



Mary Taylor, CPA
Auditor of State

**CITY OF IRONTON
LAWRENCE COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of City Council:

We have audited the accompanying 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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

We were not able to obtain adequate support for the amounts reported as the City's capital assets and invested in capital assets net of related debt in the Statement of Net Assets for Governmental Type Activities, Business Type Activities, Water Fund, Sewer Fund, Sanitation Fund, and the Storm Water Fund. We also did not receive support for the capital asset footnote which would allow us to determine if the amounts reported were complete and accurate.

In our opinion, except for the lack of support for capital assets and invested in capital assets net of related debt as described above, the financial statements referred to above present fairly, in all material respects, the respective financial position 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, as of December 31, 2008 and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General and Revolving Loan Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2010, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 17, 2010

CITY OF IRONTON, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2008*

Unaudited

The discussion and analysis of the City of Ironton's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2008. 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 2008 are as follows:

- ❑ In total, net assets decreased by \$1,232,779. Net assets of governmental activities decreased by \$1,472,371, which represents a 5.2% decrease from 2007. Net assets of business-type activities increased by 2.2%, or \$239,592 from 2007.
- ❑ General revenues accounted for \$3,127,282 in revenue, or 29.5% of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants and capital grants and contributions accounted for \$7,467,128, or 70.5% of total revenues of \$10,594,410.
- ❑ The City had \$8,300,792 in expenses related to governmental activities; only \$3,752,501 of these expenses were offset by program specific charges for services and sales, and operating grants and capital grants and contributions. General revenues and net assets (primarily taxes) of \$3,075,920 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$4,729,000 in revenues and \$4,819,614 in expenditures. The general fund's fund balance increased \$7,946.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

CITY OF IRONTON, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2008*

Unaudited

Government-Wide Financial Statements

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

The two government-wide statements report the City's net assets and how they have changed. Net-assets (the difference between the City's assets and liabilities) is one way to measure the City's financial health or position.

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

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

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

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

CITY OF IRONTON, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2008*

Unaudited

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

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement 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 separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of the City's net assets at December 31, 2008 and 2007:

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$6,869,292	\$7,522,672	\$5,030,964	\$4,554,435	\$11,900,256	\$12,077,107
Capital assets, Net	24,305,013	25,255,486	11,566,732	10,986,751	35,871,745	36,242,237
Total assets	31,174,305	32,778,158	16,597,696	15,541,186	47,772,001	48,319,344
Long-term debt outstanding	3,464,102	3,558,064	4,984,686	4,112,843	8,448,788	7,670,907
Other liabilities	908,502	946,022	273,537	328,462	1,182,039	1,274,484
Total liabilities	4,372,604	4,504,086	5,258,223	4,441,305	9,630,827	8,945,391
Net assets						
Invested in capital assets, net of related debt	21,457,095	22,312,632	6,695,894	7,471,877	28,152,989	29,784,509
Restricted	4,092,025	4,022,695	0	0	4,092,025	4,022,695
Unrestricted	1,252,581	1,938,745	4,643,579	3,628,004	5,896,160	5,566,749
Total net assets	<u>\$26,801,701</u>	<u>\$28,274,072</u>	<u>\$11,339,473</u>	<u>\$11,099,881</u>	<u>\$38,141,174</u>	<u>\$39,373,953</u>

CITY OF IRONTON, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2008**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2008 and 2007:

	Governmental Activities		Business-type Activities		Total	Total
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues:						
Charges for Services and Sales	\$1,813,056	\$1,543,064	\$3,666,122	\$4,184,185	\$5,479,178	\$5,727,249
Operating Grants and Contributions	1,901,945	1,056,290	0	0	1,901,945	1,056,290
Capital Grants and Contributions	37,500	654,465	48,505	440,410	86,005	1,094,875
General revenues:						
Taxes	2,577,041	3,205,415	0	0	2,577,041	3,205,415
Grants and Entitlements not Restricted to Specific Programs	95,837	929,279	0	0	95,837	929,279
Investment Earnings	130,648	223,590	41,065	113,341	171,713	336,931
Miscellaneous	282,691	223,631	0	0	282,691	223,631
Total revenues	<u>6,838,718</u>	<u>7,835,734</u>	<u>3,755,692</u>	<u>4,737,936</u>	<u>10,594,410</u>	<u>12,573,670</u>
Program Expenses						
Security of Persons & Property	3,314,031	2,674,262	0	0	3,314,031	2,674,262
Public Health and Welfare	263,196	251,422	0	0	263,196	251,422
Leisure Time Activities	95,673	72,438	0	0	95,673	72,438
Community Environment	1,097,442	241,961	0	0	1,097,442	241,961
Transportation	1,697,171	1,817,553	0	0	1,697,171	1,817,553
General Government	1,659,396	2,023,601	0	0	1,659,396	2,023,601
Interest and Fiscal Charges	173,883	170,987	0	0	173,883	170,987
Water	0	0	1,663,755	1,498,908	1,663,755	1,498,908
Sewer	0	0	1,118,969	990,866	1,118,969	990,866
Sanitation	0	0	621,308	598,152	621,308	598,152
Storm Water	0	0	122,365	417,347	122,365	417,347
Total expenses	<u>8,300,792</u>	<u>7,252,224</u>	<u>3,526,397</u>	<u>3,505,273</u>	<u>11,827,189</u>	<u>10,757,497</u>
Excess (deficiency) before Transfers	(1,462,074)	583,510	229,295	1,232,663	(1,232,779)	1,816,173
Transfers	(10,297)	0	10,297	0	0	0
Total Change in Net Assets	<u>(1,472,371)</u>	<u>583,510</u>	<u>239,592</u>	<u>1,232,663</u>	<u>(1,232,779)</u>	<u>1,816,173</u>
Beginning Net Assets	<u>28,274,072</u>	<u>27,690,562</u>	<u>11,099,881</u>	<u>9,867,218</u>	<u>39,373,953</u>	<u>37,557,780</u>
Ending Net Assets	<u>\$26,801,701</u>	<u>\$28,274,072</u>	<u>\$11,339,473</u>	<u>\$11,099,881</u>	<u>\$38,141,174</u>	<u>\$39,373,953</u>

Governmental Activities

Net assets of the City's governmental activities decreased by \$1,472,371. This was mainly due to decreased tax collections and increased expenditures.

CITY OF IRONTON, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2008**

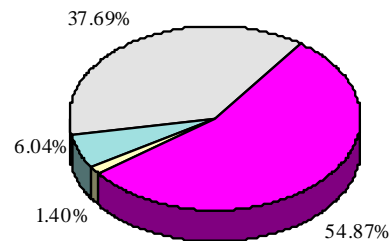
Unaudited

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. In general, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

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 37.69% of revenues for governmental activities for the City in fiscal year 2008. The City's reliance upon tax revenues is demonstrated by the following graph:

Revenue Sources	2008	Percent of Total
Taxes	\$2,577,041	37.69%
Program Revenues	3,752,501	54.87%
Shared Revenues	95,837	1.40%
General Other	413,339	6.04%
Total Revenue	<u>\$6,838,718</u>	<u>100.00%</u>



Business-type Activities

Net assets of the City's business-type activities increased by \$239,592. The City's efforts to control expense increases in 2008 contributed to the increase in net assets.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$3,960,966, which is a decrease from last year's balance of \$4,204,011. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2008 and 2007:

	Fund Balance December 31, 2008	Fund Balance December 31, 2007	Increase (Decrease)
General	\$1,062,362	\$1,054,416	\$7,946
Revolving Loan	31,880	169,208	(137,328)
Other Governmental	2,866,724	2,980,387	(113,663)
Total	<u>\$3,960,966</u>	<u>\$4,204,011</u>	<u>(\$243,045)</u>

CITY OF IRONTON, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2008*

Unaudited

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

	2008	2007	Increase
	<u>Revenues</u>	<u>Revenues</u>	<u>(Decrease)</u>
Taxes	\$2,457,001	\$2,058,747	\$398,254
Intergovernmental Revenues	714,282	815,988	(101,706)
Charges for Services	886,675	581,029	305,646
Licenses and Permits	20,670	17,903	2,767
Investment Earnings	27,041	107,897	(80,856)
Special Assessments	3,934	3,480	454
Fines and Forfeitures	378,793	337,679	41,114
All Other Revenue	240,604	169,130	71,474
Total	<u>\$4,729,000</u>	<u>\$4,091,853</u>	<u>\$637,147</u>

General Fund revenues in 2008 increased by 15.6% compared to revenues in fiscal year 2007. The most significant factor contributing to this increase was the increase in tax receipts and from the reimbursements from the enterprise funds for overhead.

	2008	2007	Increase
	<u>Expenditures</u>	<u>Expenditures</u>	<u>(Decrease)</u>
Security of Persons & Property	\$2,745,924	\$2,354,229	\$391,695
Public Health and Welfare	12,454	11,238	1,216
Transportation	41,570	0	41,570
General Government	1,768,807	1,736,143	32,664
Capital Outlay	40,453	0	40,453
Debt Service:			
Principal Retirement	146,363	57,189	89,174
Interest and Fiscal Charges	64,043	75,549	(11,506)
Total	<u>\$4,819,614</u>	<u>\$4,234,348</u>	<u>\$585,266</u>

General Fund expenditures increased by \$585,266, or 13.8%. The increase is due to increased costs associated with personnel and supplies and debt retirement payments.

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, final budget basis revenue of \$4.5 million did not significantly change over the original budget estimates of \$4.0 million. The General Fund had an adequate fund balance to cover expenditures.

CITY OF IRONTON, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2008*

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2008 the City had \$35,871,745 net of accumulated depreciation invested in land, construction in progress, buildings, land improvements, machinery and equipment, and infrastructure. Of this total, \$24,305,013 was related to governmental activities and \$11,566,732 to the business-type activities. The following table shows fiscal year 2008 and 2007 balances:

	Governmental Activities		Increase (Decrease)
	2008	2007	
Land	\$1,740,045	\$1,740,045	\$0
Construction in Progress	161,933	0	161,933
Buildings	3,150,900	3,140,955	9,945
Land Improvements	4,454,077	4,454,077	0
Machinery and Equipment	3,477,572	3,230,491	247,081
Infrastructure	35,825,162	35,811,781	13,381
Less: Accumulated Depreciation	(24,504,676)	(23,121,863)	(1,382,813)
Totals	\$24,305,013	\$25,255,486	(\$950,473)

	Business-Type Activities		Increase (Decrease)
	2008	2007	
Land	\$60,060	\$60,060	\$0
Construction in Progress	894,546	601,662	292,884
Land Improvements	6,534,456	6,534,456	0
Buildings and Improvements	4,051,851	4,051,851	0
Machinery and Equipment	5,627,138	5,548,457	78,681
Infrastructure	5,364,722	4,671,952	692,770
Less: Accumulated Depreciation	(10,966,041)	(10,481,687)	(484,354)
Totals	\$11,566,732	\$10,986,751	\$579,981

Additional information on the City's capital assets can be found in Note 7.

CITY OF IRONTON, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2008**

Unaudited

Debt

At December 31, 2008, the City had \$2,280,000 in bonds outstanding, \$80,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Governmental Activities:		
General Obligation Bonds	\$2,280,000	\$2,355,000
General Obligation Notes	371,368	450,221
Community Action Organization Loan	0	5,240
Installment Loans	0	57,800
Compensated Absences	221,085	218,675
Capital Leases	129,835	0
Police and Firemen's Accrued Pension	461,814	471,128
Total Governmental Activities	<u>3,464,102</u>	<u>3,558,064</u>
Business-Type Activities:		
General Obligation Notes	\$1,580,259	\$276,951
Ohio Water Development Authority Loan	3,179,551	3,599,981
Ohio Public Works Commission Loan	67,500	71,250
Compensated Absences	113,849	100,615
Capital Leases	43,527	64,046
Total Business-Type Activities	<u>4,984,686</u>	<u>4,112,843</u>
Totals	<u>\$8,448,788</u>	<u>\$7,670,907</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, 2008, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 11.

ECONOMIC FACTORS

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

REQUESTS FOR INFORMATION

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

CITY OF IRONTON, OHIO

Statement of Net Assets *December 31, 2008*

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 3,435,176	\$ 3,822,905	\$ 7,258,081
Investments	225,000	385,551	610,551
Receivables:			
Taxes	1,761,732	0	1,761,732
Accounts	19,110	638,846	657,956
Intergovernmental	1,031,381	17,569	1,048,950
Loans	364,431	0	364,431
Internal Balances	(3,375)	3,375	0
Inventory of Supplies at Cost	16,387	31,166	47,553
Prepays	19,450	16,449	35,899
Restricted Assets:			
Cash and Cash Equivalents	0	115,103	115,103
Capital Assets:			
Capital Assets Not Being Depreciated	1,901,978	954,606	2,856,584
Capital Assets Being Depreciated	22,403,035	10,612,126	33,015,161
Total Assets	31,174,305	16,597,696	47,772,001
Liabilities:			
Accounts Payable	70,292	28,737	99,029
Accrued Wages and Benefits	304,658	100,146	404,804
Refundable Deposits	0	137,603	137,603
Deferred Revenue	448,742	0	448,742
Accrued Interest Payable	18,097	7,051	25,148
General Obligation Notes Payable	66,713	0	66,713
Long Term Liabilities:			
Due Within One Year	365,373	474,243	839,616
Due in More Than One Year	3,098,729	4,510,443	7,609,172
Total Liabilities	4,372,604	5,258,223	9,630,827
Net Assets:			
Invested in Capital Assets, Net of Related Debt	21,457,095	6,695,894	28,152,989
Restricted For:			
Capital Projects	282,814	0	282,814
Debt Service	284,909	0	284,909
Streets & Highways	801,829	0	801,829
Security of Persons & Property	1,637,221	0	1,637,221
Other Purposes	1,085,252	0	1,085,252
Unrestricted (Deficit)	1,252,581	4,643,579	5,896,160
Total Net Assets	\$ 26,801,701	\$ 11,339,473	\$ 38,141,174

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

Statement of Activities For the Year Ended December 31, 2008

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Current:				
Security of Persons and Property	\$ 3,314,031	\$ 723,610	\$ 0	\$ 0
Public Health and Welfare Services	263,196	92,055	58,900	0
Leisure Time Activities	95,673	0	0	0
Community Environment	1,097,442	0	1,290,687	0
Transportation	1,697,171	9,056	552,358	37,500
General Government	1,659,396	988,335	0	0
Interest and Fiscal Charges	173,883	0	0	0
Total Governmental Activities	8,300,792	1,813,056	1,901,945	37,500
Business-Type Activities:				
Water	1,663,755	1,378,537	0	4,737
Sewer	1,118,969	1,224,638	0	43,768
Sanitation	621,308	547,189	0	0
Storm Water	122,365	515,758	0	0
Total Business-Type Activities	3,526,397	3,666,122	0	48,505
Totals	\$ 11,827,189	\$ 5,479,178	\$ 1,901,945	\$ 86,005

General Revenues

Property Taxes
 Municipal Income Taxes
 Grants and Entitlements not Restricted to Specific Programs
 Investment Earnings
 Miscellaneous
 Transfers
 Total General Revenues and Transfers

 Change in Net Assets

 Net Assets Beginning of Year

 Net Assets End of Year

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (2,590,421)	\$ 0	\$ (2,590,421)
(112,241)	0	(112,241)
(95,673)	0	(95,673)
193,245	0	193,245
(1,098,257)	0	(1,098,257)
(671,061)	0	(671,061)
(173,883)	0	(173,883)
<u>(4,548,291)</u>	<u>0</u>	<u>(4,548,291)</u>
0	(280,481)	(280,481)
0	149,437	149,437
0	(74,119)	(74,119)
0	393,393	393,393
<u>0</u>	<u>188,230</u>	<u>188,230</u>
<u>(4,548,291)</u>	<u>188,230</u>	<u>(4,360,061)</u>
534,738	0	534,738
2,042,303	0	2,042,303
95,837	0	95,837
130,648	41,065	171,713
282,691	0	282,691
(10,297)	10,297	0
<u>3,075,920</u>	<u>51,362</u>	<u>3,127,282</u>
(1,472,371)	239,592	(1,232,779)
<u>28,274,072</u>	<u>11,099,881</u>	<u>39,373,953</u>
<u>\$ 26,801,701</u>	<u>\$ 11,339,473</u>	<u>\$ 38,141,174</u>

CITY OF IRONTON, OHIO

**Balance Sheet
Governmental Funds
December 31, 2008**

	General	Revolving Loan	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 811,303	\$ 31,880	\$ 2,585,110	\$ 3,428,293
Investments	25,000	0	200,000	225,000
Receivables:				
Taxes	1,259,336	0	502,396	1,761,732
Accounts	19,091	0	19	19,110
Intergovernmental	337,795	0	693,586	1,031,381
Loans	0	364,431	0	364,431
Inventory of Supplies, at Cost	0	0	16,387	16,387
Prepaid Items	16,883	0	2,567	19,450
Total Assets	\$ 2,469,408	\$ 396,311	\$ 4,000,065	\$ 6,865,784
Liabilities:				
Accounts Payable	\$ 51,794	\$ 0	\$ 18,498	\$ 70,292
Accrued Wages and Benefits Payable	265,041	0	39,617	304,658
Deferred Revenue	1,090,211	364,431	1,008,513	2,463,155
General Obligation Notes Payable	0	0	66,713	66,713
Total Liabilities	1,407,046	364,431	1,133,341	2,904,818
Fund Balances:				
Reserved for Encumbrances	0	0	38,403	38,403
Reserved for Prepaid Items	16,883	0	2,567	19,450
Reserved for Supplies Inventory	0	0	16,387	16,387
Reserved for Debt Service	0	0	303,006	303,006
Unreserved, Undesignated in:				
General Fund	1,045,479	0	0	1,045,479
Special Revenue Funds	0	31,880	2,266,092	2,297,972
Capital Projects Funds	0	0	240,269	240,269
Total Fund Balances	1,062,362	31,880	2,866,724	3,960,966
Total Liabilities and Fund Balances	\$ 2,469,408	\$ 396,311	\$ 4,000,065	\$ 6,865,784

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2008***

Total Governmental Fund Balances \$ 3,960,966

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

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

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

Other long-term assets are not available to pay for current-
period expenditures and therefore are deferred in the funds. 2,014,413

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

Internal Service Net Assets 6,883
Allocation to Business-Type Activities (3,375) 3,508

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

General Obligation Bonds Payable (2,651,368)
Capital Leases (129,835)
Police Pension Accrued Liability (461,814)
Compensated Absences Payable related to Governmental Funds (221,085)
Accrued Interest Payable (18,097) (3,482,199)

Net Assets of Governmental Activities **\$ 26,801,701**

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2008

	General	Revolving Loan	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 2,457,001	\$ 0	\$ 326,750	\$ 2,783,751
Intergovernmental Revenues	714,282	0	1,389,590	2,103,872
Charges for Services	886,675	0	428,306	1,314,981
Licenses and Permits	20,670	0	45,416	66,086
Investment Earnings	27,041	876	37,407	65,324
Special Assessments	3,934	0	0	3,934
Fines and Forfeitures	378,793	0	99,806	478,599
All Other Revenue	240,604	38,547	67,996	347,147
Total Revenue	4,729,000	39,423	2,395,271	7,163,694
Expenditures:				
Current:				
Security of Persons and Property	2,745,924	0	374,124	3,120,048
Public Health and Welfare Services	12,454	0	247,711	260,165
Leisure Time Activities	0	0	94,433	94,433
Community Environment	0	176,751	920,691	1,097,442
Transportation	41,570	0	541,783	583,353
General Government	1,768,807	0	132,588	1,901,395
Capital Outlay	40,453	0	67,472	107,925
Debt Service:				
Principal Retirement	146,363	0	149,126	295,489
Interest & Fiscal Charges	64,043	0	103,442	167,485
Total Expenditures	4,819,614	176,751	2,631,370	7,627,735
Excess (Deficiency) of Revenues Over Expenditures	(90,614)	(137,328)	(236,099)	(464,041)
Other Financing Sources (Uses):				
Sale of Capital Assets	30,527	0	8,888	39,415
Issuance of Capital Leases	199,118	0	0	199,118
Transfers In	6,912	0	127,700	134,612
Transfers Out	(137,997)	0	(6,912)	(144,909)
Total Other Financing Sources (Uses)	98,560	0	129,676	228,236
Net Change in Fund Balances	7,946	(137,328)	(106,423)	(235,805)
Fund Balances at Beginning of Year	1,054,416	169,208	2,980,387	4,204,011
Increase (Decrease) in Inventory Reserve	0	0	(7,240)	(7,240)
Fund Balances End of Year	\$ 1,062,362	\$ 31,880	\$ 2,866,724	\$ 3,960,966

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For The Fiscal Year Ended December 31, 2008***

Net Change in Fund Balances - Total Governmental Funds \$ (235,805)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Outlay - governmental capital assets	436,459	
Depreciation Expense - governmental capital assets	<u>(1,386,932)</u>	(950,473)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (364,391)

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. (199,118)

Repayment of bond and loan principal is an expenditure in the governmental but the repayment reduces long-term liabilities in the statement of net assets.

General Obligation Bond Principal Payment	153,853	
Installment Loan Principal Payment	57,800	
Community Action Organization Loan Payment	5,240	
Police Accrued Pension Liability	9,314	
Capital Lease Payment	<u>69,283</u>	295,490

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (6,398)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Change in Compensated Absences - governmental funds	(2,410)	
Change in Inventory	<u>(7,240)</u>	(9,650)

The internal service funds, which are used by management to charge the costs of services to individual funds, are not included in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities and business-type activities.

Change in Net Assets - internal service funds	(3,888)	
Change in portion of internal service fund net assets allocated to Business-Type Activities	<u>1,862</u>	<u>(2,026)</u>

Change in Net Assets of Governmental Activities \$ (1,472,371)

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 2,264,334	\$ 2,497,189	\$ 2,457,897	\$ (39,292)
Intergovernmental Revenue	655,980	723,439	709,747	(13,692)
Charges for Services	532,346	587,090	888,340	301,250
Licenses and Permits	23,257	25,649	20,720	(4,929)
Investment Earnings	28,190	31,089	27,041	(4,048)
Special Assessments	4,679	5,160	3,934	(1,226)
Fines and Forfeitures	351,395	387,531	379,501	(8,030)
All Other Revenues	225,914	249,146	243,787	(5,359)
Total Revenues	<u>4,086,095</u>	<u>4,506,293</u>	<u>4,730,967</u>	<u>224,674</u>
Expenditures:				
Current:				
Security of Persons and Property	2,896,766	3,087,961	2,776,496	311,465
Public Health and Welfare Services	10,551	13,886	12,366	1,520
Transportation	37,616	47,225	41,287	5,938
General Government	1,911,061	2,059,868	1,803,221	256,647
Capital Outlay	0	44,055	40,453	3,602
Debt Service:				
Principal Retirement	167,122	157,549	146,363	11,186
Interest and Fiscal Charges	240,907	68,815	64,043	4,772
Total Expenditures	<u>5,264,023</u>	<u>5,479,359</u>	<u>4,884,229</u>	<u>595,130</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,177,928)	(973,066)	(153,262)	819,804
Other Financing Sources (Uses):				
Sale of Capital Assets	28,123	31,015	30,527	(488)
Issuance of Capital Leases	183,437	202,301	199,118	(3,183)
Transfers In	229,107	67,548	6,912	(60,636)
Transfers Out	(79,935)	(148,280)	(137,997)	10,283
Total Other Financing Sources (Uses):	<u>360,732</u>	<u>152,584</u>	<u>98,560</u>	<u>(54,024)</u>
Net Changes in Fund Balance	(817,196)	(820,482)	(54,702)	765,780
Fund Balance at Beginning of Year	716,073	716,073	716,073	0
Fund Balance at End of Year	<u>\$ (101,123)</u>	<u>\$ (104,409)</u>	<u>\$ 661,371</u>	<u>\$ 765,780</u>

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund – Revolving Loan Fund
For the Year Ended December 31, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 951	\$ 965	\$ 876	\$ (89)
All Other Revenues	45,832	46,500	46,500	0
Total Revenues	46,783	47,465	47,376	(89)
Expenditures:				
Current:				
Community Environment	127,426	227,426	188,750	38,676
Total Expenditures	127,426	227,426	188,750	38,676
Excess (Deficiency) of Revenues Over (Under) Expenditures	(80,643)	(179,961)	(141,374)	38,587
Fund Balance at Beginning of Year	161,255	161,255	161,255	0
Fund Balance at End of Year	\$ 80,612	\$ (18,706)	\$ 19,881	\$ 38,587

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

Statement of Net Assets
Proprietary Funds
December 31, 2008

	Water	Sewer	Sanitation
Assets:			
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$ 1,110,249	\$ 1,195,349	\$ 226,663
Investments	250,000	135,551	0
<i>Receivables:</i>			
Accounts	216,240	218,197	102,133
Intergovernmental	0	17,569	0
Inventory of Supplies at Cost	26,044	5,122	0
Prepaid Items	12,297	3,098	1,004
<i>Restricted Assets:</i>			
Cash and Cash Equivalents	115,103	0	0
Total Current Assets	1,729,933	1,574,886	329,800
<i>Non Current Assets:</i>			
<i>Capital Assets:</i>			
Capital Assets Not Being Depreciated	481,030	402,976	0
Capital Assets Being Depreciated	5,634,730	4,857,299	45,712
Total Assets	7,845,693	6,835,161	375,512
Liabilities:			
<i>Current Liabilities:</i>			
Accounts Payable	22,462	5,245	975
Accrued Wages and Benefits	47,049	31,924	21,173
Refundable Deposits	137,603	0	0
Accrued Interest Payable	5,895	731	32
Compensated Absences Payable - Current	29,795	12,690	10,342
Capital Leases - Current	0	21,338	0
General Obligation Bonds - Current	63,000	61,302	977
OWDA Loans Payable - Current	259,232	0	0
OPWC Loans Payable - Current	0	3,750	0
Total Current Liabilities	565,036	136,980	33,499

CITY OF IRONTON, OHIO

Storm Water	Total	Governmental Activities - Internal Service Funds
\$ 1,290,644	\$ 3,822,905	\$ 6,883
0	385,551	0
102,276	638,846	0
0	17,569	0
0	31,166	0
50	16,449	0
0	115,103	0
1,392,970	5,027,589	6,883
70,600	954,606	0
74,385	10,612,126	0
1,537,955	16,594,321	6,883
55	28,737	0
0	100,146	0
0	137,603	0
393	7,051	0
0	52,827	0
0	21,338	0
11,817	137,096	0
0	259,232	0
0	3,750	0
12,265	747,780	0

CITY OF IRONTON, OHIO

Statement of Net Assets
Proprietary Funds
December 31, 2008

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>
<i>Long Term Liabilities:</i>			
Compensated Absences Payable	22,373	23,376	15,273
Capital Leases Payable	0	22,189	0
General Obligation Bonds Payable	1,311,000	97,582	2,639
OWDA Loans Payable	2,579,356	0	0
OPWC Loans Payable	0	63,750	0
Total Liabilities	<u>4,477,765</u>	<u>343,877</u>	<u>51,411</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	1,903,172	4,990,364	42,096
Unrestricted	1,464,756	1,500,920	282,005
Total Net Assets	<u>\$ 3,367,928</u>	<u>\$ 6,491,284</u>	<u>\$ 324,101</u>

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

<u>Storm Water</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
0	61,022	0
0	22,189	0
31,942	1,443,163	0
340,963	2,920,319	0
<u>0</u>	<u>63,750</u>	<u>0</u>
<u>385,170</u>	<u>5,258,223</u>	<u>0</u>
(239,738)	6,695,894	0
<u>1,392,523</u>	<u>4,640,204</u>	<u>6,883</u>
<u>\$ 1,152,785</u>	<u>\$ 11,336,098</u>	<u>\$ 6,883</u>

CITY OF IRONTON, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2008**

	Water	Sewer	Sanitation
Operating Revenues:			
Charges for Services	\$ 1,345,412	\$ 1,217,603	\$ 542,000
Other Operating Revenue	0	0	0
Total Operating Revenues	<u>1,345,412</u>	<u>1,217,603</u>	<u>542,000</u>
Operating Expenses:			
Personal Services	836,454	515,833	350,047
Contractual Services	147,421	95,291	208,245
Materials and Supplies	51,813	0	0
Other Operating Expenses	328,378	244,290	41,266
Depreciation	205,145	251,756	21,564
Total Operating Expenses	<u>1,569,211</u>	<u>1,107,170</u>	<u>621,122</u>
Operating Income (Loss)	(223,799)	110,433	(79,122)
Nonoperating Revenue (Expenses):			
Investment Earnings	20,917	16,179	3,969
Interest Expense	(92,682)	(11,799)	(186)
Gain on Sale of Capital Assets	0	(497)	0
Intergovernmental Revenues	4,737	43,768	0
Other Nonoperating Revenue	33,125	7,532	5,189
Total Nonoperating Revenues (Expenses)	<u>(33,903)</u>	<u>55,183</u>	<u>8,972</u>
Income (Loss) Before Transfers	(257,702)	165,616	(70,150)
Transfers In	0	0	10,297
Change in Net Assets	(257,702)	165,616	(59,853)
Net Assets Beginning of Year	<u>3,625,630</u>	<u>6,325,668</u>	<u>383,954</u>
Net Assets End of Year	<u>\$ 3,367,928</u>	<u>\$ 6,491,284</u>	<u>\$ 324,101</u>

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

Storm Water	Total	Governmental Activities - Internal Service Funds
\$ 515,758	\$ 3,620,773	\$ 0
0	0	163,308
515,758	3,620,773	163,308
0	1,702,334	0
12,031	462,988	0
0	51,813	167,196
72,744	686,678	0
9,677	488,142	0
94,452	3,391,955	167,196
421,306	228,818	(3,888)
0	41,065	0
(27,913)	(132,580)	0
0	(497)	0
0	48,505	0
0	45,846	0
(27,913)	2,339	0
393,393	231,157	(3,888)
0	10,297	0
393,393	241,454	(3,888)
759,392	11,094,644	10,771
\$ 1,152,785	\$ 11,336,098	\$ 6,883

CITY OF IRONTON, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2008

	<i>Business-Type Activities</i>		
	<i>Water Fund</i>	<i>Sewer Fund</i>	<i>Sanitation Fund</i>
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$1,514,011	\$1,312,224	\$586,247
Cash Payments for Goods and Services	(554,410)	(346,622)	(263,801)
Cash Payments to Employees	(836,190)	(516,133)	(362,979)
Net Cash Provided by Operating Activities	123,411	449,469	(40,533)
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfers In from Other Funds	0	0	10,297
Net Cash Provided by Noncapital Financing Activities	0	0	10,297
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and Construction of Assets	(703,689)	(294,007)	0
Intergovernmental Grants	4,737	175,926	0
Issuance of General Obligation Bonds	1,433,000	0	0
Issuance of OWDA Loans	0	0	0
Principal Paid on OPWC Loans	0	(3,750)	0
Principal Paid on General Obligation Notes	0	(58,462)	(933)
Principal Paid on General Obligation Bonds	(59,000)	0	0
Principal Paid on Ohio Water Development Authority Loans	(254,150)	0	0
Principal Paid on Capital Lease	0	(20,519)	0
Interest Paid on All Debt	(86,787)	(12,068)	(195)
Net Cash Used for Capital and Related Financing Activities	334,111	(212,880)	(1,128)
<u>Cash Flows from Investing Activities:</u>			
Receipts of Interest	20,917	16,310	3,969
Net Cash Provided by Investing Activities	20,917	16,310	3,969
Net Increase (Decrease) in Cash and Cash Equivalents	478,439	252,899	(27,395)
Cash and Cash Equivalents at Beginning of Year	746,913	942,450	254,058
Cash and Cash Equivalents at End of Year	\$1,225,352	\$1,195,349	\$226,663
<u>Reconciliation of Cash and Cash Equivalents per the Balance Sheet</u>			
Cash and Cash Equivalents	\$1,110,249	\$1,195,349	\$226,663
Restricted Cash and Cash Equivalents	115,103	0	0
Cash and Cash Equivalents at End of Year	\$1,225,352	\$1,195,349	\$226,663

CITY OF IRONTON, OHIO

<i>Storm Water Fund</i>	<i>Total Enterprise Funds</i>	<i>Governmental Activities Internal Service Fund</i>
\$516,531	\$3,929,013	\$163,308
(104,293)	(1,269,126)	(168,277)
0	(1,715,302)	0
<u>412,238</u>	<u>944,585</u>	<u>(4,969)</u>
0	10,297	0
<u>0</u>	<u>10,297</u>	<u>0</u>
(89,717)	(1,087,413)	0
0	180,663	0
0	1,433,000	0
11,402	11,402	0
0	(3,750)	0
(11,297)	(70,692)	0
0	(59,000)	0
(177,682)	(431,832)	0
0	(20,519)	0
(28,014)	(127,064)	0
<u>(295,308)</u>	<u>(175,205)</u>	<u>0</u>
0	41,196	0
<u>0</u>	<u>41,196</u>	<u>0</u>
116,930	820,873	(4,969)
<u>1,173,714</u>	<u>3,117,135</u>	<u>11,852</u>
<u>\$1,290,644</u>	<u>\$3,938,008</u>	<u>\$6,883</u>
\$1,290,644	\$3,822,905	\$6,883
<u>0</u>	<u>\$115,103</u>	<u>0</u>
<u>\$1,290,644</u>	<u>\$3,938,008</u>	<u>\$6,883</u>

(Continued)

CITY OF IRONTON, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2008

	<i>Business-Type Activities</i>		
	<i>Water Fund</i>	<i>Sewer Fund</i>	<i>Sanitation Fund</i>
<u>Reconciliation of Operating Income to Net Cash</u>			
<u>Provided by Operating Activities:</u>			
Operating Income	(\$223,799)	\$110,433	(\$79,122)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation Expense	205,145	251,756	21,564
Miscellaneous Nonoperating Revenue	71,790	8,692	5,189
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	94,034	85,929	39,058
Increase in Prepaid Items	(8,608)	(722)	(251)
Decrease in Accounts Payable	(15,415)	(6,319)	(14,039)
Decrease in Accrued Wages and Benefits	(13,730)	(7,363)	(5,109)
Increase (Decrease) in Compensated Absences	13,994	7,063	(7,823)
Total Adjustments	347,210	339,036	38,589
Net Cash Provided by Operating Activities	\$123,411	\$449,469	(\$40,533)

Schedule of Noncash Investing, Capital and Financing Activities:

As of December 31, 2008 the Water had an outstanding liability of \$9,655 for the purchase of certain capital assets.

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

CITY OF IRONTON, OHIO

<i>Storm Water Fund</i>	<i>Total Enterprise Funds</i>	<i>Governmental Activities Internal Service Fund</i>
\$421,306	\$228,818	(\$3,888)
9,677	488,142	0
0	85,671	0
773	219,794	0
(20)	(9,601)	0
(19,498)	(55,271)	(1,081)
0	(26,202)	0
0	13,234	0
(9,068)	715,767	(1,081)
\$412,238	\$944,585	(\$4,969)

CITY OF IRONTON, OHIO

Statement of Net Assets
Fiduciary Funds
December 31, 2008

	Private Purpose Trust	
	Special Trust Fund	Agency
Assets:		
Cash and Cash Equivalents	\$ 7,631	\$ 92,559
Receivables:		
Restricted Assets:		
Total Assets	<u>7,631</u>	<u>92,559</u>
Liabilities:		
Due to Others	<u>0</u>	<u>92,559</u>
Total Liabilities	<u>\$ 0</u>	<u>\$ 92,559</u>
Net Assets:		
Unrestricted	<u>7,631</u>	<u>0</u>
Total Net Assets	<u>\$ 7,631</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

Statement of Changes in Net Assets
Fiduciary Fund
For the Year Ended December 31, 2008

	<u>Private Purpose Trust Special Trust Fund</u>
Additions:	
Contributions:	
Private Donations	\$ 17,812
Total Contributions	<u>17,812</u>
Investment Earnings:	
Total Investment Earnings	<u>0</u>
Total Additions	<u>17,812</u>
Deductions:	
Community Gifts, Awards and Scholarships	<u>18,691</u>
Total Deductions	<u>18,691</u>
Change in Net Assets	(879)
Net Assets at Beginning of Year	<u>8,510</u>
Net Assets End of Year	<u>\$ 7,631</u>

See accompanying notes to the basic financial statements

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements are presented as of December 31, 2008 and for the year then ended, and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

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

Based on the foregoing, the City's financial reporting entity has a blended component unit. The Ironton Port Authority has been determined to be a component unit of the City. The City's financial reporting entity also includes 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, 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 15.

B. Basis of Presentation - Fund Accounting

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

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Governmental Funds

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

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

Revolving Loan Fund – This fund is used to account for the loans issued to homeowners and business in Ironton.

Proprietary Funds

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

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

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

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

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

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

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

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Fiduciary funds are used to account for assets the City holds in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. The City's trust funds are private purpose trust account for monies used for the demolition of buildings not owned by the City. 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 agency funds account for deposits held from individuals who intend to excavate portions of the streets or sidewalks, municipal court collections that are distributed to the state and various local governments, and fee collections to be distributed to the law library.

C. Basis of Presentation – Financial Statements

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

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

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

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

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

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

D. Basis of Accounting

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

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

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

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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

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

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

Pursuant to GASB Statement No. 20, "*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*," the City follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. The City has elected to follow GASB guidance for business-type activities and enterprise funds rather than FASB guidance issued after November 30, 1989.

E. Budgetary Process

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

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

1. Tax Budget

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

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

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

On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2008.

3. Appropriations

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

4. Lapsing of Appropriations

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

CITY OF IRONTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Budgetary Basis of Accounting

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

	Net Change in Fund Balance	
	General Fund	Revolving Loan Fund
GAAP Basis (as reported)	\$7,946	(\$137,328)
Increase (Decrease):		
Accrued Revenues at December 31, 2008 received during 2009	(547,484)	0
Accrued Revenues at December 31, 2007 received during 2008	549,451	7,953
Accrued Expenditures at December 31, 2008 paid during 2009	316,835	0
Accrued Expenditures at December 31, 2007 paid during 2008	(327,603)	(11,999)
2007 Prepays for 2008	6,454	0
2008 Prepays for 2009	(16,883)	0
Outstanding Encumbrances	(43,418)	0
Budget Basis	(\$54,702)	(\$141,374)

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

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

The City pools its cash for resource management purposes. Each fund's equity in pooled cash represents the balance on hand as if each fund maintained its own cash account. For purposes of the statements of cash flows, the share of equity in the pooled cash of the proprietary funds is considered to be a cash equivalent. See Note 2 "Pooled Cash, Cash Equivalents and Investments."

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City reports its investments at fair value, except for nonparticipating investment contracts (certificates of deposit and repurchase agreements) which are reported at cost, which approximates fair value. The City allocates interest among various funds based upon applicable legal and administrative requirements. See Note 2, "Pooled Cash, Cash Equivalents and Investments."

H. Inventory

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

I. Capital Assets and Depreciation

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

1. Property, Plant and Equipment - Governmental Activities

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

CITY OF IRONTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets and Depreciation (Continued)

2. Property, Plant and Equipment – Business Type Activities

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

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

3. Depreciation

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

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

CITY OF IRONTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Long-Term Obligations

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

<u>Obligation</u>	<u>Fund</u>
General Obligation Bond	General Fund Fire Fund
Long-Term Obligation	General Fund
Installment Loans	Fire Fund
Police and Fire Accrued Pension Liability	Police Pension Fund Fire Pension Fund
Ohio Water Development Authority Loans	Water Fund Sewer Fund Storm Water Fund
Ohio Public Works Commission	Sewer Fund
Compensated Absences	General Fund Street Fund Health Fund Water Fund Sewer Fund Sanitation Fund
Capital Leases	General Fund Sewer Fund

K. Compensated Absences

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

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

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences (Continued)

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are 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 Assets restricted for Other Purposes include programs for street and highway improvements, state and federal grants for security of persons and property, public transportation and community development and mandatory fines for various court programs.

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

N. Pensions

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

O. Interfund Transactions

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

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Reservations of Fund Balance

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

Q. Restricted Assets

Customer deposits and cash with fiscal agent are classified as restricted assets on the balance sheet because these funds are being held for specified purposes.

R. Operating Revenues and Expenses

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

NOTE 2 - 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.

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.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

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

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

A. Deposits

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

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

CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

A. Deposits (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.

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

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

At year end the carrying amount of the City's deposits was \$8,083,925 and the bank balance was \$8,326,182. Federal depository insurance covered \$472,482 of the bank balance and \$7,853,700 was uninsured. Of the remaining uninsured bank balance, the District was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$7,853,700</u>
Total Balance	<u><u>\$7,853,700</u></u>

CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

B. Reconciliation of Cash, Cash Equivalents and Investments

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

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

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per Financial Statements	\$7,473,374	\$610,551
Certificates of Deposit (with maturities of more than 3 months)	<u>610,551</u>	<u>(610,551)</u>
Per GASB Statement No. 3	<u>\$8,083,925</u>	<u>\$0</u>

* Includes Cash with Fiscal Agent

NOTE 3 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2008 were levied after October 1, 2007 on assessed values as of January 1, 2007, the lien date. Assessed values were established by the County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation was completed for tax year 2004. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder is payable by June 20.

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

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 3 - TAXES (Continued)

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

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

The full tax rate for the City's operations for the year ended December 31, 2008 was \$4.28 per \$1,000 of assessed value. The assessed value upon which the 2008 tax levy was based was \$138,077,410. This amount constitutes \$129,541,800 in real property assessed value, \$6,213,770 in public utility assessed value. Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .428% (4.28 mills) of assessed value.

B. Income Tax

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

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

NOTE 4 - RECEIVABLES

Receivables at December 31, 2008 consisted of taxes, accounts, loans, and intergovernmental receivables arising from shared revenues.

NOTE 5 – INTERFUND ACCOUNTS

On the Statement of Net Assets, the Governmental Activities reported an internal balance at December 31, 2008 of \$3,375, which was offset in the Business-Type Activities by the same amount. This amount relates to the consolidation of internal service activities on the Government-Wide Statements.

CITY OF IRONTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 6 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2008:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$6,912	\$137,997
Sanitation Fund	10,297	0
Nonmajor Governmental Funds	<u>127,700</u>	<u>6,912</u>
Totals	<u><u>\$144,909</u></u>	<u><u>\$144,909</u></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.

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CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 7 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2008:

Historical Cost:

Class	December 31, 2007	Additions	Deletions	December 31, 2008
<i>Capital assets not being depreciated:</i>				
Land	\$1,740,045	\$0	\$0	\$1,740,045
Construction in Progress	0	161,933	0	161,933
Subtotal	1,740,045	161,933	0	1,901,978
<i>Capital assets being depreciated:</i>				
Buildings	3,140,955	9,945	0	3,150,900
Land Improvements	4,454,077	0	0	4,454,077
Machinery and Equipment	3,230,491	247,081	0	3,477,572
Infrastructure	35,811,781	17,500	(4,119)	35,825,162
Subtotal	46,637,304	274,526	(4,119)	46,907,711
Total Cost	<u>\$48,377,349</u>	<u>\$436,459</u>	<u>(\$4,119)</u>	<u>\$48,809,689</u>

Accumulated Depreciation:

Class	December 31, 2007	Additions	Deletions	December 31, 2008
Buildings	(\$819,099)	(\$82,016)	\$0	(\$901,115)
Land Improvements	(3,322,238)	(31,548)	0	(3,353,786)
Machinery and Equipment	(1,932,219)	(221,441)	0	(2,153,660)
Infrastructure	(17,048,307)	(1,051,927)	4,119	(18,096,115)
Total Depreciation	<u>(\$23,121,863)</u>	<u>(\$1,386,932)</u>	<u>\$4,119</u>	<u>(\$24,504,676)</u>
<i>Net Value:</i>	<u>\$25,255,486</u>			<u>\$24,305,013</u>

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$207,661
Leisure Time Activities	757
Public Health & Welfare	531
Transportation	1,095,569
General Government	82,414
Total Depreciation Expense	<u>\$1,386,932</u>

CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 7 – CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2008:

Historical Cost:

Class	December 31, 2007	Additions	Deletions	December 31, 2008
<i>Capital assets not being depreciated:</i>				
Land	\$60,060	\$0	\$0	\$60,060
Construction in Progress	601,662	292,884	0	894,546
Subtotal	<u>661,722</u>	<u>292,884</u>	<u>0</u>	<u>954,606</u>
<i>Capital assets being depreciated:</i>				
Land Improvements	6,534,456	0	0	6,534,456
Buildings and Improvements	4,051,851	0	0	4,051,851
Machinery and Equipment	5,548,457	84,129	(5,448)	5,627,138
Infrastructure	4,671,952	692,770	0	5,364,722
Subtotal	<u>20,806,716</u>	<u>776,899</u>	<u>(5,448)</u>	<u>21,578,167</u>
Total Cost	<u>\$21,468,438</u>	<u>\$1,069,783</u>	<u>(\$5,448)</u>	<u>\$22,532,773</u>

Accumulated Depreciation:

Class	December 31, 2007	Additions	Deletions	December 31, 2008
Land Improvements	(\$1,976,687)	(\$131,831)	\$0	(\$2,108,518)
Buildings and Improvements	(1,998,202)	(83,404)	0	(2,081,606)
Machinery and Equipment	(3,744,694)	(208,683)	3,791	(3,949,586)
Infrastructure	(2,762,104)	(64,227)	0	(2,826,331)
Total Depreciation	<u>(\$10,481,687)</u>	<u>(\$488,145)</u>	<u>\$3,791</u>	<u>(\$10,966,041)</u>
Net Value:	<u>\$10,986,751</u>			<u>\$11,566,732</u>

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 8 – DEFINED BENEFIT PENSION PLANS

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

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

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

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

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

The ORC provides statutory authority for employee and employer contributions. For 2008, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2008 employer contribution rate for local government employer units was 14.00%, of covered payroll which is the maximum contribution rate set by State statutes. Employer contribution rates are actuarially determined. A portion of the City's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2008, 7.0% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and the City are established and may be amended by the OPERS Board. The City's required contributions for pension obligations to OPERS for the years ending December 31, 2008, 2007, and 2006 were \$171,441, \$277,354 and \$334,555, respectively, which were equal to the required contributions for each year.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2008, 12.75% of annual covered salary for police and 17.25% of annual covered salary for firefighters, respectively, were the portions used to fund pension obligations. The City’s contributions for pension obligations to the OP&F Fund for the years ending December 31, 2008, 2007, and 2006 were \$78,402, \$122,593 and \$97,715 for police and \$113,618, \$131,892 and \$146,727 for firefighters, respectively, which were equal to the required contributions for each year.

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

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

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

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. For 2008, the employer contribution allocated to the health care plan was 7.0% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OPERS for the years ending December 31, 2008, 2007, and 2006 were \$171,441, \$182,688 and \$133,320, respectively, which were equal to the required contributions for each year.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

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.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)

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

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.

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2008, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees 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, 2008, 2007, and 2006 were \$41,507, \$37,398 and \$36,802 for police and \$44,459, \$41,499 and \$44,353 for firefighters, respectively, which were equal to the required contributions for each year.

CITY OF IRONTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 10 - COMPENSATED ABSENCES

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

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

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

At December 31, 2008, the total liability for accumulated unpaid compensated absences recorded in the Governmental Activities was as follows:

	<u>Hours</u>	<u>Amount</u>
Sick Leave	7,884	\$91,727
Vacation / Compensatory Time	<u>8,660</u>	<u>129,358</u>
Total	<u><u>16,544</u></u>	<u><u>\$221,085</u></u>

In addition, the accrued liability for accumulated unpaid compensated absences recorded in the enterprise funds increased \$13,234 from a beginning year balance of \$100,615 to a year-end balance of \$113,849.

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CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 11 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 2008 were as follows:

				Balance December 31, 2007	Additions	(Reductions)	Balance December 31, 2008	Due Within One Year
Business-Type Activities:								
Ohio Water Development Authority Loans (OWDA):								
2.00%	Loan #0239	1994		\$3,092,737	\$0	(\$254,150)	\$2,838,587	\$259,232
3.20%	Loan #4449	2006		507,244	11,402	(177,682)	340,964	0
Total Ohio Water Development Authority Loans				<u>3,599,981</u>	<u>11,402</u>	<u>(431,832)</u>	<u>3,179,551</u>	<u>259,232</u>
Ohio Public Works Commission								
0.00%		2006		71,250	0	(3,750)	67,500	3,750
General Obligation:								
4.80%	Sludge Press Acquisition	2006		217,346	0	(58,462)	158,884	61,302
4.49%	Sanitation Equipment	2007		4,549	0	(933)	3,616	977
4.49%	Stormwater Equipment	2007		55,056	0	(11,297)	43,759	11,817
5.22%	Water Storage Bonds	2008		0	1,433,000	(59,000)	1,374,000	63,000
Total General Obligation Notes				<u>276,951</u>	<u>1,433,000</u>	<u>(129,692)</u>	<u>1,580,259</u>	<u>137,096</u>
Capital Leases								
3.95%	Street Sweeper Lease	2005		64,046	0	(20,519)	43,527	21,338
Compensated Absences								
				<u>100,615</u>	<u>113,849</u>	<u>(100,615)</u>	<u>113,849</u>	<u>52,827</u>
Total Business-Type Long-Term Debt				<u>\$4,112,843</u>	<u>\$1,558,251</u>	<u>(\$686,408)</u>	<u>\$4,984,686</u>	<u>\$474,243</u>
Governmental Activities Long-Term Debt:								
General Obligation Bonds:								
Varies	Buidling Improvement	1997		\$1,105,000	\$0	(\$50,000)	\$1,055,000	\$50,000
Varies	Fire House Construction Bonds	2003		1,250,000	0	(25,000)	1,225,000	30,000
Total General Long-Term Debt				<u>2,355,000</u>	<u>0</u>	<u>(75,000)</u>	<u>2,280,000</u>	<u>80,000</u>
Installment Loans:								
5.25%	Fire Equipment Acquisition	2006		57,800	0	(57,800)	0	0
General Obligation Notes								
4.49%	Equipment Acquisition	2007		225,809	0	(46,334)	179,475	48,466
4.69%	Fire Pumper Acquisition	2007		224,412	0	(32,519)	191,893	34,331
Total General Obligation Notes				<u>450,221</u>	<u>0</u>	<u>(78,853)</u>	<u>371,368</u>	<u>82,797</u>
Other Long-Term Obligations:								
Community Action Organizaton				5,240	0	(5,240)	0	0
Police/Accrued Pension Obligations				471,128	0	(9,314)	461,814	9,713
Capital Leases Payable				0	199,118	(69,283)	129,835	63,505
Compensated Absences				218,675	221,085	(218,675)	221,085	129,358
Total Other Long-Term Obligations:				<u>695,043</u>	<u>420,203</u>	<u>(302,512)</u>	<u>812,734</u>	<u>202,576</u>
Total Governmental Activities				<u>\$3,558,064</u>	<u>\$420,203</u>	<u>(\$514,165)</u>	<u>\$3,464,102</u>	<u>\$365,373</u>

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 11 - 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, 2008, follows:

Years	OWDA Loans		General Obligation Bond		OPWC Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$259,232	\$56,770	\$143,000	\$187,256	\$3,750	\$0
2010	264,417	51,586	151,000	180,317	3,750	0
2011	269,706	46,298	154,000	172,856	3,750	0
2012	275,100	40,904	163,000	165,165	3,750	0
2013	280,602	35,402	172,000	156,944	3,750	0
2014-2018	1,489,530	90,547	1,013,000	642,324	18,750	0
2019-2023	0	0	1,198,000	348,270	18,750	0
2024-2028	0	0	295,000	136,750	11,250	0
2029-2033	0	0	365,000	56,500	0	0
2034-2035	0	0	0	0	0	0
Totals	<u>\$2,838,587</u>	<u>\$321,507</u>	<u>\$3,654,000</u>	<u>\$2,046,382</u>	<u>\$67,500</u>	<u>\$0</u>

Years	Police/Fire Accrued Pension Liability		General Obligation Notes		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$9,713	\$19,525	\$156,892	\$27,102	\$572,587	\$290,653
2010	10,131	19,108	164,566	19,428	593,864	270,439
2011	10,566	18,673	138,516	11,378	576,538	249,205
2012	11,020	18,219	75,001	5,408	527,871	229,696
2013	11,493	17,745	42,652	2,378	510,497	212,469
2014-2018	65,305	80,885	0	0	2,586,585	813,756
2019-2023	80,590	65,603	0	0	1,297,340	413,873
2024-2028	99,449	46,743	0	0	405,699	183,493
2029-2033	122,721	23,470	0	0	487,721	79,970
2034-2035	40,826	1,717	0	0	40,826	1,717
Totals	<u>\$461,814</u>	<u>\$311,688</u>	<u>\$577,627</u>	<u>\$65,694</u>	<u>\$7,599,528</u>	<u>\$2,745,271</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, 2008 was \$773,502 in principal and interest payments through the year 2035. Only the principal amount of \$461,814 is included in the Long-Term debt amount.

CITY OF IRONTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 11 - LONG-TERM OBLIGATIONS (Continued)

B. Community Action Organization Loan

During 1998, the City entered into a long-term obligation with the Community Action Organization of Lawrence County. The loan was for the purchase of land to be used by the City at a future time. The original amount of the loan was for \$300,000. As of December 31, 2008, \$300,000 in principal has been paid towards the balance of the loan.

C. Capital Leases

The City has entered into agreements to lease equipment. The original cost of the equipment was \$323,618. Such agreements are, in substance, lease purchases (capital leases) and are classified as long-term obligations in the financial statements. The costs of these assets are included in the capital asset balances of the Governmental Activities and the Sewer Fund (major enterprise fund). The capital leases payable are recorded in the Business-Type Activities in the amount of \$43,527.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of December 31, 2008:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2009	\$69,283	\$22,848
2010	69,282	22,848
Minimum Lease Payments	138,565	45,696
Less: amount representing interest at the City's incremental borrowing rate of interest	(8,730)	(2,169)
Present value of minimum lease payments	<u>\$129,835</u>	<u>\$43,527</u>

D. OWDA Loans

The City's project related to OWDA Loan #4449 is not completed yet, and amounts are still available to draw upon to pay for the completion of the project. Since the final amount of the loan is still undetermined, the City will not have a finalized amortization schedule for this loan until the project is completed.

CITY OF IRONTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 12 - NOTES PAYABLE

The Ohio Revised Code provides that notes and renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. The maximum maturity for notes anticipating general obligation bonds payable from special assessments is five years. Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts at least equal to and payable no later than the principal maturities required if the bonds had been issued at the expiration of the initial five year period. Below is a summary of notes payable activity during 2008:

	Balance January 1, 2008	Issued	(Retired)	Balance December 31, 2008
Port Authority Fund				
8.00% Armory Purchase Agreement	\$79,833	\$0	(\$79,833)	\$0
8.00% Armory Purchase Agreement	0	66,713	0	66,713
Total General Obligation Notes	<u>\$79,833</u>	<u>\$66,713</u>	<u>(\$79,833)</u>	<u>\$66,713</u>

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of property and casualty losses, and injuries to employees. The City insures against injuries to employees through the Ohio Bureau of Worker's Compensation. The City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local Cites. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member Cites pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Cites can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2008, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2008, APEEP reinsures members for specific losses exceeding \$100,000 up to \$350,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$300,000 in 2007, or \$100,000 and \$350,000 in 2008, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit.

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

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

CITY OF IRONTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 13 - RISK MANAGEMENT (Continued)

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Assets	\$35,769,535	\$37,560,071
Liabilities	(15,310,206)	(17,340,825)
Net Assets	<u>\$20,459,329</u>	<u>\$20,219,246</u>

At December 31, 2008 and 2007, respectively, the liabilities above include approximately \$13.8 million and \$15.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.9 million and \$15.0 million of unpaid claims to be billed to approximately 445 member Governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The City's share of these unpaid claims collectible in future years is approximately \$89,000. This payable includes the subsequent year's contribution due if the City terminates participation, as described in the last paragraph below.

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

	<u></u>
2006	\$92,801
2007	\$92,273
2008	\$92,008

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 budgetary contribution. Withdrawing members have no other future obligation to the pool. 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.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 14 - CONTINGENCIES

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

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2008.

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

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

The purposes of the governing foundation include:

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

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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.

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.

CITY OF IRONTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

NOTE 16 – SUBSEQUENT EVENTS

On October 11, 2009, the City Council authorized the Mayor to enter into a contract, in the amount of \$88,500, with Mi-De-Con Construction Company to install decking in the Ro-Na Theater. On October 11, 2009, the City Council also authorized the Mayor to enter into contract, not to exceed \$250,000, for engineering and construction services for services related to the installation of backflow. Lastly, on October 11, 2009, the City Council authorized the Mayor to enter into a contract, in the amount not to exceed \$288,840, with Southern Ohio Trenching Company to install backflow preventers at various residences so as to prevent the backup of sewage in the future.

On October 22, 2009, the City Council approved applying for a loan, in the amount of \$700,000, for the purchase of approximately 150 sewer backflow preventers. The loan is at a 2% interest rate with the loan to be repaid interest only for the first twelve months and then sixty monthly installments of principal and interest.

On October 27, 2009, the City Council authorized the Mayor to enter into contract, in the amount of \$98,682, with Fairfax, Inc. Construction Company to install the roof on the Ro-Na Theater.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' 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 Members of City Council:

We have audited the 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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 17, 2010. We qualified our report on City's capital assets and invested in capital assets net of related debt in the Statement of Net Assets for Governmental Type Activities, Business Type Activities, Water Fund, Sewer Fund, Sanitation Fund, and the Storm Water Fund. We also did not receive support for the capital asset footnote which would allow us to determine if the amounts reported were complete and accurate. Except as discussed in the preceding sentences, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2008-006 and 2008-007 described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe finding number 2008-007 is also a material weakness.

We also noted certain internal control matters that we reported to the City's management in a separate letter dated February 17, 2010.

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, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2008-001 through 2008-005.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated February 17, 2010.

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

We intend this report solely for the information and use of management and City Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

February 17, 2010

**CITY OF IRONTON
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

Noncompliance Citation

Ohio Rev. Code Section 117.38 states that cash basis entities file annual reports with the Auditor of State within 60 days of the fiscal year end. If the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. Any public office not filing the report by the required date shall pay a penalty of \$25 per day (\$750 maximum) as permissible under Ohio Rev. Code.

The Ironton Port Authority, a blended component unit of the City, did not prepare or file an annual financial report within 60 days of the fiscal year end.

We recommend the Ironton Port Authority prepare and file their annual financial report within 60 days after the fiscal year end.

Officials' Response: The Ironton Port Authority is aware and will comply with the above citation regarding filing an annual report.

FINDING NUMBER 2008-002

Noncompliance Citation

Ohio Revised Code § 733.46 provides the treasurer of a municipal corporation shall receive and disburse all funds of the municipal corporation and such other funds as arise in or belong to any department or part of the municipal corporation.

Also, the Office of Housing and Community Partnership (OHCP) Policy 08-02 requires communities administering a Revolving Loan Fund (RLF) to maintain those funds in the treasury of the public office.

The City has a revolving loan fund through a Community Development Grant. Monies collected for the RLF are collected and maintained in a checking account at the Community Action Organization. The Finance Director has attempted to get control of this account. Monies are only transferred to the City when a disbursement is to be made and the CAO contacts the City to let them know who to make the check payable to and the amount. A payment is made approximately twice a year to the City for a portion of the collections from the outstanding Revolving Loan Funds.

We recommend the Revolving Loan Fund account be under the control of the City and that all receipts that are collected from the outstanding loans be collected by the City.

Officials' Response: The City has already established a RLF bank account; however, the CAO submits and forwards loan requests and repayments as they deem necessary. The CAO has been made aware from a legal letter regarding this code in 2008.

**CITY OF IRONTON
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-003

Noncompliance Citation

Ohio Rev. Code Section 5705.36(A)(2) states that upon a determination of the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater or less than the amount included in an official certificate, the fiscal officer may certify the amount of the deficiency or excess to the Budget Commission, and if the Budget Commission determines that the fiscal officer's certification is reasonable, the Budget Commission shall certify an amended certificate reflecting the deficiency or excess.

Ohio Rev. Code Section 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the Budget Commission, and the Budget Commission shall certify an amended certificate reflecting the deficiency.

The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

On December 31, 2008, appropriations exceeded actual resources as follows:

<u>Fund</u>	<u>Actual Resources</u>	<u>Appropriations</u>	<u>Variance</u>	<u>% Variance</u>
Community Development Fund	\$316,984	\$922,300	(\$605,316)	-191%
Water Fund	1,803,482	1,818,696	(15,214)	-1%
Capital Infrastructure Fund	50,000	306,768	(256,768)	-514%

This could result in overspending if not properly monitored.

We recommend the City Finance Director monitor estimated and actual resources. When it is apparent that actual receipts will fall short of budgetary estimates and appropriations are greater than estimated resources, the City Council should obtain a reduced amended certificate from the County Budget Commission. We further recommend the City Council make corresponding reductions in appropriations.

Officials' Response: The City Finance Director takes full responsibility for the variances associated. A final appropriations amendment was overlooked at the year-end 2008 which would have corrected these issues.

FINDING NUMBER 2008-004

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

CITY OF IRONTON
LAWRENCE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2008
(Continued)

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

FINDING NUMBER 2008-004 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the City can authorize the drawing of a warrant for the payment of the amount due. The City has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the City.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The City may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

50% of disbursements tested in 2008 had invoice dates preceding the encumbrance date.

Failure to certify the availability of funds properly can result in overspending funds and negative cash fund balances.

Unless the City uses the exceptions noted above, prior certification is not only required by statute but is also a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the City's funds exceeding budgetary spending limitations, we recommend the City Finance Director certify that funds are or will be available prior to obligation by the City. When prior certification is not possible, "then and now" certification should be used.

**CITY OF IRONTON
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-004 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

We recommend the City officials and employees obtain the City Finance Director's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certificate language of Section 5705.41(D) requires to authorize disbursements. The City Finance Director should sign the certification at the time the City incurs the commitment, and only when the requirements of Section 5705.41(D) are satisfied. The City Finance Director should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials' Response: Several memos from the Mayor and I have been rendered to all Dept. Heads regarding issuing purchase order numbers before ordering supplies. They are in compliance except emergency situations which are infrequent.

FINDING NUMBER 2008-005

Noncompliance Citation

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

Ohio Administrative Code Section 117-2-03(B) requires the City to prepare its annual financial report in accordance with Generally Accepted Accounting Principles (GAAP). Per Ohio Rev. Code Section 117.38, GAAP basis entities are required to annual reports within 150 days of their fiscal year end. To be complete, GAAP entities must submit the basic financial statements, including the government-wide financial statements, fund financial statements, notes to the basic financial statements and Management's Discussion and Analysis. A penalty of \$25 per day (\$750 maximum) is permissible under Ohio Rev. Code Section 117.38.

The City did not file their GAAP basis financial statements within 150 days after their year end.

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

Officials' Response: The City will file financial statements and necessary documentation within the time frame set by the code.

**CITY OF IRONTON
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-006

Significant Deficiency

Sound financial reporting is the responsibility of the City Finance Director and City Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of the audit procedures performed, the financial statements had the following errors that required audit adjustment or reclassification:

- General Fund Transfer In totaling \$185,119 was reclassified as a reduction in Security of Persons and Property. Fire Fund Transfer Out was reclassified as Security of Persons and Property. This was done to eliminate the transfer because the transaction was actually a reimbursement to the General Fund from the Fire Fund for costs incurred for the Fire Fund.
- Community Development Block Grant Fund monies totaling \$308,984 were reclassified from Other Revenue to Intergovernmental Revenue.

The Finance Officer posted revenues and expenditures to incorrect line items in the receipts journal and appropriation ledger which resulted in the errors noted above.

To ensure the City's financial statements and notes to the financial statements are complete and accurate, the City should adopt policies and procedures, including a final review of the statements and notes by the City Finance Director and City Council to identify and correct errors or omissions.

Officials' Response: Officials did not respond to this finding.

FINDING NUMBER 2008-007

Material Weakness

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

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

**CITY OF IRONTON
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-007 (Continued)

Material Weakness (Continued)

- C. There were several capital assets that were fully depreciated but still in use. Fully depreciated capital assets should be reviewed to determine whether the assets are still being used (i.e., that they have not been discarded or abandoned). If fully depreciated assets are still in use, we recommend asset lives be reevaluated and, if an asset will outlive its expected life, the asset life should be increased and the remaining undepreciated life should be allocated over the new estimate of remaining life.

- D. The City did not track their construction in progress or outstanding contractual commitments that were related to these projects. This made it impossible to accurately disclose construction in progress or the outstanding contractual commitments the City had at year end. We recommend the City begin monitoring all construction contracts that will need to be capitalized. This monitoring should allow for proper disclosure of the construction completed at year end and the remaining commitment amount that is still due to be paid.

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

Officials' Response: Officials did not respond to this finding.

**CITY OF IRONTON
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Estimated receipts exceeded actual receipts.	No	No longer valid
2007-002	Invoice dates preceded encumbrance dates on several disbursements.	No	See Finding 2008-004
2007-003	Errors were not in the financial statements that required audit adjustment or reclassification.	No	See Finding 2008-006
2007-004	City did not have a capital assets policy.	No	See Finding 2008-007
2007-005	Community Development Block Grant monies were not disbursed within 15 days of receipt.	No	See management letter

**CITY OF IRONTON
LAWRENCE COUNTY**

**CORRECTIVE ACTION PLAN
DECEMBER 31, 2008**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2008-001	The Port Authority will prepare a financial report for 2009 within 60 of fiscal year end.	12/31/10	Kristen Martin, Finance Director
2008-002	The City will continue to attempt to obtain the checking account from the CAO.	12/31/10	Kristen Martin, Finance Director
2008-003	The City Finance Director will act according to the Auditor of State's recommendation regarding appropriations exceeding actual resources and make necessary adjustments to avoid overspending.	12/31/10	Kristen Martin, Finance Director
2008-004	The City is developing annual blankets to be readjusted and reviewed quarterly based on 12 month consumption. There will be guidelines and a threshold implemented for specific vendors to avoid overspending.	12/31/10	Kristen Martin, Finance Director
2008-005	The City will prepare and file its 2009 financial report within 150 days of year end.	12/31/10	Kristen Martin, Finance Director
2008-006	The City Finance Director will review statements for completeness and accuracy of ledger items and make necessary adjustments to revenue and expenditures postings for correction and omission.	12/31/10	Kristen Martin, Finance Director
2008-007	City intends to develop and implement a capital asset policy to be enforced.	12/31/10	Kristen Martin, Finance Director



Mary Taylor, CPA
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
MARCH 9, 2010