #5873 is not yet complete, and amounts are still available to be drawn upon to pay for the completion of the project. Since the final amount of the loan is still undetermined, the City will not have a finalized amortization schedule for this loan until the project is completed.

C. Defeasance of General Obligation Debt

In August 2013, the City defeased \$835,000 of Building Improvement General Obligation Bonds dated 1997 through the issuance of \$865,000 of Building Improvement Refunding General Obligation Bonds. The net proceeds of the 2013 bonds were used to currently refund the old bonds. This refunding decreased total debt service payments over the life of the bonds by \$69,651, resulting in an economic gain of \$59,228.

In August 2013, the City defeased \$1,105,000 of Fire House Construction General Obligation Bonds dated 2003 through the issuance of \$1,140,000 of Fire House Construction Refunding General Obligation Bonds. The net proceeds of the 2013 bonds were used to currently refund the old bonds. This refunding decreased total debt service payments over the life of the bonds by \$186,030, resulting in an economic gain of \$133,979.

CITY OF IRONTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2013***

NOTE 12 - LONG-TERM OBLIGATIONS (Continued)

D. New Debt Issuance

In December 2013, the City issued \$525,000 and \$216,478 in Bonds to the Lawrence County Treasurer's office. These bonds were used for various purposes which included the following:

- \$150,000 for building demolition work.
- \$128,000 for the purchase of a refuse vehicle purchase.
- \$72,000 for computer equipment acquisition.
- \$175,000 for police vehicle acquisition.
- \$216,478 to pay off related sewer backflow prevention loans that were originally issued in 2010 and any additional equipment costs related to the project.

In addition, the City obtained a loan from the Ironton Port Authority in the amount of \$130,402 to assist in making a final payment to Allard Excavating related to a construction project. This loan was obtained to ensure the vendor could be paid timely to avoid waiting until grant funding was received. The loan was repaid to the Ironton Port Authority when the entity dissolved in August 2013.

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CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 13 - RISK MANAGEMENT

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

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2013, PEP retained \$350,000 for casualty claims and \$150,000 for property claims. The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Assets	\$34,411,883	\$34,389,569
Liabilities	<u>(12,760,194)</u>	<u>(14,208,353)</u>
Net Position	<u>\$21,651,689</u>	<u>\$20,181,216</u>

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$11.6 million and \$13.1 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.1 million and \$12.6 million of unpaid claims to be billed to approximately 475 member governments in the future, as of December 31, 2013, and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the City's share of these unpaid claims collectible in future years is approximately \$68,721.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 13 - RISK MANAGEMENT (Continued)

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

<u>Contributions to PEP</u>	
2012	\$97,027
2013	\$98,173

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

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

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

NOTE 14 - CONTINGENCIES

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

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2013.

CITY OF Ironton, Ohio

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

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

The purposes of the governing foundation include:

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

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

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

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

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

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

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

NOTE 16 – NONCOMPLIANCE

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

NOTE 17 – CONTRACTUAL COMMITMENTS

The City had the following significant contractual commitments at December 31, 2013:

<u>Project</u>	<u>Contract Amount</u>	<u>Total Amount Paid 12/31/2013</u>	<u>Remaining Contractual Commitment</u>
ODOT Traffic Signalization Project	\$1,245,408	\$567,873	\$677,535
Gateway Project	1,103,237	0	1,103,237

CITY OF IRONTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2013***

NOTE 18 – RESTATEMENT OF NET POSITION

Adjustments were necessary to the beginning of year net position balance in the Business Type Activities and Water Fund to correct errors in accounting for utility deposits. This correction resulted in changes to beginning of year net position as detailed below.

	Business Type Activities	Water Fund
Net Position/Fund Balance at December 31, 2012	\$932,130	\$1,842,232
Utility Deposits Correction	227,522	227,522
Net Position/Fund Balance, as Restated	<u>\$1,159,652</u>	<u>\$2,069,754</u>

NOTE 19 – SUBSEQUENT EVENTS

On December 22, 2014 the City Council Approved Resolution 14-52 authorizing the City Finance Director to enter into a loan with Citizens Deposit Bank and Trust. The loan relates to the purchase of a pumper fire truck in the amount of \$388,714 for a term of 7 years with the first payment beginning on June 23, 2015 and every six months thereafter. The loan has a variable interest rate of 2.75% to 4%. Collateral consists of a certificate of deposit in the name of the City of Ironton with a December 23, 2014 current value of \$1,500,000 and a hold value of \$388,464.

On July 9, 2015 the City Council approved Ordinance 15-28 providing for the issuance of not to exceed \$136,000 of bonds by the City for acquiring a refuse truck and authorizing sale of the bonds to the County Treasurer. The bonds were issued on July 15, 2015 for a term of four years at an interest rate of 1.75% with the first payment due date of March 1, 2016.

On December 10, 2015 the City Council approved Ordinance 15-38 to enter into an agreement with Allard Excavation, LLC for construction of the Riverfront Transient Dock and Riverwalk Project in the amount of \$668,878.

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CITY OF IRONTON
LAWRENCE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2013

<u>FEDERAL GRANTOR/Pass Through Grantor/Program Title</u>	<u>Grant/Pass Through Entity Number</u>	<u>CFDA Number</u>	<u>Disbursements</u>
<u>UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed through Ohio Development Services Agency</i>			
Community Development Block Grants/State's Program	A-E-11-2CA-1	14.228	\$4,140
Community Development Program	N/A		56,258
CDBG Revolving Loan			<hr/>
Total Community Development Block Grants/State's Program			60,398
TOTAL UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			60,398
<u>UNITED STATES DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed through Ohio Department of Transportation (ODOT)</i>			
Highway Planning and Construction	PID 85825	20.205	567,873
TOTAL UNITED STATES DEPARTMENT OF TRANSPORTATION			567,873
<u>UNITED STATES ENVIRONMENTAL PROTECTION AGENCY</u>			
<i>Passed through Ohio Environmental Protection Agency</i>			
Brownfields Assessment and Cleanup Cooperative Agreements	12-005 ADMN	66.818	130,401
	08-024 ADMN		249,754
Total Brownfields Assessment and Cleanup Cooperative Agreements			<hr/> 380,155
TOTAL UNITED STATES ENVIRONMENTAL PROTECTION AGENCY			380,155
<u>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Passed through the Ohio Department of Health</i>			
Medical Assistance Program	ADMIN-20989-38T	93.778	34,995
Maternal and Child Health Services Block Grant to the States	DOHF17H3F1	93.994	1,000
TOTAL UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			35,995
<u>UNITED STATES DEPARTMENT OF HOMELAND SECURITY</u>			
<i>Passed through Franklin County</i>			
Non-Profit Security Program - Urban Area Security Initiative	2010-UASI-176	97.008	22,170
<i>Passed through Ohio Department of Public Safety</i>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	DR-4002-0H	97.036	182,429
TOTAL UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			<hr/> 204,599
TOTAL FEDERAL AWARDS EXPENDITURES			<hr/> \$1,249,020 <hr/>

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

**CITY OF IRONTON
LAWRENCE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) reports the City of Ironton's (the City's) federal award programs' disbursements. The schedule has been prepared on the cash basis of accounting.

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

The City has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money to eligible persons to rehabilitate homes. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the City, passed through the Ohio Development Services Agency. The Schedule reports loans made and administrative costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized by mortgages on the property.

Activity in the CDBG revolving loan fund during 2013 is as follows:

Beginning loans receivable balance as of January 1, 2013	\$ 518,717
Loans made	\$ -
Loan principal repaid	\$ 76,961
Ending loans receivable balance as of December 31, 2014	\$ 441,756
Cash balance on hand in the revolving loan fund as of December 31, 2013	\$ 161,862
Administrative costs expended during 2013	\$ 30,667

The table above reports gross loans receivable. Of the loans receivable as of December 31, 2013, delinquent amounts due are \$0.

NOTE C - MATCHING REQUIREMENTS

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

NOTE D – NONCASH ASSISTANCE

The City received an award passed through Franklin County for the transfer of police equipment. The Schedule reports this noncash assistance as expenditures at the approved total equipment award amount.



Dave Yost • Auditor of State

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

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City of Ironton, Lawrence County, Ohio (the City) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 28, 2016 wherein we noted the City did not update capital assets on their current financial statements and did not provide adequate support for the amounts reported as capital assets and net investment in capital assets. We qualified our report on the City's capital assets and net investment in capital assets in the Statement of Net Position for the Governmental and Business Type Activities, Water Fund, Sewer Fund, Sanitation Fund, and the Storm Water Fund. We also noted the January 1, 2013 Business Type Activities Net Position and Water Fund Balance were restated due to a correction for utility deposits.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2013-004 through 2013-006 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2013-001 through 2013-003.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

January 28, 2016



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Ironton's, Lawrence County, Ohio (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the City's major federal programs for the year ended December 31, 2013. The *Summary of Audit Results* in the accompanying Schedule of Findings identifies the City's major federal programs.

Management's Responsibility

The City's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the City's compliance for each of the City's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Community Development Block Grants/State's Program

As described in Finding 2013-007 in the accompanying Schedule of Findings, the City did not comply with requirements regarding Cash Management applicable to its Community Development Block Grant major federal program. Compliance with this requirement is necessary, in our opinion, for the City to comply with requirements applicable to this program.

Qualified Opinion on Community Development Block Grants/State's Program

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Community Development Block Grants/State's Program* paragraph, the City of Ironton complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Community Development Block Grants/State's Program* for the year ended December 31, 2013.

Unmodified Opinion on Highway Planning and Construction Program

In our opinion, the City of Ironton complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the year ended December 31, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying Schedule of Findings as item 2013-008. This finding did not require us to modify our compliance opinion on the major federal program.

The City's responses to our noncompliance finding are described in the accompanying Schedule of Findings and / or Corrective Action Plan. We did not audit the City's response and, accordingly, we express no opinion on them.

Report on Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and a deficiency we consider to be a significant deficiency.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2013-007 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2013-008 to be a significant deficiency.

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

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

January 28, 2016

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**CITY OF IRONTON
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Modified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Modified - Community Development Block Grants/State's Program: CFDA #14.228 Unmodified - Highway Planning and Construction: CFDA #20.205
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Community Development Block Grants/State's Program: CFDA #14.228 Highway Planning and Construction: CFDA #20.205
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2013-001

Noncompliance - Finding for Recovery – Repaid Under Audit

On April 18, 2013, the City of Ironton and the Local 771 and American Federation of State, County and Municipal Employees, AFL-CIO entered into an agreement effective April 15, 2013 for the purpose of establishing wages, hours, and other terms and conditions of employment for all bargaining unit employees through the process of collective bargaining.

Article 23 of the agreement addresses wages and benefits and indicates employees hired into positions in the bargaining unit after February 1, 1990 will be paid in accordance with the pay scale listed in Appendix B which indicates entry level is at 80% of the established rate, 90% of the established rate at six months, and at one year the employee will be paid the full rate of the position. Appendix A of the agreement sets the April 2013 wage rate for Water Clerk I at \$14.87.

Effective June 17, 2013, Rebecca Hitchcock was awarded the position of Water Clerk I in the Water Administration Department for the City. Instead of being paid at the entry level rate or 80% of the established rate and increasing to 90% of the established rate at six months, the Water Clerk I was paid at 90% of the established rate and increase to 100% of the established rate at six months. For pay period ending January 7, 2014, the amount paid to the Water Clerk I was reduced to 90% of the established rate. This resulted in the Water Clerk I being overpaid by an amount of \$1,726 during calendar year 2013.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Rebecca Hitchcock in the amount of \$1,726, and in favor of the City of Ironton Water Fund, in the amount of \$1,726.

The City Finance Director notified Rebecca Hitchcock of the overpayment and Rebecca Hitchcock authorized the City of Ironton to deduct \$133 per pay from wages beginning pay period June 25, 2014 and concluding pay period ending December 26, 2014. The City's year to date register for 2014 reflected \$1,729 being reimbursed.

We recommend that the City monitor payments to bargaining unit employees to ensure that payments are in accordance with current agreements.

Officials' Response:

The overpayment was fully recovered. The City has implemented consistent HR letters in accordance to contract language and the clerk will avoid changing rates with no authorization.

FINDING NUMBER 2013-002

Noncompliance

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

**FINDING NUMBER 2013-002
(Continued)**

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

The City did not file their GAAP basis financial statements within 150 days after their year-end. The 2013 GAAP basis financial statements were filed on February 9, 2015.

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

Officials' Response:

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

FINDING NUMBER 2013-003

Noncompliance

Ohio Rev. Code, Section 135.18, (specific collateral) and **Ohio Rev. Code, Section 135.181**, (pooled collateral) states the treasurer of a political subdivision must require the depository to provide security equal to the funds on deposit at all times. Security may consist of federal deposit insurance, surety company bonds, or pledged securities.

In lieu of the specific pledging requirements of Ohio Rev. Code Section 135.18, a public depository at its option may pledge a single pool of eligible securities to secure the repayment of all its public deposits not otherwise secured, provided that at all times the total market value of the securities so pledged is at least equal to one hundred five per cent of its uninsured public deposits to be secured by the pooled securities.

At December 31, 2013, the City had funds in the amount of \$1,815,896 at Citizens Deposit Bank for which support was not provided that the amount was covered by pledged or pooled collateral. This could result in monies not being properly secured.

We recommend the City review all financial institution deposit balances and ensure there is proper and adequate pledged or pooled collateral in place.

Officials' Response:

All funds within the financial institution are currently collateralized. The bank underwent a buyout and the statement was not in place during the transition.

FINDING NUMBER 2013-004

Material Weakness

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

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

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

- Although the City reconciled each of their accounts on a monthly basis, they were reconciling the bank accounts to a manual check register maintained outside of the accounting system and were not directly reconciling to the accounting system fund balance. When the system balance was compared to the bank balances, unrecorded Revolving Loan Fund revenues in the amount of \$81,640 and unrecorded Sewer and Storm Water Fund expenditures totaling \$189,723 were identified. See Finding Number 2013-006.
- Included on the City's bank reconciliation was an adjusting factor amount of \$41,488 described as "Misposted voids" which related to errors that had been made in the system during 2013 and in previous years related to voiding of checks. These errors resulted in the accounting system expenditures being inaccurate.
- Included on the City bank reconciliation was an additional adjusting factor of \$7,243 which related to a net underfunding of the payroll clearing account and was comprised of 32 items. Further, the payroll clearing account reconciliation included other adjusting factors totaling an amount of \$13,444 which was comprised of numerous items some of which dated back to 2010. The City indicated these items were due to payrolls over the past few years that had either been over or under funded through transfers from the corporate checking account. These items were never zeroed out to keep the payroll account in balance and could result in the accounting system expenditures being inaccurate.
- Included on the City's bank reconciliation were General Checking Account items described as Outstanding Deposits in the amount of \$13,508 which consisted of numerous items some of which dated back to 2012 and included descriptions such as NSF items and interest items.
- The City is maintaining checks on their outstanding check listing that have been outstanding for more than 90 days which should be voided and paid into an unclaimed monies fund. See Auditor of State Bulletin 1991-11 for guidance regarding outstanding checks.

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

**FINDING NUMBER 2013-004
(Continued)**

Material Weakness

Therefore, we make the following recommendations:

- We recommend the City Finance Director change the process of reconciling accounts to ensure that the City is reconciling directly to the accounting system balances on a monthly basis. All receipts and expenditures should be posted to the accounting system and any reconciling items should be documented, investigated, and corrected to prevent unsupported adjustments from being recorded and to avoid carrying items forward for an extended period of time.
- We recommend the City Finance Director maintain accurate listings of outstanding checks and deposits and to follow up on items which have been outstanding for an extended period of time to ensure that proper credit is given to the City for outstanding deposits, outstanding deposits are properly supported, and long outstanding checks are voided and paid into an unclaimed monies fund or reissued.
- We recommend adjusting factors that are the result of errors be reviewed and actions taken to address those items and those items be removed from the reconciliation process.
- We recommend the monthly bank reconciliation be reviewed and approved by the City Council as part of their regular meetings and signed or initialed by the Council President to evidence review and approval.

Officials' Response:

Due to employee transition, an RLF payment was not posted but upon discovery was posted. The Finance Director will enlist the software company to assist in correcting the misposted voids. The Finance Dept. enacted a policy that all payrolls will be accurately funded and reconciled timely. The City continuously is working to clear outdated checks or reissue checks or move monies to unclaimed for non-responsive reissue letters.

FINDING NUMBER 2013-005

Material Weakness

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

- The City did not have a formal policy for capital assets. We recommend a formal policy be adopted by the City Council for capital assets. This policy should include, but not be limited to, the following: the capitalization threshold, category or class of assets, initial capitalization of infrastructure, method of cost capitalization, method of depreciation and useful lives, and methods of acquisition or disposal.
- The City did not utilize any type of asset identification system and does not have a capital asset tracking system in place and operating. In addition to this, they did not utilize deletion forms for any of the assets that were deleted during the year. We recommend the City implement controls over their assets to include a tracking system of assets and use of proper forms for the addition and deletion of these items.

**FINDING NUMBER 2013-005
(Continued)**

Material Weakness

- There were several capital assets that were fully depreciated but still in use. Fully depreciated capital assets should be reviewed to determine whether the assets are still being used (i.e. that they have not been discarded or abandoned). Prior to assets becoming fully depreciated, we recommend asset lives be reevaluated and, if an asset will outlive its expected life, the asset life should be increased and the remaining undepreciated life should be allocated over the new estimate of remaining life.
- The City did not track their construction in progress or outstanding contractual commitments that were related to these projects. This made it impossible to accurately disclose construction in progress or the outstanding contractual commitments the City had at year end. We recommend the city begin monitoring all construction contracts that will need to be capitalized. This monitoring should allow for proper disclosure of the construction completed at year end and the remaining commitment amount that is still due to be paid.

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

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

Officials' Response:

In 2015, the city moved towards its first conversion of loading assets into the software system. The conversion should be completed by June 2016 with current City assets.

FINDING NUMBER 2013-006

Material Weakness

Sound financial reporting is the responsibility of the City Finance Director and City Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. Receipts and Expenditures should be posted to the fund and line item accounts as established by Ohio Administrative Code. The City Finance Director should post all activity relating to the City's finances into the City's financial accounting system.

During our testing of financial activity for 2013, we identified both revenues and expenditures that were not posted to the city's accounting system in 2013. In addition, reclassifications and adjustments were identified in the annual financial report submitted to the Auditor of State for fiscal year 2013. These misstatements had the following effect on the City's financial statements:

- Unrecorded Revolving Loan Fund Revenues in the amount of \$81,640 were identified.
- Unrecorded Sewer Fund and Storm Water Fund Expenditures in the amount of \$189,722 were identified.
- Unrecorded revenues and expenditures in the amount of \$567,873 relating to Ohio Department of Transportation (ODOT) on-behalf activity were identified.

**FINDING NUMBER 2013-006
(Continued)**

Material Weakness

- General Fund Intergovernmental Revenues in the amount of \$250,000 were classified as Other Revenues.
- An amount of \$203,015 was not assigned in the General Fund for the amount by which Fiscal Year 2014 appropriations exceeded Fiscal Year 2014 estimated receipts.
- Debt Service Fund expenditures in the amount of \$23,462 were classified as principal retirement.
- Loan proceeds and principal retirement in the amount of \$130,401 was classified as Other revenue and Community Environment expenditures.
- Charges for services revenues relating to the Recreation Fund in the amount of \$20,971 and Revolving Loan Fund in the amount of \$67,000 were classified as other revenues.
- An unrecorded intergovernmental receivable in the amount of \$212,834 was identified relating to a FEMA grant.
- Unrecorded intergovernmental receivables in the amount of \$650,000 were identified relating to Community Development Block Grants.
- An overstatement to intergovernmental receivables was identified in the amount of \$132,093 relating to a Moving Ohio Forward grant.
- An unrecorded intergovernmental receivable and corresponding contract payable in the amount of \$623,394 were identified related to Ohio Department of Transportation (ODOT) on-behalf activity.
- Unrecorded Business Type Activity accounts receivable were identified in the amount of \$72,162 relating to the Water, Sewer, Storm Water, and Sanitation Funds.
- Water fund unrestricted cash in the amount of \$138,615 was classified as restricted.
- Water Fund OWDA loan payable due in one year amount of \$24,103 was classified as due in more than one year.
- Water Fund OWDA long term liabilities were overstated by \$11,873 as a result of a principal and related interest payment being classified as contractual services expenditures.
- Water Fund refundable deposits were overstated in an amount of \$254,431 which resulted in a restatement to beginning fund balance and business type activity net position.
- General Fund Final Budget expenditures included \$100,000 classified as advances out which should have been general government.
- General Fund Original Budget expenditures were understated in an amount of \$264,075 for security of persons and property and overstated for general government \$31,512; capital outlay \$111,471; and advances out \$100,000.

**FINDING NUMBER 2013-006
(Continued)**

Material Weakness

- General Fund Original Budget revenues were understated for property taxes and charges for services in amounts of \$218,424 and \$164,502 respectively.
- General Fund original budget revenues were overstated for the following: intergovernmental revenues - \$50,412; all other revenues - \$248,389; and sale of bonds - \$100,000.

This resulted in audit adjustments and reclassifications to the financial statements and adjustment postings to the City's accounting system, where appropriate.

These types of errors and omissions can result in the basic financial statements not being accurate and can cause the financial accounting system to not reconcile properly with the bank accounts. Further, failure to properly record and account for "on-behalf-of" programs administered by the State can result in federal grant programs not being properly reported on the City's Schedule of Federal Awards Expenditures and could have an effect on major Federal program determinations.

To ensure the City's financial statements and notes to the financial statements are complete and accurate, we make the following recommendations:

- We recommend the City adopt policies and procedures, including a final review of the statements and footnotes by the City Finance Director and City Council to identify and correct errors and omissions.
- We recommend the City Finance Director ensure all activity of the City is posted timely to the accounting system and take care in posting transactions in order to ensure the year-end financial statements reflect the appropriate activity for the City's receipts and expenditures.
- We recommend the City Council and City Finance Director review both revenue and disbursement items to help ensure accuracy and reliability in the financial reporting process. These reviews should include procedures to ensure that all sources of revenues and expenditures are properly identified and classified in the financial statements.

Officials' Response:

The Finance Director will thoroughly review both revenue and disbursement items to ensure accuracy and reliability in financial reporting.

3. FINDINGS FOR FEDERAL AWARDS

FINDING NUMBER 2013-007

Finding Number	2013-007
CFDA Title and Number	Community Development Block Grants/State's Program – CFDA # 14.228
Federal Award Number / Year	A-F-12-2CA-1
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Development Services Agency

Noncompliance Citation/Material Weakness – Cash Management

24 C.F.R. § 85.21(c) and § (A)(3)(f) of the Ohio Development Services Agency, Office of Community Development (OCD) Financial Management Rules and Regulations Handbook, require grantees to develop a cash management system to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds. This rule states that fund draw downs should be limited to amounts that will enable the grantee to disburse funds on hand to a balance of less than \$5,000 within fifteen days of receipt. Lump sum draw downs are not permitted.

During 2013, it was noted that the City delayed disbursement of funds in the amount of \$47,000. These funds were received on November 4, 2013, and as of December 31, 2013, none of the funds had been expended. The first payment of funds did not occur until February 5, 2014. In addition, a portion of this money was subsequently sent back to the State. The funds were drawn down based on an engineer's quote in an attempt to have the funding available by the time the work was completed. However the actual invoice was lower than the engineer's quote which resulted in repayment to the State.

We recommend that the City develop a cash management system of policies and procedures to ensure compliance with the Fifteen Day Rule to ensure timely disbursement of funds and be in compliance with Federal and pass through agency requirements.

Officials' Response:

The Finance Director does not pay without an invoice which was not provided within the 15 day window per the regulation. If the State draw was approved based on the quote, the City paid the appropriate vendor. The City will strive to comply with cash management requirements in the future.

FINDING NUMBER 2013-008

Finding Number	2013-008
CFDA Title and Number	Community Development Block Grants/State's Program – CFDA # 14.228
Federal Award Number / Year	A-E-02-134-1
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Development Services Agency

Noncompliance Citation / Significant Deficiency – Program Income

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

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

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

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

On April 7, 1986, the City entered into an agreement with the Ironton-Lawrence County Community Action Organization (CAO), where the CAO was named as the delegate agency and administrator for the City's Community Development Block Grant programs for the purpose of making business loans and the establishment of the City's RLF program. Borrowers make the RLF loan payments to the CAO which deposits the payments into checking accounts established by the CAO for each borrower. Monies are only transferred to the City when a disbursement is to be made, and the CAO contacts the City to let them know who to make the check payable to and the amount. A payment is made approximately three times per year to the City for a portion of the collections from the outstanding Revolving Loan Funds. The amount of program income received during the audit period was \$91,538. As of the date of this audit, the City has attempted, but has not regained control of the accounts.

We recommend the Revolving Loan Fund accounts be under the control of the City and that all receipts that are collected from the outstanding loans be collected by the City. Payments from the borrowers should be made directly to the City and they should deposit those funds into their appropriate City bank accounts.

Officials' Response:

The City has addressed this issue with the CAO in previous audits. We have attempted to gain control of the accounts and loans with no avail. The Finance Director has sent the CAO a letter from the City Solicitor to encourage them to relinquish control.

**CITY OF IRONTON
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315(B)
DECEMBER 31, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Difference Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Noncompliance citation relating to Ohio Rev. Code Section 117.38 for not filing GAAP basis financial statements within 150 days after year end.	No	Not Corrected. Similar item issued as Finding Number 2013-002.
2012-002	Material weakness relating to not updating capital assets on current financial statements.	No	Not Corrected. Similar item issued as Finding Number 2013-005.
2012-003	Material weakness relating to an audit adjustment being necessary to the financial statements.	No	Not Corrected. Similar item issued as Finding Number 2013-006.
2012-004	Noncompliance relating to cash management requirements of the Community Development Block Grant Program for revolving loan fund monies not being under the control of the City.	No	Not Corrected. Similar item issued as Finding Number 2013-008.
2012-005	Noncompliance for not completing the single audit within the required time frame.	No	Not Corrected. Finding No longer Valid.
2012-006	Material weakness relating to corrections made to the Schedule of Federal Awards Expenditures.	No	Partially Corrected. Management letter comment issued.

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**CITY OF IRONTON
LAWRENCE COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315(c)
DECEMBER 31, 2013**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2013-001	The overpayment was fully recovered. The City has implemented consistent HR letters in accordance to contract language and the clerk will avoid changing rates with no authorization.	December 31, 2016	Kristen Martin, Finance Director
2013-002	Finance Director will comply in accordance with the ORC for filing.	December 31, 2016	Kristen Martin, Finance Director
2013-003	All funds within the financial institution are currently collateralized. The bank underwent a buyout and the statement was not in place during the transition.	December 31, 2016	Kristen Martin, Finance Director
2013-004	Due to employee transition, an RLF payment was not posted but upon discovery was posted. The Finance Director will enlist the software company to assist in correcting the misposted voids. The Finance Dept. enacted a policy that all payrolls will be accurately funded and reconciled timely. The City continuously is working to clear outdated checks or reissue checks or move monies to unclaimed for non-responsive reissue letters.	December 31, 2016	Kristen Martin, Finance Director
2013-005	In 2015, the city moved towards its first conversion of loading assets into the software system. The conversion should be completed by June 2016 with current City assets.	December 31, 2016	Kristen Martin, Finance Director
2013-006	The Finance Director will thoroughly review both revenue and disbursement items to ensure accuracy and reliability in financial reporting.	December 31, 2016	Kristen Martin, Finance Director
2013-007	The Finance Director does not pay without an invoice which was not provided within the 15 day window per the regulation. If the State draw was approved based on the quote, the City paid the appropriate vendor. The City will strive to comply with cash management requirements in the future.	December 31, 2016	Kristen Martin, Finance Director
2013-008	The City has addressed this issue with the CAO in previous audits. We have attempted to gain control of the accounts and loans with no avail. The Finance Director has sent the CAO a letter from the City Solicitor to encourage them to relinquish control.	December 31, 2016	Kristen Martin, Finance Director

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Dave Yost • Auditor of State

CITY OF IRONTON

LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 16, 2016