



Dave Yost • Auditor of State



**CITY OF IRONTON  
LAWRENCE COUNTY**

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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 modified cash-basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Ironton, Lawrence County, Ohio (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 1 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Ironton, Lawrence County, Ohio, as of December 31, 2017, and the respective changes in modified cash financial position and the respective budgetary comparison for the General, Flood, Indigent DUI, Municipal Court Computer, and Police Equipment Replacement Funds thereof for the year then ended in accordance with the accounting basis described in Note 1.

**Accounting Basis**

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

**Other Matter**

*Other Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2018, 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

December 19, 2018

# **CITY OF IRONTON, OHIO**

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## ***Management's Discussion and Analysis For the Year Ended December 31, 2017***

***Unaudited***

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The discussion and analysis of the City of Ironton's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2017. 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 2017 are as follows:

- ❑ In total, net position increased \$589,923. Net position of governmental activities increased \$111,304, which represents a 6% change from 2016. Net position of business-type activities increased \$478,619 from 2016.
- ❑ General receipts accounted for \$4,408,128, or 34% of all receipts. Program specific receipts in the form of charges for services and sales, operating grants and contributions, and capital grants and contributions accounted for \$8,628,405, or 66% of total receipts of \$13,036,533.
- ❑ The City had \$7,408,102 in disbursements related to governmental activities; only \$3,122,558 of these disbursements were offset by program specific charges for services and sales, and operating grants and contributions. General receipts (primarily taxes) of \$4,402,197 and net position were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$5,628,975 in receipts and \$5,315,902 in disbursements. The general fund's fund balance increased \$352,083.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

### **Report Components**

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

# CITY OF IRONTON, OHIO

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*Management's Discussion and Analysis  
For the Year Ended December 31, 2017*

*Unaudited*

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## **Basis of Accounting**

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

## **Government-Wide Statements**

The statement of net position and the statement of activities reflect how the City did financially during 2017, within the limitations of modified cash basis accounting. The statement of net position presents the cash balances and investments of the governmental activities of the City at fiscal year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts and interest are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the City's general receipts. These statements report the City's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the City's financial health. Over time, increases or decreases in the City's cash position is one indicator of whether the City's financial health is improving or deteriorating. When evaluating the City's financial condition, you should also consider other nonfinancial factors such as the City's property tax base, the condition of the City's capital assets, the extent of the City's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local receipt sources such as property taxes.

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

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

## **Fund Financial Statements**

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



## CITY OF IRONTON, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2017**

**Unaudited**

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

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

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

### FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of the City's net position at December 31, 2017 and 2016:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets:						
Pooled Cash and Investments	\$1,967,010	\$1,855,706	\$912,082	\$691,065	\$2,879,092	\$2,546,771
Cash and Cash Equivalents	0	0	791,724	534,122	791,724	534,122
Total Assets	<u>1,967,010</u>	<u>1,855,706</u>	<u>1,703,806</u>	<u>1,225,187</u>	<u>3,670,816</u>	<u>3,080,893</u>
Net Position:						
Restricted	1,542,711	1,782,138	0	0	1,542,711	1,782,138
Unrestricted	424,299	73,568	1,703,806	1,225,187	2,128,105	1,298,755
Total Net Position	<u>\$1,967,010</u>	<u>\$1,855,706</u>	<u>\$1,703,806</u>	<u>\$1,225,187</u>	<u>\$3,670,816</u>	<u>\$3,080,893</u>

## CITY OF IRONTON, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2017**

**Unaudited**

**Changes in Net Position** – The following table shows the changes in net position for 2017 and 2016:

	Governmental Activities		Business-type Activities		Total	Total
	2017	2016	2017	2016	2017	2016
Receipts						
Program Receipts:						
Charges for Services and Sales	\$2,215,400	\$2,116,413	\$5,105,847	\$4,671,718	\$7,321,247	\$6,788,131
Operating Grants and Contributions	613,559	794,965	0	0	613,559	794,965
Capital Grants and Contributions	293,599	0	400,000	0	693,599	0
Total Program Receipts	<u>3,122,558</u>	<u>2,911,378</u>	<u>5,505,847</u>	<u>4,671,718</u>	<u>8,628,405</u>	<u>7,583,096</u>
General Receipts:						
Taxes	3,072,236	3,065,882	0	0	3,072,236	3,065,882
Intergovernmental, Unrestricted	356,368	376,497	0	0	356,368	376,497
Investment Earnings	7,669	8,778	5,931	2,478	13,600	11,256
Bond Issuance	180,000	870,000	0	0	180,000	870,000
Installment Loan	518,424	0	0	0	518,424	0
Miscellaneous	267,500	189,850	0	0	267,500	189,850
Total General Receipts	<u>4,402,197</u>	<u>4,511,007</u>	<u>5,931</u>	<u>2,478</u>	<u>4,408,128</u>	<u>4,513,485</u>
Total Receipts	<u>7,524,755</u>	<u>7,422,385</u>	<u>5,511,778</u>	<u>4,674,196</u>	<u>13,036,533</u>	<u>12,096,581</u>
Program Disbursements						
Security of Persons and Property	3,256,017	3,228,187	0	0	3,256,017	3,228,187
Public Health and Welfare Services	305,404	293,777	0	0	305,404	293,777
Leisure Time Activities	59,193	67,547	0	0	59,193	67,547
Community Environment	1,956	130,946	0	0	1,956	130,946
Transportation	600,309	488,399	0	0	600,309	488,399
General Government	1,990,738	1,974,754	0	0	1,990,738	1,974,754
Capital Outlay	815,799	625,640	0	0	815,799	625,640
Debt Service:						
Principal Retirement	308,573	272,101	0	0	308,573	272,101
Interest and Fiscal Charges	70,113	68,415	0	0	70,113	68,415
Water	0	0	2,228,200	2,076,964	2,228,200	2,076,964
Sewer	0	0	1,494,535	1,471,105	1,494,535	1,471,105
Sanitation	0	0	670,514	670,136	670,514	670,136
Storm Water	0	0	645,259	694,091	645,259	694,091
Total Disbursements	<u>7,408,102</u>	<u>7,149,766</u>	<u>5,038,508</u>	<u>4,912,296</u>	<u>12,446,610</u>	<u>12,062,062</u>
Change in Net Position Before Transfers	116,653	272,619	473,270	(238,100)	589,923	34,519
Transfers	(5,349)	3,148	5,349	(3,148)	0	0
Change in Net Position	111,304	275,767	478,619	(241,248)	589,923	34,519
Beginning Net Position	<u>1,855,706</u>	<u>1,579,939</u>	<u>1,225,187</u>	<u>1,466,435</u>	<u>3,080,893</u>	<u>3,046,374</u>
Ending Net Position	<u>\$1,967,010</u>	<u>\$1,855,706</u>	<u>\$1,703,806</u>	<u>\$1,225,187</u>	<u>\$3,670,816</u>	<u>\$3,080,893</u>

### **Governmental Activities**

Net position of the City's Governmental Activities increased \$111,304. Capital grants included amounts received for riverfront improvements. The City issued \$180,000 in general obligation bonds for police equipment and a \$518,424 installment loan for flood system improvements. Disbursements were consistent with the prior year.

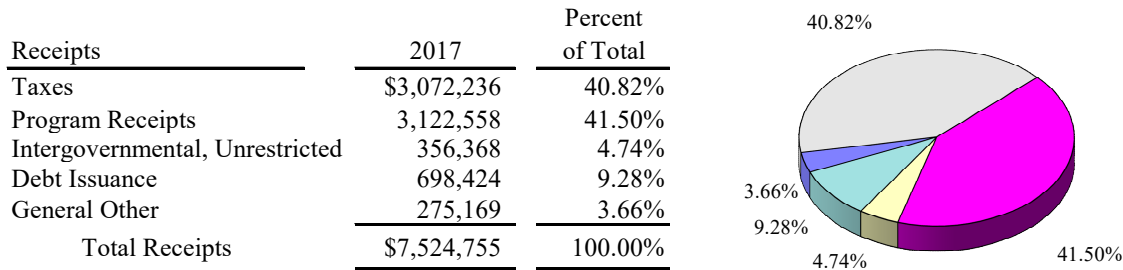
## CITY OF IRONTON, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2017**

**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 41% of receipts for governmental activities in 2017. The City's reliance upon tax receipts is demonstrated by the following graph:



**Business-type Activities**

Net position of the City's business-type activities increased \$478,619. Capital grants included amounts received for riverfront improvements. An increase in charges for services can be attributed to increases in sewer system user rates. Disbursements were consistent with the prior year.

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

The City's governmental funds reported a combined fund balance of \$1,965,133, which is an increase from last year's balance of \$1,852,477. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2017 and 2016:

	Fund Balance December 31, 2017	Fund Balance December 31, 2016	Increase (Decrease)
General	\$422,422	\$70,339	\$352,083
Flood	207,615	98,535	109,080
Indigent DUI	204,285	206,853	(2,568)
Municipal Court Computer	310,414	345,601	(35,187)
Police Equipment Replacement	282,138	79,235	202,903
Capital Infrastructure Project	5,111	285,453	(280,342)
Other Governmental	533,148	766,461	(233,313)
Total	<u>\$1,965,133</u>	<u>\$1,852,477</u>	<u>\$112,656</u>

## **CITY OF IRONTON, OHIO**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2017**

**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:

	2017	2016	Increase
	<u>Receipts</u>	<u>Receipts</u>	<u>(Decrease)</u>
Taxes	\$2,662,831	\$2,641,282	\$21,549
Intergovernmental Receipts	727,305	635,492	91,813
Charges for Services	1,686,612	1,588,809	97,803
Licenses and Permits	112,938	101,851	11,087
Investment Earnings	5,572	5,703	(131)
Fines and Forfeitures	222,197	234,332	(12,135)
All Other Receipts	<u>211,520</u>	<u>148,996</u>	<u>62,524</u>
Total	<u>\$5,628,975</u>	<u>\$5,356,465</u>	<u>\$272,510</u>

General Fund receipts in 2017 increased \$272,510, or approximately 5%. An increase in intergovernmental receipts can be attributed to amounts received for riverfront improvements. An increase in fire department fee rates resulted in an increase in charges for services.

	2017	2016	Increase
	<u>Disbursements</u>	<u>Disbursements</u>	<u>(Decrease)</u>
Current:			
Security of Persons and Property	\$2,970,125	\$2,888,074	\$82,051
Public Health and Welfare Services	305,404	293,777	11,627
Community Environment	0	123,000	(123,000)
General Government	1,680,639	1,884,735	(204,096)
Capital Outlay	17,033	27,518	(10,485)
Debt Service:			
Principal Retirement	282,645	267,757	14,888
Interest and Fiscal Charges	<u>60,056</u>	<u>68,346</u>	<u>(8,290)</u>
Total	<u>\$5,315,902</u>	<u>\$5,553,207</u>	<u>(\$237,305)</u>

General Fund disbursements in 2017 decreased \$237,305, or approximately 4%. A \$123,000 grant match in the prior year resulted in the decrease in community environment while a decrease in general government can be attributed to a decrease in disbursements across all general government departments.

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

For the General Fund, actual budget basis receipts of \$5.1 million did not significantly change from original and final budget estimates. Actual budget basis disbursements of \$4.9 million did not significantly change from original and final budget estimates. The General Fund actual fund balance at year end was \$135,423.

## **CITY OF IRONTON, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2017***

***Unaudited***

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### **DEBT ADMINISTRATION**

At December 31, 2017, the City had \$12,731,180 in bonds outstanding, \$642,800 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Business-Type Activities:		
Ohio Water Development Authority Loans	\$1,112,991	\$1,441,909
Ohio Public Works Commission Loans	224,880	244,561
General Obligation Bonds	<u>11,146,180</u>	<u>11,636,580</u>
Total Business-Type Activities	<u>12,484,051</u>	<u>13,323,050</u>
Governmental Activities:		
General Obligation Bonds	1,585,000	1,636,400
Installment Loans	726,833	285,582
Police and Firemen's Accrued Pension	<u>357,768</u>	<u>371,366</u>
Total Governmental Activities	<u>2,669,601</u>	<u>2,293,348</u>
Totals	<u><u>\$15,153,652</u></u>	<u><u>\$15,616,398</u></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, 2017, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 10.

### **ECONOMIC FACTORS**

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

### **REQUESTS FOR INFORMATION**

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

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**CITY OF IRONTON, OHIO**

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**Statement of Net Position – Modified Cash Basis  
December 31, 2017**

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	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Pooled Cash and Investments	\$ 1,967,010	\$ 912,082	\$ 2,879,092
Restricted Assets:			
Cash and Cash Equivalents	0	791,724	791,724
<b>Total Assets</b>	<u>1,967,010</u>	<u>1,703,806</u>	<u>3,670,816</u>
<b>Net Position:</b>			
Restricted For:			
Capital Projects	5,111	0	5,111
Debt Service	1,644	0	1,644
Streets and Highways	86,777	0	86,777
Security of Persons and Property	1,319,737	0	1,319,737
Other Purposes	129,442	0	129,442
Unrestricted	424,299	1,703,806	2,128,105
<b>Total Net Position</b>	<u>\$ 1,967,010</u>	<u>\$ 1,703,806</u>	<u>\$ 3,670,816</u>

See accompanying notes to the basic financial statements

## CITY OF IRONTON, OHIO

### *Statement of Activities – Modified Cash Basis For the Year Ended December 31, 2017*

	Disbursements	Program Receipts		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Security of Persons and Property	\$ 3,256,017	\$ 711,796	\$ 8,592	\$ 0
Public Health and Welfare Services	305,404	141,891	84,253	0
Leisure Time Activities	59,193	11,114	0	97,891
Community Environment	1,956	28,000	0	0
Transportation	600,309	0	498,473	0
General Government	1,990,738	1,322,599	22,241	195,708
Capital Outlay	815,799	0	0	0
Principal Retirement	308,573	0	0	0
Interest and Fiscal Charges	70,113	0	0	0
<b>Total Governmental Activities</b>	<b>7,408,102</b>	<b>2,215,400</b>	<b>613,559</b>	<b>293,599</b>
<b>Business-Type Activities:</b>				
Water	2,228,200	2,096,149	0	0
Sewer	1,494,535	1,636,016	0	200,000
Sanitation	670,514	679,834	0	0
Storm Water	645,259	693,848	0	200,000
<b>Total Business-Type Activities</b>	<b>5,038,508</b>	<b>5,105,847</b>	<b>0</b>	<b>400,000</b>
<b>Totals</b>	<b>\$ 12,446,610</b>	<b>\$ 7,321,247</b>	<b>\$ 613,559</b>	<b>\$ 693,599</b>

#### **General Receipts and Transfers**

Property Taxes  
 Municipal Income Taxes  
 Other Local Taxes  
 Intergovernmental, Unrestricted  
 Investment Earnings  
 Bond Issuance  
 Installment Loan  
 Miscellaneous  
 Transfers  
 Total General Receipts and Transfers  
  
 Change in Net Position  
  
 Net Position Beginning of Year  
 Net Position End of Year

See accompanying notes to the basic financial statements



**CITY OF IRONTON, OHIO**

Net (Disbursements) Receipts  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (2,535,629)	\$ 0	\$ (2,535,629)
(79,260)	0	(79,260)
49,812	0	49,812
26,044	0	26,044
(101,836)	0	(101,836)
(450,190)	0	(450,190)
(815,799)	0	(815,799)
(308,573)	0	(308,573)
(70,113)	0	(70,113)
<u>(4,285,544)</u>	<u>0</u>	<u>(4,285,544)</u>
0	(132,051)	(132,051)
0	341,481	341,481
0	9,320	9,320
0	248,589	248,589
<u>0</u>	<u>467,339</u>	<u>467,339</u>
<u>\$ (4,285,544)</u>	<u>\$ 467,339</u>	<u>\$ (3,818,205)</u>
687,821	0	687,821
2,363,039	0	2,363,039
21,376	0	21,376
356,368	0	356,368
7,669	5,931	13,600
180,000	0	180,000
518,424	0	518,424
267,500	0	267,500
(5,349)	5,349	0
<u>4,396,848</u>	<u>11,280</u>	<u>4,408,128</u>
111,304	478,619	589,923
<u>1,855,706</u>	<u>1,225,187</u>	<u>3,080,893</u>
<u>\$ 1,967,010</u>	<u>\$ 1,703,806</u>	<u>\$ 3,670,816</u>

**CITY OF IRONTON, OHIO**

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**Balance Sheet – Modified Cash Basis  
Governmental Funds  
December 31, 2017**

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	<u>General</u>	<u>Flood</u>	<u>Indigent DUI</u>
<b>Assets:</b>			
Pooled Cash and Investments	\$ 422,422	\$ 207,615	\$ 204,285
<b>Total Assets</b>	<u>\$ 422,422</u>	<u>\$ 207,615</u>	<u>\$ 204,285</u>
<b>Fund Balances:</b>			
Restricted	\$ 0	\$ 207,615	\$ 204,285
Committed	202,189	0	0
Assigned	122,767	0	0
Unassigned	97,466	0	0
<b>Total Fund Balances</b>	<u>\$ 422,422</u>	<u>\$ 207,615</u>	<u>\$ 204,285</u>

See accompanying notes to the basic financial statements

**CITY OF IRONTON, OHIO**

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Municipal Court Computer	Police Equipment Replacement	Capital Infrastructure Project	Other Governmental Funds	Total Governmental Funds
\$ 310,414	\$ 282,138	\$ 5,111	\$ 533,148	\$ 1,965,133
<u>\$ 310,414</u>	<u>\$ 282,138</u>	<u>\$ 5,111</u>	<u>\$ 533,148</u>	<u>\$ 1,965,133</u>
\$ 310,414	\$ 282,138	\$ 5,111	\$ 533,148	\$ 1,542,711
0	0	0	0	202,189
0	0	0	0	122,767
0	0	0	0	97,466
<u>\$ 310,414</u>	<u>\$ 282,138</u>	<u>\$ 5,111</u>	<u>\$ 533,148</u>	<u>\$ 1,965,133</u>

**CITY OF IRONTON, OHIO**

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***Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities - Modified Cash Basis  
December 31, 2017***

---

**Total Governmental Fund Balances** \$ 1,965,133

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

The internal service funds are used by management to charge the costs of services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

Internal Service Net Position

1,877

***Net Position of Governmental Activities***

\$ 1,967,010

See accompanying notes to the basic financial statements

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**CITY OF IRONTON, OHIO**

**Statement of Receipts, Disbursements and Changes in Fund Balances – Modified Cash Basis  
Governmental Funds  
For the Year Ended December 31, 2017**

	General	Flood	Indigent DUI
<b>Receipts:</b>			
Taxes	\$ 2,662,831	\$ 265,752	\$ 0
Intergovernmental Receipts	727,305	19,004	0
Charges for Services	1,686,612	54	0
Licenses and Permits	112,938	0	0
Investment Earnings	5,572	240	69
Fines and Forfeitures	222,197	0	10,039
All Other Receipts	211,520	1,805	0
<b>Total Receipts</b>	<b>5,628,975</b>	<b>286,855</b>	<b>10,108</b>
<b>Disbursements:</b>			
Current:			
Security of Persons and Property	2,970,125	146,239	12,676
Public Health and Welfare Services	305,404	0	0
Leisure Time Activities	0	0	0
Community Environment	0	0	0
Transportation	0	0	0
General Government	1,680,639	0	0
Capital Outlay	17,033	0	0
Debt Service:			
Principal Retirement	282,645	21,512	0
Interest and Fiscal Charges	60,056	10,024	0
<b>Total Disbursements</b>	<b>5,315,902</b>	<b>177,775</b>	<b>12,676</b>
Excess (Deficiency) of Receipts Over (Under) Disbursements	313,073	109,080	(2,568)
<b>Other Financing Sources (Uses):</b>			
Sale of Capital Assets	175	0	0
Bond Issuance	0	0	0
Installment Loan Proceeds	0	0	0
Transfers In	43,671	0	0
Transfers Out	(8,500)	0	0
Advances In	17,156	0	0
Advances Out	(13,492)	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>39,010</b>	<b>0</b>	<b>0</b>
Net Change in Fund Balances	352,083	109,080	(2,568)
<b>Fund Balances at Beginning of Year</b>	<b>70,339</b>	<b>98,535</b>	<b>206,853</b>
<b>Fund Balances End of Year</b>	<b>\$ 422,422</b>	<b>\$ 207,615</b>	<b>\$ 204,285</b>

See accompanying notes to the basic financial statements

**CITY OF IRONTON, OHIO**

Municipal Court Computer	Police Equipment Replacement	Capital Infrastructure Project	Other Governmental Funds	Total Governmental Funds
\$ 0	\$ 0	\$ 0	\$ 143,653	\$ 3,072,236
0	0	0	517,217	1,263,526
0	36,560	0	39,114	1,762,340
0	0	0	0	112,938
218	0	0	1,570	7,669
27,928	0	0	79,958	340,122
0	27,975	0	25,075	266,375
<u>28,146</u>	<u>64,535</u>	<u>0</u>	<u>806,587</u>	<u>6,825,206</u>
0	37,739	0	89,238	3,256,017
0	0	0	0	305,404
0	0	0	59,193	59,193
0	0	0	1,956	1,956
0	0	0	600,309	600,309
63,333	0	0	245,414	1,989,386
0	0	798,766	0	815,799
0	3,864	0	552	308,573
0	29	0	4	70,113
<u>63,333</u>	<u>41,632</u>	<u>798,766</u>	<u>996,666</u>	<u>7,406,750</u>
(35,187)	22,903	(798,766)	(190,079)	(581,544)
0	0	0	950	1,125
0	180,000	0	0	180,000
0	0	518,424	0	518,424
0	0	0	87,000	130,671
0	0	0	(127,520)	(136,020)
0	0	0	13,492	30,648
0	0	0	(17,156)	(30,648)
<u>0</u>	<u>180,000</u>	<u>518,424</u>	<u>(43,234)</u>	<u>694,200</u>
(35,187)	202,903	(280,342)	(233,313)	112,656
345,601	79,235	285,453	766,461	1,852,477
<u>\$ 310,414</u>	<u>\$ 282,138</u>	<u>\$ 5,111</u>	<u>\$ 533,148</u>	<u>\$ 1,965,133</u>

## **CITY OF IRONTON, OHIO**

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***Reconciliation of the Statement of Receipts, Disbursements and  
Changes in Fund Balances of Governmental Funds  
To the Statement of Activities - Modified Cash Basis  
For the Year Ended December 31, 2017***

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Net Change in Fund Balances - Total Governmental Funds \$ 112,656

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

The internal service funds, which are used by management to charge the costs of services to individual funds, are not included in the statement of activities. Governmental fund disbursements and related internal service fund receipts are eliminated. The net receipts (disbursements) of the internal service funds are allocated among the governmental activities.

Change in Net Position - Internal Service Funds	(1,352)
<b><i>Change in Net Position of Governmental Activities</i></b>	<u><u>\$ 111,304</u></u>

See accompanying notes to the basic financial statements



## CITY OF IRONTON, OHIO

**Statement of Receipts, Disbursements and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
General Fund  
For the Year Ended December 31, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Receipts:</b>				
Taxes	\$ 2,555,120	\$ 2,700,920	\$ 2,662,831	\$ (38,089)
Intergovernmental Receipts	441,616	466,815	444,352	(22,463)
Charges for Services	1,167,302	1,233,910	1,235,795	1,885
Licenses and Permits	25,069	26,500	28,792	2,292
Investment Earnings	4,162	4,400	3,932	(468)
Fines and Forfeitures	227,059	240,015	222,197	(17,818)
All Other Receipts	199,544	210,930	203,656	(7,274)
Total Receipts	<u>4,619,872</u>	<u>4,883,490</u>	<u>4,801,555</u>	<u>(81,935)</u>
<b>Disbursements:</b>				
Current:				
Security of Persons and Property	2,890,390	2,966,286	2,907,969	58,317
Public Health and Welfare Services	3,167	3,250	2,143	1,107
Community Environment	15,396	15,800	0	15,800
General Government	1,776,607	1,823,258	1,720,264	102,994
Capital Outlay	37,436	38,419	24,832	13,587
Debt Service:				
Principal Retirement	193,372	198,450	198,429	21
Total Disbursements	<u>4,916,368</u>	<u>5,045,463</u>	<u>4,853,637</u>	<u>191,826</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	(296,496)	(161,973)	(52,082)	109,891
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	175	175	175	0
Transfers In	363,743	363,743	347,720	(16,023)
Transfers Out	(63,500)	(63,500)	(63,500)	0
Total Other Financing Sources (Uses):	<u>300,418</u>	<u>300,418</u>	<u>284,395</u>	<u>(16,023)</u>
Net Changes in Fund Balance	3,922	138,445	232,313	93,868
Fund Balance at Beginning of Year	(174,901)	(174,901)	(174,901)	0
Prior Year Encumbrances	78,011	78,011	78,011	0
Fund Balance at End of Year	<u>\$ (92,968)</u>	<u>\$ 41,555</u>	<u>\$ 135,423</u>	<u>\$ 93,868</u>

See accompanying notes to the basic financial statements

## CITY OF IRONTON, OHIO

***Statement of Receipts, Disbursements and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Special Revenue Fund – Flood Fund  
For the Year Ended December 31, 2017***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Receipts:</b>				
Property Taxes	\$ 278,330	\$ 265,755	\$ 265,752	\$ (3)
Intergovernmental Revenues	20,873	19,930	19,004	(926)
Charges for Services	31	30	54	24
Investment Earnings	251	240	240	0
All Other Revenues	1,875	1,790	1,805	15
Total Receipts	301,360	287,745	286,855	(890)
<b>Disbursements:</b>				
Current:				
Security of Persons and Property	145,258	165,608	150,821	14,787
Debt Service:				
Principal Retirement	0	30,850	31,536	(686)
Total Disbursements	145,258	196,458	182,357	14,101
Excess (Deficiency) of Receipts Over (Under) Disbursements	156,102	91,287	104,498	13,211
Fund Balance at Beginning of Year	89,497	89,497	89,497	0
Prior Year Encumbrances	9,038	9,038	9,038	0
Fund Balance at End of Year	\$ 254,637	\$ 189,822	\$ 203,033	\$ 13,211

See accompanying notes to the basic financial statements

**CITY OF IRONTON, OHIO**

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**Statement of Receipts, Disbursements and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Special Revenue Fund – Indigent DUI Fund  
For the Year Ended December 31, 2017**

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Receipts:</b>				
Investment Earnings	\$ 350	\$ 75	\$ 69	\$ (6)
Fines and Forfeitures	9,000	8,050	10,039	1,989
Total Receipts	9,350	8,125	10,108	1,983
<b>Disbursements:</b>				
Current:				
Security of Persons and Property	26,000	26,000	13,930	12,070
Total Disbursements	26,000	26,000	13,930	12,070
Excess (Deficiency) of Receipts Over (Under) Disbursements	(16,650)	(17,875)	(3,822)	14,053
Fund Balance at Beginning of Year	206,853	206,853	206,853	0
Fund Balance at End of Year	\$ 190,203	\$ 188,978	\$ 203,031	\$ 14,053

See accompanying notes to the basic financial statements

**CITY OF IRONTON, OHIO**

**Statement of Receipts, Disbursements and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Special Revenue Fund – Municipal Court Computer Fund  
For the Year Ended December 31, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Receipts:</b>				
Investment Earnings	\$ 480	\$ 220	\$ 218	\$ (2)
Fines and Forfeitures	30,000	30,000	27,928	(2,072)
Total Receipts	<u>30,480</u>	<u>30,220</u>	<u>28,146</u>	<u>(2,074)</u>
<b>Disbursements:</b>				
Current:				
General Government	74,417	72,417	63,888	8,529
Total Disbursements	<u>74,417</u>	<u>72,417</u>	<u>63,888</u>	<u>8,529</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	(43,937)	(42,197)	(35,742)	6,455
Fund Balance at Beginning of Year	321,184	321,184	321,184	0
Prior Year Encumbrances	24,417	24,417	24,417	0
Fund Balance at End of Year	<u>\$ 301,664</u>	<u>\$ 303,404</u>	<u>\$ 309,859</u>	<u>\$ 6,455</u>

See accompanying notes to the basic financial statements

**CITY OF IRONTON, OHIO**

**Statement of Receipts, Disbursements and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Special Revenue Fund – Police Equipment Replacement Fund  
For the Year Ended December 31, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Receipts:</b>				
Charges for Services	\$ 22,000	\$ 34,100	\$ 36,560	\$ 2,460
All Other Revenues	22,000	28,000	27,975	(25)
Total Receipts	44,000	62,100	64,535	2,435
<b>Disbursements:</b>				
Current:				
Security of Persons and Property	63,050	220,300	208,820	11,480
Total Disbursements	63,050	220,300	208,820	11,480
Excess (Deficiency) of Receipts Over (Under) Disbursements	(19,050)	(158,200)	(144,285)	13,915
<b>Other Financing Sources (Uses):</b>				
Bond Issuance	0	180,000	180,000	0
Total Other Financing Sources (Uses)	0	180,000	180,000	0
Net Changes in Fund Balance	(19,050)	21,800	35,715	13,915
Fund Balance at Beginning of Year	76,385	76,385	76,385	0
Prior Year Encumbrances	2,850	2,850	2,850	0
Fund Balance at End of Year	\$ 60,185	\$ 101,035	\$ 114,950	\$ 13,915

See accompanying notes to the basic financial statements

**CITY OF IRONTON, OHIO**

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**Statement of Net Position – Modified Cash Basis  
Proprietary Funds  
December 31, 2017**

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	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Sanitation
<b>Assets:</b>			
<i>Current Assets:</i>			
Pooled Cash and Investments	\$ 352,603	\$ 202,074	\$ 238,143
<i>Restricted Assets:</i>			
Cash and Cash Equivalents	0	395,862	0
<b>Total Assets</b>	352,603	597,936	238,143
<b>Net Position:</b>			
Unrestricted	352,603	597,936	238,143
<b>Total Net Position</b>	\$ 352,603	\$ 597,936	\$ 238,143

See accompanying notes to the basic financial statements

**CITY OF IRONTON, OHIO**

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<u>Storm Water</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 119,262	\$ 912,082	\$ 1,877
<u>395,862</u>	<u>791,724</u>	<u>0</u>
<u>515,124</u>	<u>1,703,806</u>	<u>1,877</u>
 <u>515,124</u>	 <u>1,703,806</u>	 <u>1,877</u>
<u>\$ 515,124</u>	<u>\$ 1,703,806</u>	<u>\$ 1,877</u>

## CITY OF IRONTON, OHIO

***Statement of Receipts, Disbursements and Changes in  
Fund Net Position – Modified Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2017***

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Sanitation
<b>Operating Receipts:</b>			
Charges for Services	\$ 2,018,947	\$ 1,630,767	\$ 668,631
Other Operating Receipts	33,400	0	0
<b>Total Operating Receipts</b>	<u>2,052,347</u>	<u>1,630,767</u>	<u>668,631</u>
<b>Operating Disbursements:</b>			
Personal Services	1,058,241	642,562	391,220
Contractual Services	580,561	321,250	172,276
Materials and Supplies	23,987	11,658	24,325
Other Operating Disbursements	422	0	0
Capital Outlay	58,151	157,124	14,542
<b>Total Operating Disbursements</b>	<u>1,721,362</u>	<u>1,132,594</u>	<u>602,363</u>
Operating Income (Loss)	330,985	498,173	66,268
<b>Nonoperating Receipts (Disbursements):</b>			
Investment Earnings	423	2,921	440
Interest Charges	(68,920)	(235,691)	(1,751)
Principal Retirement	(437,918)	(126,250)	(66,400)
Other Nonoperating Receipts	43,802	5,249	11,203
<b>Total Nonoperating Receipts (Disbursements)</b>	<u>(462,613)</u>	<u>(353,771)</u>	<u>(56,508)</u>
Income (Loss) Before Transfers and Capital Contributions	(131,628)	144,402	9,760
<b>Transfers and Capital Contributions:</b>			
Transfers In	24,144	8,500	0
Transfers Out	(2,595)	(15,542)	0
Capital Contributions	0	200,000	0
<b>Total Transfers and Capital Contributions</b>	<u>21,549</u>	<u>192,958</u>	<u>0</u>
Change in Net Position	(110,079)	337,360	9,760
Net Position Beginning of Year	<u>462,682</u>	<u>260,576</u>	<u>228,383</u>
Net Position End of Year	<u>\$ 352,603</u>	<u>\$ 597,936</u>	<u>\$ 238,143</u>

See accompanying notes to the basic financial statements



**CITY OF IRONTON, OHIO**

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<u>Storm Water</u>	<u>Total</u>	Governmental Activities - Internal Service Funds
\$ 693,848	\$ 5,012,193	\$ 0
0	33,400	19,690
<u>693,848</u>	<u>5,045,593</u>	<u>19,690</u>
8,862	2,100,885	0
46,081	1,120,168	0
2	59,972	21,042
0	422	0
<u>126,569</u>	<u>356,386</u>	<u>0</u>
<u>181,514</u>	<u>3,637,833</u>	<u>21,042</u>
512,334	1,407,760	(1,352)
2,147	5,931	0
(255,314)	(561,676)	0
(208,431)	(838,999)	0
0	60,254	0
<u>(461,598)</u>	<u>(1,334,490)</u>	<u>0</u>
50,736	73,270	(1,352)
0	32,644	0
(9,158)	(27,295)	0
<u>200,000</u>	<u>400,000</u>	<u>0</u>
<u>190,842</u>	<u>405,349</u>	<u>0</u>
241,578	478,619	(1,352)
<u>273,546</u>	<u>1,225,187</u>	<u>3,229</u>
<u>\$ 515,124</u>	<u>\$ 1,703,806</u>	<u>\$ 1,877</u>

**CITY OF IRONTON, OHIO**

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***Statement of Net Position – Modified Cash Basis  
Fiduciary Funds  
December 31, 2017***

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	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 47,339
<b>Total Assets</b>	<u>47,339</u>
<b>Net Position:</b>	
Unrestricted	47,339
<b>Total Net Position</b>	<u>\$ 47,339</u>

See accompanying notes to the basic financial statements

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2017***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

##### **A. Reporting Entity**

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

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

The City is involved with the following organizations which are defined as jointly governed organizations: Huntington-Ironton Empowerment Zone, Woodland Union Cemetery, KYOVA Interstate Planning Commission, Ohio Valley Regional Development Commission and Lawrence County Economic Development Corporation (LEDC). Additional information concerning these jointly governed organizations is presented in Note 13.

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

## *CITY OF IRONTON, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2017*

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

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

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The various funds are summarized by type in the basic financial statements. The following fund types are used by the City:

##### ***Governmental Funds***

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

The following are the City's major governmental funds:

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

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

Indigent DUI Fund - This fund is used to account for monies received from OMVI fines and costs collected to pay for alcohol treatment for repeat offenders of the OMVI laws.

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

Police Equipment Replacement Fund - This fund is used to account for debt proceeds and other revenues to be used for equipment acquisition in the police department.

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

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2017***

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

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

###### ***Proprietary Funds***

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

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

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

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

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

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

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

###### ***Fiduciary Funds***

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

# *CITY OF IRONTON, OHIO*

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## *Notes to the Basic Financial Statements For the Year Ended December 31, 2017*

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

#### **C. Basis of Presentation – Financial Statements**

##### ***Government-wide Financial Statements***

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal Service fund activity is eliminated to avoid “doubling up” receipts and disbursements. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

##### ***Fund Financial Statements***

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

#### **D. Basis of Accounting**

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

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

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2017***

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

##### **E. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount City Council may appropriate.

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

##### **1. Tax Budget**

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

##### **2. Estimated Resources**

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

On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2017. The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the City Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by City Council.

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2017***

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

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

##### **3. Appropriations (Continued)**

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

The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified by the County Budget Commission. The allocation of appropriations among departments and objects within a fund may only be modified during the year by an ordinance of City Council. The budgetary figures which appear on the "Statement of Receipts, Disbursements, and Changes in Fund Balances--Budget and Actual" are presented on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by City Council during the year.

##### **4. Lapsing of Appropriations**

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

##### **5. Budgetary Basis of Accounting**

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



**CITY OF IRONTON, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2017**

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

**E. Budgetary Process (Continued)**

5. Budgetary Basis of Accounting (Continued)

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

	Net Change in Fund Balance				
	General Fund	Flood Fund	Indigent DUI Fund	Municipal Court Computer Fund	Police Equipment Replacement Fund
Cash Basis (as reported)	\$352,083	\$109,080	(\$2,568)	(\$35,187)	\$202,903
Perspective Difference-					
Budgeted Special Revenue Funds reclassified as General Fund	(54,438)	0	0	0	0
Advances In reported on modified cash basis	(17,156)	0	0	0	0
Advances Out reported on modified cash basis	13,492				
Encumbrances	(61,668)	(4,582)	(1,254)	(555)	(167,188)
Budget Basis	<u>\$232,313</u>	<u>\$104,498</u>	<u>(\$3,822)</u>	<u>(\$35,742)</u>	<u>\$35,715</u>

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2017***

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

##### **F. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits and short-term certificates of deposit with original maturities of three months or less. Certificates of deposit with original maturities in excess of three months are considered an investment in the basic financial statements.

The City pools its cash for resource management purposes. Each fund's equity in pooled cash represents the balance on hand as if each fund maintained its own cash account. See Note 4 "Cash, Cash Equivalents and Investments."

##### **G. Investments**

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

##### **H. Inventory and Prepaid Items**

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

##### **I. Capital Assets**

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

##### **J. Long-Term Obligations**

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

##### **K. Accumulated Leave**

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

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2017***

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

##### **L. Net Position**

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

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

##### **M. Pensions**

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

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

##### **N. Interfund Transactions**

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated. Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2017***

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

##### **O. Fund Balances**

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

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

*Restricted* – Restricted fund balance consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

*Committed* – Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision making authority. For the City, these constraints consist of ordinances passed by City Council. Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (ordinance) it employed previously to commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* – Assigned fund balance consists of amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute.

## **CITY OF IRONTON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2017***

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

##### **O. Fund Balances (Continued)**

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

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

##### **P. Restricted Assets**

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

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

##### **Q. Operating Receipts and Disbursements**

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

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2017***

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#### **NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE**

For 2017, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 73, “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,” Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,” Statement No. 80, “Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14,” Statement No. 81, “Irrevocable Split-Interest Agreements,” and Statement No. 82, “Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions.

GASB Statement No. 74 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments.

GASB Statement No. 81 addresses irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68.

These changes were incorporated in the City’s 2017 financial statements; however, there was no effect on beginning net position/fund balance.

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## CITY OF IRONTON, OHIO

### *Notes to the Basic Financial Statements For the Year Ended December 31, 2017*

#### NOTE 3 – FUND BALANCE CLASSIFICATION

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

Fund Balances	General	Flood	Indigent DUI	Municipal Court Computer	Police Equipment Replacement	Capital Infrastructure Project	Other Governmental Funds	Total Governmental Funds
<b>Restricted:</b>								
Flood Wall	\$0	\$207,615	\$0	\$0	\$0	\$0	\$0	\$207,615
Police and Fire Pension	0	0	0	0	0	0	19,328	19,328
Police Department Equipment	0	0	0	0	282,138	0	0	282,138
Street Improvements	0	0	0	0	0	0	86,777	86,777
Recreation Programs	0	0	0	0	0	0	40,611	40,611
Drug and Alcohol Treatment	0	0	204,285	0	0	0	0	204,285
FEMA Programs	0	0	0	0	0	0	4,262	4,262
Municipal Court	0	0	0	310,414	0	0	291,695	602,109
Community Development	0	0	0	0	0	0	88,831	88,831
Debt Service	0	0	0	0	0	0	1,644	1,644
Capital Improvements	0	0	0	0	0	5,111	0	5,111
<b>Total Restricted</b>	<b>0</b>	<b>207,615</b>	<b>204,285</b>	<b>310,414</b>	<b>282,138</b>	<b>5,111</b>	<b>533,148</b>	<b>1,542,711</b>
<b>Committed:</b>								
Health Department	33,945	0	0	0	0	0	0	33,945
Fire Department	168,244	0	0	0	0	0	0	168,244
<b>Total Committed</b>	<b>202,189</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>202,189</b>
<b>Assigned:</b>								
Budget Deficit	61,099			0	0	0	0	61,099
Other Purposes	61,668	0	0	0	0	0	0	61,668
<b>Total Assigned</b>	<b>122,767</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>122,767</b>
Unassigned (Deficits):	97,466	0	0	0	0	0	0	97,466
<b>Total Fund Balances</b>	<b>\$422,422</b>	<b>\$207,615</b>	<b>\$204,285</b>	<b>\$310,414</b>	<b>\$282,138</b>	<b>\$5,111</b>	<b>\$533,148</b>	<b>\$1,965,133</b>

#### NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

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

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2017***

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

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

Category 3 consists of "interim" funds - those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts. Interim funds may be invested or deposited in the following securities:

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

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

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



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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2017***

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

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

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

#### **A. Deposits**

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of City cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets.

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

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

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

Two of the City's financial institutions are in the process of joining OPCS; however, at December 31, 2017, the financial institutions still maintained their own collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

At year end the carrying amount of the City's deposits was \$2,926,431 and the bank balance was \$3,208,824. Federal depository insurance covered \$1,284,225 of the bank balance and \$1,924,599 was uninsured and collateralized with securities held by the pledging institutions trust department not in the City's name.

## **CITY OF IRONTON, OHIO**

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2017***

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

##### **B. Investments**

The City's investments at December 31, 2017 were as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Fair Value Hierarchy</u>	<u>Investment Maturities (in Years) less than 1</u>
US Treasury Notes/Bills	\$791,724	AA+ <sup>1</sup> /Aaa <sup>2</sup>	Level 1	\$791,724
Total Investments	\$791,724			\$791,724

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

<sup>2</sup> Moody's Investor Service

*Interest Rate Risk* – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date. Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase.

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

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

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

#### **NOTE 5 - TAXES**

##### **A. Property Taxes**

Property taxes include amounts levied against all real estate and public utility property located in the City. Real property taxes (other than public utility) collected during 2017 were levied after October 1, 2016 on assessed values as of January 1, 2016, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 2016. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

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

**CITY OF IRONTON, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2017***

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**NOTE 5 - TAXES (Continued)**

**A. Property Taxes (Continued)**

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

The full tax rate for the City's operations for the year ended December 31, 2017 was \$5.28 per \$1,000 of assessed value. The assessed value upon which the 2017 tax collections were based was \$158,028,040. This amount constitutes \$149,522,930 in real property assessed value and \$8,505,110 in public utility assessed value. Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .528% (5.28 mills) of assessed value.

***Real Estate Tax Abatements***

As of December 31, 2017, the City provides tax incentives under one (1) program, the Community Reinvestment Area (CRA).

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

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

Below is the information relevant to the disclosure of this program for the year ending December 31, 2017.

	Total Amount of Taxes Abated For the year 2017
<i>Community Reinvestment Area (CRA)</i>	
Retail/Real Estate/Medical	\$13,404
	<u>\$13,404</u>

## *CITY OF IRONTON, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2017*

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#### NOTE 5 - TAXES (Continued)

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

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

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

#### NOTE 6 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2017:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$43,671	\$8,500
Other Governmental Funds	87,000	127,520
Total Governmental Funds	<u>130,671</u>	<u>136,020</u>
Water Fund	24,144	2,595
Sewer Fund	8,500	15,542
Storm Water Fund	0	9,158
Total Proprietary Funds	<u>32,644</u>	<u>27,295</u>
Totals	<u>\$163,315</u>	<u>\$163,315</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 2017 transfers of \$15,520 and \$25,000 from the Municipal Court Special Projects Fund and Municipal Court Monitoring and Supervision Fund, respectively, to the General Fund were performed pursuant to a court order for the purpose of reimbursement of salaries paid out of the General Fund.

The State Highway Fund transferred \$87,000 to the Street Fund for its share of operating costs.

In 2017 the Sewer Fund and Storm Water Fund transferred \$14,986 and \$9,158, respectively, to the Water Fund for debt service payments. The Water Fund and Sewer Fund transferred \$2,595 and \$556, respectively, to the General Fund for debt service payments.

**CITY OF IRONTON, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2017***

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**NOTE 7 – ADVANCES**

Following is a summary of advances for all funds for 2017:

<u>Fund</u>	<u>Advances In</u>	<u>Advances Out</u>
General Fund	\$17,156	\$13,492
Other Governmental Funds	13,492	17,156
Totals	<u>\$30,648</u>	<u>\$30,648</u>

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

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2017***

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#### **NOTE 8 – DEFINED BENEFIT PENSION PLANS**

##### ***Net Pension Liability***

The net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

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

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

##### ***Plan Description – Ohio Public Employees Retirement System (OPERS)***

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

## CITY OF IRONTON, OHIO

### *Notes to the Basic Financial Statements For the Year Ended December 31, 2017*

#### NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

**CITY OF IRONTON, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2017**

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**NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

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

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

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
<b>2017 Statutory Maximum Contribution Rates</b>			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
<b>2017 Actual Contribution Rates</b>			
Employer:			
Pension	13.0 %	17.1 %	17.1 %
Post-employment Health Care Benefits	1.0	1.0	1.0
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$350,805 for 2017.



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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2017***

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#### **NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

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

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

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

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

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

**CITY OF IRONTON, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2017**

**NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

	<u>Police</u>	<u>Firefighters</u>
<b>2017 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2017 through December 31, 2017	12.25 %	12.25 %
<b>2017 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee:		
January 1, 2017 through December 31, 2017	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OPF was \$331,978 for 2017. In addition to current contributions, the City pays installments on a specific liability of the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2017, the specific liability of the City has an outstanding amount of \$357,768, payable in semi-annual payments through the year 2035.

***Pension Liabilities***

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF’s total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$4,380,882	\$4,548,477	\$8,929,359
Proportion of the Net Pension Liability-2017	0.019292%	0.071812%	
Proportion of the Net Pension Liability-2016	<u>0.019369%</u>	<u>0.080443%</u>	
Percentage Change	<u>(0.000077%)</u>	<u>(0.008631%)</u>	

***Actuarial Assumptions - OPERS***

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

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2017***

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#### **NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

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

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

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

**CITY OF IRONTON, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2017**

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**NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
<b>Total</b>	<b>100.00 %</b>	<b>5.66 %</b>

**Discount Rate** The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$6,692,776	\$4,380,882	\$2,454,327

## **CITY OF IRONTON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2017***

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#### **NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

##### ***Actuarial Assumptions – OPF***

OPF's total pension liability as of December 31, 2016 is based on the results of an actuarial valuation date of January 1, 2016, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented below:

Valuation Date	January 1, 2016
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

## CITY OF IRONTON, OHIO

### *Notes to the Basic Financial Statements For the Year Ended December 31, 2017*

#### NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF’s target asset allocation as of December 31, 2016 are summarized below:

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

\* levered 2x

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

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

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City’s proportionate share of the net pension liability	\$6,058,032	\$4,548,477	\$3,269,108

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2017***

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#### **NOTE 9 - 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 trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

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

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

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS may be 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 2017, local government employers contributed at a rate of 14.00% of covered payroll, and Public Safety and Law Enforcement employers contributed at 18.1%. 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.

## **CITY OF IRONTON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2017***

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#### **NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)**

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

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2017. As recommended by OPERS’ actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2017 was 4.0%.

The City's contributions for health care to the OPERS for the years ending December 31, 2017, 2016, and 2015 were \$26,985, \$49,850 and \$49,957, respectively, which were equal to the required contributions for each year.

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

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

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

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

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



## **CITY OF IRONTON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2017***

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#### **NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)**

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

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 2017, the portion of employer contributions allocated to health care was 0.5% of covered payroll for both police officers and firefighters. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees’ primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OP&F for the years ending December 31, 2017, 2016, and 2015 were \$3,668, \$3,588 and \$4,038 for police and \$4,098, \$4,033 and \$4,508 for firefighters, respectively, which were equal to the required contributions for each year.

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## CITY OF IRONTON, OHIO

### Notes to the Basic Financial Statements For the Year Ended December 31, 2017

#### NOTE 10 - LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 2017 were as follows:

				Balance December 31, 2016	Additions	(Reductions)	Balance December 31, 2017	Due Within One Year
<b>Business-Type Activities:</b>								
Ohio Water Development Authority Loans (OWDA):								
2.00%	Water Plant Construction	1994	\$613,539	\$0	(\$303,732)	\$309,807	\$309,807	
2.00%	Water Meter Replacement	2011	828,370	0	(25,186)	803,184	25,693	
Total Ohio Water Development Authority Loans			1,441,909	0	(328,918)	1,112,991	335,500	
Ohio Public Works Commission Loans (OPWC):								
0.00%	Railroad Street Sanitary Sewer	2006	37,500	0	(3,750)	33,750	3,750	
0.00%	Storm Sewer Separation	2013	19,561	0	(931)	18,630	931	
0.00%	Water Storage Improvement	2009	187,500	0	(15,000)	172,500	15,000	
Total Ohio Public Works Commission Loans			244,561	0	(19,681)	224,880	19,681	
General Obligation Bonds:								
5.22%	Water Storage	2008	771,000	0	(94,000)	677,000	99,000	
2.0-5.25%	Sewer System Improvement	2011	9,895,000	0	(245,000)	9,650,000	255,000	
1.50%	Refuse Vehicle	2013	32,700	0	(32,700)	0	0	
2.35%	Storm Water Improvement	2016	835,000	0	(85,000)	750,000	85,000	
1.75%	Refuse Vehicle	2015	102,880	0	(33,700)	69,180	34,290	
Total General Obligation Bonds			11,636,580	0	(490,400)	11,146,180	473,290	
Total Business-Type Activities			\$13,323,050	\$0	(\$838,999)	\$12,484,051	\$828,471	
<b>Governmental Activities:</b>								
General Obligation Bonds:								
3.40%	Building Improvement Refunding	2013	\$555,000	\$0	(\$85,000)	\$470,000	\$90,000	
3.40%	Fire House Construction Refunding	2013	980,000	0	(45,000)	935,000	45,000	
1.50%	Various Purpose	2013	101,400	0	(101,400)	0	0	
2.45%	Police Equipment/Vehicles	2017	0	180,000	0	180,000	34,510	
Total General Obligation Bonds			1,636,400	180,000	(231,400)	1,585,000	169,510	
Installment Loans:								
3.50%	Moulten Field Flood System	2017	0	518,424	(21,512)	496,912	44,854	
2.15%	Pumper Fire Truck	2014	285,582	0	(55,661)	229,921	55,370	
Total Installment Loans			285,582	518,424	(77,173)	726,833	100,224	
Police/Fire Accrued Pension Obligations			371,366	0	(13,598)	357,768	14,182	
Total Governmental Activities			\$2,293,348	\$698,424	(\$322,171)	\$2,669,601	\$283,916	

## CITY OF IRONTON, OHIO

### *Notes to the Basic Financial Statements For the Year Ended December 31, 2017*

#### NOTE 10 - LONG-TERM OBLIGATIONS (Continued)

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2017, follows:

Years	OWDA Loans		General Obligation Bonds		OPWC Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$335,500	\$22,132	\$642,800	\$568,286	\$19,681	\$0
2019	26,208	15,419	659,020	549,230	19,681	0
2020	26,735	14,893	650,990	527,479	19,681	0
2021	27,273	14,355	671,770	504,361	19,681	0
2022	27,822	13,807	698,600	478,745	19,681	0
2023-2027	147,725	60,419	2,353,000	2,060,457	94,657	0
2028-2032	163,179	44,964	2,395,000	1,574,480	27,157	0
2033-2037	180,252	27,891	2,715,000	943,968	4,661	0
2038-2042	178,297	9,032	1,945,000	207,900	0	0
Totals	<u>\$1,112,991</u>	<u>\$222,912</u>	<u>\$12,731,180</u>	<u>\$7,414,906</u>	<u>\$224,880</u>	<u>\$0</u>

Years	Police/Fire			
	Accrued Pension Liability		Installment Loans	
	Principal	Interest	Principal	Interest
2018	\$14,182	\$15,056	\$100,224	\$23,477
2019	14,792	14,447	103,515	20,184
2020	15,427	13,812	106,866	16,833
2021	16,089	13,149	108,491	13,272
2022	16,781	12,458	51,582	10,115
2023-2027	95,353	50,838	256,155	21,873
2028-2032	117,667	28,524	0	0
2033-2035	67,477	4,304	0	0
Totals	<u>\$357,768</u>	<u>\$152,588</u>	<u>\$726,833</u>	<u>\$105,754</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, 2017 was \$510,356 in principal and interest payments through the year 2035. Only the principal amount of \$357,768 is included in the Long-Term debt amount.

#### **B. New Debt Issuance**

In 2017 the City issued \$180,000 of general obligation bonds for police vehicles and equipment. The bonds carry an interest rate of 2.45 percent and reach maturity in 2022. The City also received a \$518,424 installment loan for improvements to the Moulten Field flood control system. The loan carries an interest rate of 3.50 percent and reaches maturity in 2027. Collateral consists of a certificate of deposit in the name of the City of Ironton with a current value of \$1,146,733 and a hold value of \$518,424 with a maturity date of April 11, 2018.

#### **C. Pumper Fire Truck Installment Loan**

Collateral for the 2014 Pumper Fire Truck installment loan consists of a certificate of deposit in the name of the City of Ironton with a December 31, 2017 current value of \$1,146,733 and a hold value of \$229,921.

## *CITY OF IRONTON, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2017*

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#### **NOTE 11 - RISK MANAGEMENT**

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

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

#### Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017 PEP retained \$350,000 for casualty claims and \$100,000 for property claims. The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

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

#### Financial Position

PEP's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Assets	\$44,452,326	\$42,182,281
Liabilities	<u>(13,004,011)</u>	<u>(13,396,700)</u>
Net Position	<u>\$31,448,315</u>	<u>\$28,785,581</u>

At December 31, 2016 and 2017, respectively, the liabilities above include approximately \$12 million and \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million and \$11.2 million of unpaid claims to be billed. The Pool's membership increased from 520 members in 2016 to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the City's share of these unpaid claims collectible in future years is approximately \$68,000.

## **CITY OF IRONTON, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2017***

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#### **NOTE 11 - RISK MANAGEMENT (Continued)**

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

#### **Contributions to PEP**

2016	\$109,020
2017	\$107,210

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

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

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

#### **NOTE 12 - CONTINGENCIES**

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

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant 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, 2017.

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2017***

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#### **NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS**

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

The purposes of the governing foundation include:

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

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

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

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

## **CITY OF IRONTON, OHIO**

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2017***

#### **NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS (Continued)**

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

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

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

#### **NOTE 14 – SIGNIFICANT COMMITMENTS**

The City had the following significant contractual commitments at December 31, 2017:

<u>Project</u>	<u>Total Amount Paid 12/31/2017</u>	<u>Remaining Contractual Commitment</u>
South Ironton Sanitary Sewer Separation Phase III	\$205,696	\$0
Riverfront Docks	316,422	0
Ironton Riverfront Docks Engineering	125,400	59,000
Mastin Avenue/South Ironton Sewer Separation Phase III Engineering	197,250	14,750
Sewer Separation Phase IV	0	397,539
Ironton General Engineering Services	0	25,000
	<u>\$844,768</u>	<u>\$496,289</u>

**CITY OF IRONTON, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2017***

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**NOTE 14 – SIGNIFICANT COMMITMENTS (Continued)**

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

At December 31, 2017 the City had encumbrance commitments in the Governmental Funds as follows:

Fund	Encumbrances
Governmental Funds:	
General	\$70,666
Flood	4,582
Indigent DUI	1,254
Municipal Court Computer	555
Police Equipment Replacement	167,190
Other Governmental Funds	42,260
Total Governmental Funds	<u>\$286,507</u>



*CITY OF IRONTON, OHIO*

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*REQUIRED SUPPLEMENTAL INFORMATION*

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## **CITY OF IRONTON, OHIO**

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

#### **Ohio Public Employees Retirement System**

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

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

#### **Ohio Police and Fire Pension Fund**

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

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

Notes: Information prior to 2014 is not available.

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

**CITY OF IRONTON, OHIO**

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***Schedule of City Contributions  
Last Five Years***

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**Ohio Public Employees Retirement System**

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

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

**Ohio Police and Fire Pension Fund**

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

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

Notes: Information prior to 2013 is not available.

**CITY OF IRONTON, OHIO**

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<u>2016</u>	<u>2017</u>
\$299,097	\$350,805
<u>299,097</u>	<u>350,805</u>
<u>\$0</u>	<u>\$0</u>
\$2,492,475	\$2,698,500
12.00%	13.00%

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

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# 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 modified cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ironton, Lawrence County, Ohio (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 19, 2018 wherein we noted the City uses a special purpose framework other than generally accepted accounting principles.

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2017-001.

***City's Response to Finding***

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

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

December 19, 2018



CITY OF IRONTON  
LAWRENCE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2017

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

FINDING NUMBER 2017-001

**Noncompliance**

**Ohio Admin. Code § 117-2-03** requires cities to file annual financial reports which are prepared using generally accepted accounting principles.

The City filed financial statements prepared using the modified cash basis of accounting rather than following generally accepted accounting principles.

The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

We recommend the City take the necessary steps to ensure that the annual financial report is prepared and filed on a generally accepted accounting basis.

**Officials' Response:**

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

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**CITY OF IRONTON  
LAWRENCE COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2017**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2016-001 (initially occurred in 2008)	Ohio Rev. Code § 117.38 – Financial statements not filed by the required date.	Fully Corrected	
2016-001	Ohio Admin. Code § 117-2-03 – Financial statements not prepared following generally accepted accounting principles.	Not Corrected	See Finding Number 2017-001.
2016-002 (initially occurred in 2013)	Material Weakness relating to errors identified in year-end reconciliation process.	Fully Corrected	
2016-003	Material Weakness relating to financial reporting and adjustments being necessary to the financial statements.	Partially Corrected	Management letter comment issued.
2016-004 (initially occurred in 2008)	Noncompliance relating to revolving loan fund monies not being under the control of the City.	Not Corrected	Management letter comment issued.

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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  
DECEMBER 27, 2018