



Rea & associates *a brighter way*

# City of Martins Ferry Belmont County, Ohio

## *Audited Financial Statements*

For the Year Ended  
December 31, 2013





# Dave Yost • Auditor of State

Honorable Mayor and City Council  
City of Martins Ferry  
35 South Fifth Street  
Martins Ferry, Ohio 43935

We have reviewed the *Independent Auditor's Report* of the City of Martins Ferry, Belmont County, prepared by Rea & Associates, Inc., for the audit period January 1, 2013 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Martins Ferry is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

September 8, 2014

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**City of Martins Ferry**  
**Belmont County, Ohio**  
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July 30, 2014

To the Honorable Mayor and City Council  
City of Martins Ferry  
Belmont County, Ohio  
Fifth & Walnut Streets  
Martins Ferry, OH 43935

## **Independent Auditor's Report**

### **Report on the Financial Statements**

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, 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, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund, the fire levy v fund and the fire and ambulance fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the accompanying *Management's Discussion and Analysis* on pages 3-10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

*Hea & Associates, Inc.*

New Philadelphia, Ohio

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*(Unaudited)*

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

***Financial Highlights***

Key financial highlights for 2013 are as follows:

- In total, net position decreased \$830,820, which represents a 6 percent decrease from 2012. Net position of governmental activities decreased \$657,470. Net position of business-type activities decreased \$173,350.
- Total capital assets decreased \$230,117 in 2013. Capital assets of governmental activities increased \$318,069 and capital assets of business-type activities decreased \$548,185.
- Outstanding debt decreased from \$8,924,288 to \$8,290,187 due to principal payments made during the year.

***Using this Annual Financial Report***

This report is designed to allow the reader to look at the financial activities of the City of Martins Ferry as a whole and is intended to allow the reader to obtain a summary view or a more detailed view of the City's operations, as they prefer.

The Statement of Net Position and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2013 and how they affected the operations of the City as a whole.

***Reporting the City of Martins Ferry as a Whole***

*Statement of Net Position and Statement of Activities*

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column. In the case of the City of Martins Ferry, the general fund and permanent improvement fund are the most significant funds. Business-type funds consist of the water, sanitation and other enterprise funds.



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A question typically asked about the City's finances is "How did we do financially during 2013?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets and deferred outflows of resources and liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's *net position and changes in net position*. This change in net position is important because it tells the reader that, for the City as a whole, the *financial position* of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, and other factors.

In the Statement of Net Position and the Statement of Activities, the City is divided into two distinct kinds of activities:

- **Governmental Activities** - Most of the City's programs and services are reported here, including general government, security of persons and property, public health, community and economic development, leisure time activities and transportation.
- **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 and sanitation funds are reported as major business-type activities.

***Reporting the City of Martins Ferry's Most Significant Funds***

***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The City uses many funds to account for financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the general fund, fire levy V fund, fire and ambulance fund and the permanent improvement fund.

***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 future services. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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

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**Fiduciary Funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds.

**The City as a Whole**

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2013 compared to 2012:

**Table 1**  
**Net Position**

|                               | Governmental Activities |                     | Business-Type Activities |                     | Total                |                      |
|-------------------------------|-------------------------|---------------------|--------------------------|---------------------|----------------------|----------------------|
|                               | 2013                    | 2012                | 2013                     | 2012                | 2013                 | 2012                 |
| <b>Assets</b>                 |                         |                     |                          |                     |                      |                      |
| Current and Other Assets      | \$ 3,748,168            | \$ 4,858,407        | \$ 948,069               | \$ 1,013,658        | \$ 4,696,237         | \$ 5,872,065         |
| Capital Assets                | 3,243,341               | 2,925,273           | 13,746,752               | 14,294,937          | 16,990,093           | 17,220,210           |
| <i>Total Assets</i>           | <u>6,991,509</u>        | <u>7,783,680</u>    | <u>14,694,821</u>        | <u>15,308,595</u>   | <u>21,686,330</u>    | <u>23,092,275</u>    |
| <b>Liabilities</b>            |                         |                     |                          |                     |                      |                      |
| Current and Other Liabilities | 246,419                 | 628,359             | 271,797                  | 173,092             | 518,216              | 801,451              |
| Long-Term Liabilities         | 682,539                 | 785,995             | 7,827,278                | 8,366,407           | 8,509,817            | 9,152,402            |
| <i>Total Liabilities</i>      | <u>928,958</u>          | <u>1,414,354</u>    | <u>8,099,075</u>         | <u>8,539,499</u>    | <u>9,028,033</u>     | <u>9,953,853</u>     |
| Deferred Inflows of Resources | 350,695                 | 0                   | 0                        | 0                   | 350,695              | 0                    |
| <b>Net Position</b>           |                         |                     |                          |                     |                      |                      |
| Net Investment in             |                         |                     |                          |                     |                      |                      |
| Capital Assets                | 2,795,092               | 2,372,302           | 6,034,945                | 6,037,543           | 8,830,037            | 8,409,845            |
| Restricted                    | 2,213,603               | 2,954,629           | 0                        | 0                   | 2,213,603            | 2,954,629            |
| Unrestricted                  | 703,161                 | 1,042,395           | 560,801                  | 731,553             | 1,263,962            | 1,773,948            |
| <i>Total Net Position</i>     | <u>\$ 5,711,856</u>     | <u>\$ 6,369,326</u> | <u>\$ 6,595,746</u>      | <u>\$ 6,769,096</u> | <u>\$ 12,307,602</u> | <u>\$ 13,138,422</u> |

At year end, capital assets represented 78 percent of total assets. Capital assets include, land, buildings and building improvements, machinery and equipment, vehicles, infrastructure and construction in progress. The net investment in capital assets was \$8,830,037 at December 31, 2013, with \$2,795,092 in governmental activities and \$6,034,945 in business-type activities. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$2,213,603 or 18 percent, represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position of \$1,263,962 may be used to meet the government's ongoing obligations to citizens and creditors.

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Table 2 shows the changes in net position for fiscal year 2013 and 2012.

**Table 2**  
**Changes in Net Position**

|  | Governmental Activities |                  | Business-Type Activities |                   | Total               |                   |
|--|-------------------------|------------------|--------------------------|-------------------|---------------------|-------------------|
|  | 2013                    | 2012             | 2013                     | 2012              | 2013                | 2012              |
| <b>Revenues</b>                            |                         |                  |                          |                   |                     |                   |
| <i>Program Revenues:</i>                   |                         |                  |                          |                   |                     |                   |
| Charges for Services                       | \$ 1,579,187            | \$ 1,472,831     | \$ 3,954,162             | \$ 4,053,145      | \$ 5,533,349        | \$ 5,525,976      |
| Operating Grants                           | 486,015                 | 541,212          | 0                        | 0                 | 486,015             | 541,212           |
| Capital Grants                             | 1,600                   | 504,308          | 1,000                    | 2,348             | 2,600               | 506,656           |
| <i>General Revenues:</i>                   |                         |                  |                          |                   |                     |                   |
| Property Taxes                             | 373,144                 | 230,985          | 0                        | 0                 | 373,144             | 230,985           |
| Income Taxes                               | 1,087,290               | 1,235,438        | 0                        | 0                 | 1,087,290           | 1,235,438         |
| Grants and Entitlements                    | 363,294                 | 196,508          | 0                        | 0                 | 363,294             | 196,508           |
| Gain on Sale of Capital Assets             | 70,000                  | 264,556          | 0                        | 0                 | 70,000              | 264,556           |
| Sale of Mineral Rights                     | 0                       | 729,435          | 0                        | 0                 | 0                   | 729,435           |
| Premium on Debt Issued                     | 0                       | 0                | 3,712                    | 0                 | 3,712               | 0                 |
| Investment Earnings                        | 10,091                  | 9,548            | 0                        | 0                 | 10,091              | 9,548             |
| Miscellaneous                              | 130,575                 | 82,042           | 69,543                   | 30,592            | 200,118             | 112,634           |
| <i>Total Revenues</i>                      | <u>4,101,196</u>        | <u>5,266,863</u> | <u>4,028,417</u>         | <u>4,086,085</u>  | <u>8,129,613</u>    | <u>9,352,948</u>  |
| <b>Program Expenses</b>                    |                         |                  |                          |                   |                     |                   |
| General Government                         | 721,682                 | 706,220          | 0                        | 0                 | 721,682             | 706,220           |
| Security of Persons and Property           | 3,186,403               | 3,396,313        | 0                        | 0                 | 3,186,403           | 3,396,313         |
| Public Health                              | 83,456                  | 80,688           | 0                        | 0                 | 83,456              | 80,688            |
| Leisure Time Services                      | 100,986                 | 110,195          | 0                        | 0                 | 100,986             | 110,195           |
| Community Development                      | 141,180                 | 267,786          | 0                        | 0                 | 141,180             | 267,786           |
| Transportation                             | 573,875                 | 653,284          | 0                        | 0                 | 573,875             | 653,284           |
| Debt Issuance Costs                        | 0                       | 17,341           | 0                        | 0                 | 0                   | 17,341            |
| Interest and Fiscal Charges                | 19,227                  | 12,618           | 0                        | 0                 | 19,227              | 12,618            |
| <i>Enterprise Operations:</i>              |                         |                  |                          |                   |                     |                   |
| Water                                      | 0                       | 0                | 3,018,786                | 2,741,509         | 3,018,786           | 2,741,509         |
| Sewer                                      | 0                       | 0                | 303,214                  | 291,254           | 303,214             | 291,254           |
| Sanitation                                 | 0                       | 0                | 769,644                  | 690,400           | 769,644             | 690,400           |
| Off Street Parking                         | 0                       | 0                | 838                      | 838               | 838                 | 838               |
| Parking Meter                              | 0                       | 0                | 41,142                   | 58,058            | 41,142              | 58,058            |
| <i>Total Program Expenses</i>              | <u>4,826,809</u>        | <u>5,244,445</u> | <u>4,133,624</u>         | <u>3,782,059</u>  | <u>8,960,433</u>    | <u>9,026,504</u>  |
| <i>Increase (Decrease) in Net Position</i> | <u>(725,613)</u>        | <u>22,418</u>    | <u>(105,207)</u>         | <u>304,026</u>    | <u>(830,820)</u>    | <u>326,444</u>    |
| Transfers                                  | 68,143                  | 0                | (68,143)                 | 0                 | 0                   | 0                 |
| <i>Change in Net Position</i>              | <u>\$ (657,470)</u>     | <u>\$ 22,418</u> | <u>\$ (173,350)</u>      | <u>\$ 304,026</u> | <u>\$ (830,820)</u> | <u>\$ 326,444</u> |

**City of Martins Ferry**  
**Belmont County, Ohio**  
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**Governmental Activities**

The funding for the governmental activities comes from several different sources, the most significant being the municipal income tax and charges for services. Other prominent sources are property taxes, grants and entitlements and investment interest.

The City's income tax is at a rate of .75 percent. Both residents of the City and non-residents who work inside the City are subject to the income tax. However if residents work in a locality that has a municipal income tax, the City provides 100 percent credit up to .75 percent for those who pay income tax to another city. City Council could by Ordinance, choose to vary that income tax credit and create additional revenues for the City.

General revenues include grants and entitlements, such as local government funds. With the combination of property tax, income tax and intergovernmental funding all expenses in the governmental activities are funded. The City monitors its sources of revenues very closely for fluctuations.

Capital grant revenue decreased in the governmental funds because the City did not receive any new grants in 2013. Gain on sale of assets decreased from \$264,556 in 2012 to \$70,000 in 2013. The City did not sell any mineral rights in 2013, whereas in 2012 there was \$729,435 from this revenue source.

Police and fire represent the largest expense of the Governmental Activities. This expense of \$3,186,403 represents 66 percent of the total governmental activities expenses. The police department operates out of the General fund. Security of persons and property expense decreased from 2012 levels. Mobile radios were purchased in 2012 which increased this expenditure.

The City's Street Maintenance and Repair Department provides the City and its citizens many services that include public road salting, leaf and debris pickup, paint striping and alley profiling. These expenses totaled \$573,875, or 12 percent of total governmental activities expenses, during 2013.

The City also maintains a cemetery (public health services) and a park (leisure time activities) within the City. These areas had expenses of \$184,442 in 2013 equaling 4 percent of the total governmental services expenses.

**Business-Type Activities**

Business-type activities include water and sanitation and other business-type operations. The revenues are generated primarily from charges for services. In 2013, charges for services of \$3,954,162 accounted for 98 percent of the business type revenues. The total expenses for the utilities were \$4,133,624. The decrease in net position was \$173,350 for the business-type activities.

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***The City's Funds***

***Governmental Funds***

Information about the City's governmental funds begins on page 13. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues (and other financing sources) of \$4,518,100 and expenditures (and other financing uses) of \$5,454,408, resulting in a decrease in fund balance of \$977,308. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

The general fund's net change in fund balance for fiscal year 2013 was a decrease of \$259,171.

The fund balance of the fire levy V fund decreased by \$486,620. The fire levy V fund is a major fund in 2013. It has not been a major fund in previous years.

The fire and ambulance fund's net change in fund balance for fiscal year 2013 was an increase of \$45,610. Charges for services revenue was up over 2012 levels by almost 12 percent.

The City's permanent improvement fund saw a decrease in fund balance of \$148,452 from 2012.

***Proprietary Funds***

The City's proprietary funds provide the same type of information found in the government-wide financial statements for the business-type activities, but in more detail.

Unrestricted net position of the water fund at the end of the year amounted to \$369,847 and the unrestricted net position of the sanitation fund was \$100,366. All other enterprise funds had unrestricted net position totaling \$90,588. The total reduction in net position for all funds was \$173,350, with the largest reduction in the water fund, which had a decrease in net position of \$72,608.

***General Fund Budgeting Highlights***

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.

During the course of 2013, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the general fund, the actual budget basis revenue was \$2,125,505, representing a decrease of \$24,495 under the final budget estimate of \$2,150,000. Most of this difference was attributable to a decrease in actual amount of income tax revenue under the amount in the final budget.

Final expenditure appropriations of \$2,529,127 were \$102,369 higher than the actual expenditures of \$2,426,758, as cost savings were recognized for general government and security of persons and property.

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***Capital Assets and Debt Administration***

**Capital Assets**

At the end of year 2013, the City had \$16,990,093 invested in capital assets. A total of \$3,243,341 of this was for governmental activities and \$13,746,752 was attributable to business-type activities. Table 3 shows fiscal year 2013 balances compared with 2012.

**Table 3**  
**Capital Assets at December 31**  
**(Net of Depreciation)**

|                          | Governmental Activities |              | Business-Type Activities |               | Total         |               |
|--------------------------|-------------------------|--------------|--------------------------|---------------|---------------|---------------|
|                          | 2013                    | 2012         | 2013                     | 2012          | 2013          | 2012          |
| Land                     | \$ 760,330              | \$ 760,330   | \$ 194,141               | \$ 194,141    | \$ 954,471    | \$ 954,471    |
| Infrastructure           | 530,612                 | 567,202      | 5,271,216                | 5,443,424     | 5,801,828     | 6,010,626     |
| Buildings                | 657,452                 | 693,734      | 3,312,274                | 3,433,565     | 3,969,726     | 4,127,299     |
| Building Improvements    | 189,086                 | 163,153      | 1,137,084                | 1,233,999     | 1,326,170     | 1,397,152     |
| Machinery and Equipment  | 360,851                 | 415,055      | 3,302,350                | 3,568,007     | 3,663,201     | 3,983,062     |
| Vehicles                 | 745,010                 | 325,798      | 365,000                  | 421,802       | 1,110,010     | 747,600       |
| Construction in Progress | 0                       | 0            | 164,687                  | 0             | 164,687       | 0             |
| <i>Total</i>             | \$ 3,243,341            | \$ 2,925,272 | \$ 13,746,752            | \$ 14,294,938 | \$ 16,990,093 | \$ 17,220,210 |

The \$230,116 decrease in capital assets was attributable to current year depreciation exceeding additional purchases and disposals. Capital assets of business-type activities decreased by \$548,185 while capital assets of governmental activities increased by \$318,069. See Note 9 for additional information about the capital assets of the City.

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**Debt**

The outstanding debt for the City as of December 31, 2013 was \$8,290,187. See Note 15 for additional details. Table 4 summarizes outstanding debt.

**Table 4**  
**Outstanding Debt, at December 31**

|                                      | Governmental Activities |                   | Business-Type Activities |                     | Total               |                     |
|--------------------------------------|-------------------------|-------------------|--------------------------|---------------------|---------------------|---------------------|
|                                      | 2013                    | 2012              | 2013                     | 2012                | 2013                | 2012                |
| OPWC Loan:                           |                         |                   |                          |                     |                     |                     |
| State Route 647                      | \$ 4,763                | \$ 5,515          | \$ 0                     | \$ 0                | \$ 4,763            | \$ 5,515            |
| Woodmont Street Pump Project         | 0                       | 0                 | 167,858                  | 185,222             | 167,858             | 185,222             |
| Woodmont Pump Station                | 0                       | 0                 | 9,500                    | 11,000              | 9,500               | 11,000              |
| Water Tank                           | 0                       | 0                 | 182,969                  | 200,429             | 182,969             | 200,429             |
| Water Treatment Plant and Well Field | 0                       | 0                 | 341,640                  | 370,110             | 341,640             | 370,110             |
| OWDA Loans:                          |                         |                   |                          |                     |                     |                     |
| Ferryview/Sharon Road Waterlines     | 0                       | 0                 | 2,018,358                | 2,180,871           | 2,018,358           | 2,180,871           |
| Water Treatment Plant                | 0                       | 0                 | 3,890,767                | 4,335,175           | 3,890,767           | 4,335,175           |
| Water Meters                         | 0                       | 0                 | 906,583                  | 932,102             | 906,583             | 932,102             |
| Robert Building Note                 | 86,713                  | 100,115           | 0                        | 0                   | 86,713              | 100,115             |
| Long-Term Bond Anticipation          |                         |                   |                          |                     |                     |                     |
| State Fire Marshal Revolving Loan    | 36,900                  | 0                 | 0                        | 0                   | 36,900              | 0                   |
| General Obligation Bonds             |                         |                   |                          |                     |                     |                     |
| Fire Truck Acquisition               | 310,000                 | 435,000           | 0                        | 0                   | 310,000             | 435,000             |
| Water Treatment System Improvement   | 0                       | 0                 | 170,000                  | 0                   | 170,000             | 0                   |
| Police and Fire Pension              | 164,136                 | 168,749           | 0                        | 0                   | 164,136             | 168,749             |
| <i>Total</i>                         | <u>\$ 602,512</u>       | <u>\$ 709,379</u> | <u>\$ 7,687,675</u>      | <u>\$ 8,214,909</u> | <u>\$ 8,290,187</u> | <u>\$ 8,924,288</u> |

***Economic Factors***

The year of 2013 has brought several changes in the City. Nothing further has been done with the old steel mill auctioned in 2012 and it is unsure how it will be used in the near future. Council approved a recreational vehicle park for a business to rent space to campers who are temporary employees of the fracking companies.

The water plan filter bed project is an ongoing issue for the City due to the fact that there are challenges finding the correct media that will work with the water system.

The City is in the process of trying to obtain a grant for the resurfacing of Old Route 7 which is an alternative route through Martins Ferry if the main state route is closed.

For the new year the City is looking into the possibility of selling mineral rights on other City property.

***Contacting the City's Finance Department***

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 any questions about this report or need additional financial information, contact Rita Randall, Auditor of Martins Ferry, Ohio, City Building, Martins Ferry or [mfauditor@yahoo.com](mailto:mfauditor@yahoo.com).

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Statement of Net Position*  
*December 31, 2013*

|  | Governmental<br>Activities | Business-Type<br>Activities | Total                |
|--|----------------------------|-----------------------------|----------------------|
| <b>Assets</b>                                    |                            |                             |                      |
| Equity in Pooled Cash and Cash Equivalents       | \$ 817,123                 | \$ 589,806                  | \$ 1,406,929         |
| Cash and Cash Equivalents in Segregated Accounts | 500,406                    | 0                           | 500,406              |
| Investments                                      | 697,623                    | 0                           | 697,623              |
| Accounts Receivable                              | 386,423                    | 306,509                     | 692,932              |
| Intergovernmental Receivable                     | 364,704                    | 0                           | 364,704              |
| Taxes Receivable                                 | 922,491                    | 0                           | 922,491              |
| Loans Receivable                                 | 18,847                     | 0                           | 18,847               |
| Internal Balances                                | 35,380                     | (35,380)                    | 0                    |
| Materials and Supplies Inventory                 | 5,171                      | 78,753                      | 83,924               |
| Restricted Assets:                               |                            |                             |                      |
| Equity in Pooled Cash and Cash Equivalents       | 0                          | 8,381                       | 8,381                |
| Non-Depreciable Capital Assets                   | 760,330                    | 358,828                     | 1,119,158            |
| Depreciable Capital Assets, Net                  | 2,483,011                  | 13,387,924                  | 15,870,935           |
| <i>Total Assets</i>                              | <u>6,991,509</u>           | <u>14,694,821</u>           | <u>21,686,330</u>    |
| <b>Liabilities</b>                               |                            |                             |                      |
| Accounts Payable                                 | 15,356                     | 32,678                      | 48,034               |
| Accrued Wages                                    | 92,706                     | 61,669                      | 154,375              |
| Contracts Payable                                | 0                          | 90,000                      | 90,000               |
| Intergovernmental Payable                        | 135,812                    | 76,702                      | 212,514              |
| Accrued Interest Payable                         | 2,545                      | 2,367                       | 4,912                |
| Customer Deposits Payable                        | 0                          | 8,381                       | 8,381                |
| Long-Term Liabilities:                           |                            |                             |                      |
| Due Within One Year                              | 116,234                    | 745,052                     | 861,286              |
| Due in More Than One Year                        | 566,305                    | 7,082,226                   | 7,648,531            |
| <i>Total Liabilities</i>                         | <u>928,958</u>             | <u>8,099,075</u>            | <u>9,028,033</u>     |
| <b>Deferred Inflows of Resources</b>             |                            |                             |                      |
| Property Taxes Levied for the Next Year          | 350,695                    | 0                           | 350,695              |
| <b>Net Position</b>                              |                            |                             |                      |
| Net Investment in Capital Assets                 | 2,795,092                  | 6,034,945                   | 8,830,037            |
| Restricted for Capital Outlay                    | 1,160,293                  | 0                           | 1,160,293            |
| Restricted for Other Purposes                    | 1,053,310                  | 0                           | 1,053,310            |
| Unrestricted                                     | 703,161                    | 560,801                     | 1,263,962            |
| <i>Total Net Position</i>                        | <u>\$ 5,711,856</u>        | <u>\$ 6,595,746</u>         | <u>\$ 12,307,602</u> |

See accompanying notes to the basic financial statements.



**City of Martins Ferry**  
**Belmont County, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2013

|   | Program Revenues    |                                      |   |  | Net (Expense) Revenue and<br>Changes in Net Assets |                             |                      |
|---|---------------------|--------------------------------------|---|--|--|-----------------------------|----------------------|
|   | Expenses            | Charges for<br>Services and<br>Sales | Operating<br>Grants,<br>Contributions<br>and Interest | Capital Grants,<br>Contributions<br>and Interest | Governmental<br>Activities                         | Business-Type<br>Activities | Total                |
| <b>Governmental Activities</b>              |                     |                                      |   |  |  |                             |                      |
| General Government                          | \$ 721,682          | \$ 312,579                           | \$ 0  | \$ 0   | \$ (409,103)                                       | \$ 0                        | \$ (409,103)         |
| Security of Persons and Property            | 3,186,403           | 1,222,968                            | 55,775  | 1,600  | (1,906,060)  | 0                           | (1,906,060)          |
| Public Health                               | 83,456              | 43,640                               | 1,574   | 0  | (38,242)   | 0                           | (38,242)             |
| Leisure Time Services                       | 100,986             | 0                                    | 5,000   | 0  | (95,986)   | 0                           | (95,986)             |
| Community Development                       | 141,180             | 0                                    | 260   | 0  | (140,920)  | 0                           | (140,920)            |
| Transportation                              | 573,875             | 0                                    | 423,406   | 0  | (150,469)  | 0                           | (150,469)            |
| Interest and Fiscal Charges                 | 19,227              | 0                                    | 0   | 0  | (19,227)   | 0                           | (19,227)             |
| <i>Total Governmental Activities</i>        | <u>4,826,809</u>    | <u>1,579,187</u>                     | <u>486,015</u>  | <u>1,600</u>                                     | <u>(2,760,007)</u>                                 | <u>0</u>                    | <u>(2,760,007)</u>   |
| <b>Business-Type Activities</b>             |                     |                                      |   |  |  |                             |                      |
| Water                                       | 3,018,786           | 2,904,941                            | 0   | 0  | 0  | (113,845)                   | (113,845)            |
| Sewer                                       | 303,214             | 283,745                              | 0   | 0  | 0  | (19,469)                    | (19,469)             |
| Sanitation                                  | 769,644             | 709,310                              | 0   | 1,000  | 0  | (59,334)                    | (59,334)             |
| Off Street Parking                          | 838                 | 4,238                                | 0   | 0  | 0  | 3,400                       | 3,400                |
| Parking Meter                               | 41,142              | 51,928                               | 0   | 0  | 0  | 10,786                      | 10,786               |
| <i>Total Business-Type Activities</i>       | <u>4,133,624</u>    | <u>3,954,162</u>                     | <u>0</u>  | <u>1,000</u>                                     | <u>0</u>   | <u>(178,462)</u>            | <u>(178,462)</u>     |
| <i>Total Primary Government</i>             | <u>\$ 8,960,433</u> | <u>\$ 5,533,349</u>                  | <u>\$ 486,015</u>                                     | <u>\$ 2,600</u>                                  | <u>(2,760,007)</u>                                 | <u>(178,462)</u>            | <u>(2,938,469)</u>   |
| <b>General Revenues:</b>                    |                     |                                      |   |  |  |                             |                      |
| Property Taxes Levied for:                  |                     |                                      |   |  |  |                             |                      |
| General Purposes                            |                     |                                      |   |  | 164,777  | 0                           | 164,777              |
| Police and Fire                             |                     |                                      |   |  | 208,367  | 0                           | 208,367              |
| Income Taxes Levied for General Purposes    |                     |                                      |   |  | 1,087,290  | 0                           | 1,087,290            |
| Grants and Entitlements not Restricted to   |                     |                                      |   |  |  |                             |                      |
| Specific Programs                           |                     |                                      |   |  | 363,294  | 0                           | 363,294              |
| Gain on Sale of Capital Assets              |                     |                                      |   |  | 70,000   | 0                           | 70,000               |
| Premium on Debt Issued                      |                     |                                      |   |  | 0  | 3,712                       | 3,712                |
| Investment Earnings                         |                     |                                      |   |  | 10,091   | 0                           | 10,091               |
| Miscellaneous                               |                     |                                      |   |  | 130,575  | 69,543                      | 200,118              |
| <i>Total General Revenues</i>               |                     |                                      |   |  | <u>2,034,394</u>                                   | <u>73,255</u>               | <u>2,107,649</u>     |
| Transfers                                   |                     |                                      |   |  | 68,143   | (68,143)                    | 0                    |
| <i>Total General Revenues and Transfers</i> |                     |                                      |   |  | <u>68,143</u>                                      | <u>(68,143)</u>             | <u>0</u>             |
| <i>Change in Net Position</i>               |                     |                                      |   |  | (657,470)  | (173,350)                   | (830,820)            |
| <i>Net Position Beginning of Year</i>       |                     |                                      |   |  | <u>6,369,326</u>                                   | <u>6,769,096</u>            | <u>13,138,422</u>    |
| <i>Net Position End of Year</i>             |                     |                                      |   |  | <u>\$ 5,711,856</u>                                | <u>\$ 6,595,746</u>         | <u>\$ 12,307,602</u> |

See accompanying notes to the basic financial statements.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2013*

|   | General             | Fire<br>Levy V   | Fire and<br>Ambulance | Permanent<br>Improvement | All Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|------------------|-----------------------|--------------------------|------------------------------------|--------------------------------|
| <b>Assets</b>                                       |                     |                  |                       |                          |                                    |                                |
| Equity in Pooled Cash and Cash Equivalents          | \$ 247,710          | \$ 4,739         | \$ 269,262            | \$ 36,051                | \$ 259,361                         | \$ 817,123                     |
| Cash and Cash Equivalents<br>in Segregated Accounts | 0                   | 0                | 0                     | 500,406                  | 0                                  | 500,406                        |
| Investments   | 0                   | 0                | 0                     | 530,000                  | 167,623                            | 697,623                        |
| Accounts Receivable                                 | 75,078              | 0                | 311,345               | 0                        | 0                                  | 386,423                        |
| Intergovernmental Receivable                        | 86,191              | 4,655            | 0                     | 0                        | 273,858                            | 364,704                        |
| Taxes Receivable                                    | 669,166             | 65,769           | 0                     | 0                        | 187,556                            | 922,491                        |
| Loans Receivable                                    | 18,847              | 0                | 0                     | 0                        | 0                                  | 18,847                         |
| Materials and Supplies Inventory                    | 908                 | 0                | 0                     | 0                        | 4,263                              | 5,171                          |
| Advances to Other Funds                             | 0                   | 0                | 0                     | 94,250                   | 0                                  | 94,250                         |
| <i>Total Assets</i>                                 | <u>\$ 1,097,900</u> | <u>\$ 75,163</u> | <u>\$ 580,607</u>     | <u>\$ 1,160,707</u>      | <u>\$ 892,661</u>                  | <u>\$ 3,807,038</u>            |
| <b>Liabilities</b>                                  |                     |                  |                       |                          |                                    |                                |
| Accounts Payable                                    | \$ 2,826            | \$ 0             | \$ 7,255              | \$ 414                   | \$ 4,861                           | \$ 15,356                      |
| Accrued Wages                                       | 50,007              | 0                | 25,926                | 0                        | 16,773                             | 92,706                         |
| Intergovernmental Payable                           | 75,838              | 0                | 36,994                | 0                        | 22,980                             | 135,812                        |
| Advances from Other Funds                           | 0                   | 0                | 53,242                | 0                        | 5,628                              | 58,870                         |
| <i>Total Liabilities</i>                            | <u>128,671</u>      | <u>0</u>         | <u>123,417</u>        | <u>414</u>               | <u>50,242</u>                      | <u>302,744</u>                 |
| <b>Deferred Inflows of Resources</b>                |                     |                  |                       |                          |                                    |                                |
| Property Taxes Levied for the Next Year             | 152,726             | 51,204           | 0                     | 0                        | 146,765                            | 350,695                        |
| Unavailable Revenue                                 | 391,639             | 19,220           | 258,364               | 0                        | 232,580                            | 901,803                        |
| <i>Total Deferred Inflows of Resources</i>          | 544,365             | 70,424           | 258,364               | 0                        | 379,345                            | 1,252,498                      |
| <b>Fund Balances</b>                                |                     |                  |                       |                          |                                    |                                |
| Nonspendable  | 19,755              | 0                | 0                     | 0                        | 181,431                            | 201,186                        |
| Restricted  | 0                   | 4,739            | 0                     | 0                        | 281,643                            | 286,382                        |
| Committed   | 0                   | 0                | 198,826               | 1,160,293                | 0                                  | 1,359,119                      |
| Assigned  | 5,675               | 0                | 0                     | 0                        | 0                                  | 5,675                          |
| Unassigned  | 399,434             | 0                | 0                     | 0                        | 0                                  | 399,434                        |
| <i>Total Fund Balances</i>                          | <u>424,864</u>      | <u>4,739</u>     | <u>198,826</u>        | <u>1,160,293</u>         | <u>463,074</u>                     | <u>2,251,796</u>               |
| <i>Total Liabilities and Fund Balances</i>          | <u>\$ 1,097,900</u> | <u>\$ 75,163</u> | <u>\$ 580,607</u>     | <u>\$ 1,160,707</u>      | <u>\$ 892,661</u>                  | <u>\$ 3,807,038</u>            |

See accompanying notes to the basic financial statements.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Position of Governmental Activities*  
*December 31, 2013*

|   |           |              |
|---|-----------|--------------|
| <b>Total Governmental Fund Balances</b>   |           | \$ 2,251,796 |
| <br><i>Amounts reported for governmental activities in the statement of net position are different because:</i>             |           |              |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.     |           | 3,243,341    |
| Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds: |           |              |
| Property Taxes  | \$ 97,916 |              |
| Income Taxes  | 284,792   |              |
| Intergovernmental   | 254,953   |              |
| Charges for Services  | 264,142   |              |
| Total   |           | 901,803      |
| Accrued interest payable is not due and payable in the current period and therefore not reported in the funds.              |           | (2,545)      |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:            |           |              |
| General Obligation Bonds  | (346,900) |              |
| OPWC Loan   | (4,763)   |              |
| Roberts Building Note   | (86,713)  |              |
| Bond Premium  | (9,873)   |              |
| Police and Fire Pension   | (164,136) |              |
| Compensated Absences  | (70,154)  |              |
| Total   |           | (682,539)    |
| <i>Net Position of Governmental Activities</i>  |           | \$ 5,711,856 |

See accompanying notes to the basic financial statements.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2013*

|   | General           | Fire<br>Levy V   | Fire and<br>Ambulance | Permanent<br>Improvement | All Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|-------------------|------------------|-----------------------|--------------------------|------------------------------------|--------------------------------|
| <b>Revenues</b>                                     |                   |                  |                       |                          |                                    |                                |
| Property Taxes                                      | \$ 169,394        | \$ 58,487        | \$ 0                  | \$ 0                     | \$ 175,347                         | \$ 403,228                     |
| Income Taxes  | 1,102,881         | 0                | 0                     | 0                        | 0                                  | 1,102,881                      |
| Charges for Services                                | 132,506           | 0                | 1,178,758             | 0                        | 49,095                             | 1,360,359                      |
| Licenses and Permits                                | 70,019            | 0                | 0                     | 0                        | 8,564                              | 78,583                         |
| Fines and Forfeitures                               | 103,526           | 0                | 0                     | 0                        | 770                                | 104,296                        |
| Intergovernmental                                   | 422,172           | 9,476            | 0                     | 0                        | 500,648                            | 932,296                        |
| Interest  | 10,091            | 0                | 0                     | 942                      | 2,178                              | 13,211                         |
| Rent  | 750               | 0                | 7,000                 | 0                        | 0                                  | 7,750                          |
| Contributions and Donations                         | 0                 | 0                | 0                     | 0                        | 150                                | 150                            |
| Other   | 44,869            | 410              | 30,313                | 5,213                    | 49,770                             | 130,575                        |
| <i>Total Revenues</i>                               | <u>2,056,208</u>  | <u>68,373</u>    | <u>1,216,071</u>      | <u>6,155</u>             | <u>786,522</u>                     | <u>4,133,329</u>               |
| <b>Expenditures</b>                                 |                   |                  |                       |                          |                                    |                                |
| Current:  |                   |                  |                       |                          |                                    |                                |
| General Government                                  | 665,560           | 0                | 0                     | 0                        | 37                                 | 665,597                        |
| Security of Persons and Property                    | 1,499,695         | 1,664            | 1,153,296             | 0                        | 253,648                            | 2,908,303                      |
| Public Health                                       | 18,267            | 0                | 0                     | 0                        | 52,465                             | 70,732                         |
| Leisure Time Services                               | 0                 | 0                | 0                     | 0                        | 47,274                             | 47,274                         |
| Community Development                               | 0                 | 0                | 0                     | 0                        | 139,498                            | 139,498                        |
| Transportation                                      | 0                 | 0                | 0                     | 413                      | 543,503                            | 543,916                        |
| Capital Outlay                                      | 0                 | 432,175          | 0                     | 148,566                  | 164,227                            | 744,968                        |
| Debt Service:                                       |                   |                  |                       |                          |                                    |                                |
| Principal Retirement                                | 0                 | 121,154          | 13,369                | 0                        | 13,311                             | 147,834                        |
| Interest and Fiscal Charges                         | 0                 | 0                | 3,796                 | 0                        | 17,862                             | 21,658                         |
| <i>Total Expenditures</i>                           | <u>2,183,522</u>  | <u>554,993</u>   | <u>1,170,461</u>      | <u>148,979</u>           | <u>1,231,825</u>                   | <u>5,289,780</u>               |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>(127,314)</u>  | <u>(486,620)</u> | <u>45,610</u>         | <u>(142,824)</u>         | <u>(445,303)</u>                   | <u>(1,156,451)</u>             |
| <b>Other Financing Sources (Uses)</b>               |                   |                  |                       |                          |                                    |                                |
| Proceeds from Sale of Capital Assets                | 0                 | 0                | 0                     | 0                        | 70,000                             | 70,000                         |
| Notes Issued  | 0                 | 0                | 0                     | 0                        | 41,000                             | 41,000                         |
| Transfers In  | 68,143            | 0                | 0                     | 0                        | 205,628                            | 273,771                        |
| Transfers Out                                       | (200,000)         | 0                | 0                     | (5,628)                  | 0                                  | (205,628)                      |
| <i>Total Other Financing Sources (Uses)</i>         | <u>(131,857)</u>  | <u>0</u>         | <u>0</u>              | <u>(5,628)</u>           | <u>316,628</u>                     | <u>179,143</u>                 |
| <i>Net Change in Fund Balance</i>                   | <u>(259,171)</u>  | <u>(486,620)</u> | <u>45,610</u>         | <u>(148,452)</u>         | <u>(128,675)</u>                   | <u>(977,308)</u>               |
| <i>Fund Balance Beginning of Year</i>               | <u>684,035</u>    | <u>491,359</u>   | <u>153,216</u>        | <u>1,308,745</u>         | <u>591,749</u>                     | <u>3,229,104</u>               |
| <i>Fund Balance End of Year</i>                     | <u>\$ 424,864</u> | <u>\$ 4,739</u>  | <u>\$ 198,826</u>     | <u>\$ 1,160,293</u>      | <u>\$ 463,074</u>                  | <u>\$ 2,251,796</u>            |

See accompanying notes to the basic financial statements.

**City of Martins Ferry  
Belmont County, Ohio**

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

|   |                  |                                |
|---|------------------|--------------------------------|
| <b>Net Change in Fund Balances - Total Governmental Funds</b>   |                  | \$ (977,308)                   |
| <br><i>Amounts reported for governmental activities in the statement of activities are different because:</i>   |                  |                                |
| 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 additions exceeded depreciation in the current period. |                  |                                |
| Capital Asset Additions   | \$ 627,721       |                                |
| Current Year Depreciation   | <u>(309,652)</u> | 318,069                        |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.  |                  |                                |
| Property Taxes  | (9,933)          |                                |
| Income Tax  | (15,591)         |                                |
| Intergovernmental   | (104,808)        |                                |
| Charges for Services  | <u>28,199</u>    | (102,133)                      |
| Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.   |                  |                                |
| General Obligation Bonds  | 129,100          |                                |
| Roberts Building  | 13,402           |                                |
| OPWC Loans  | 752              |                                |
| Police and Fire Pension   | <u>4,613</u>     | 147,867                        |
| General obligation bond proceeds issued in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues.  |                  |                                |
|   |                  | (41,000)                       |
| Premiums related to the issuance of bonds are amortized over the life of the issuance in the statement of activities.   |                  |                                |
|   |                  | 2,467                          |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.   |                  |                                |
|   |                  | 447                            |
| Compensated absences, which are reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.  |                  |                                |
|   |                  | <u>(5,879)</u>                 |
| <br><i>Change in Net Position of Governmental Activities</i>  |                  | <br><u><u>\$ (657,470)</u></u> |

See accompanying notes to the basic financial statements.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2013*

|   | Budgeted Amounts |                   | Actual            | Variance with<br>Final Budget<br>Over<br>(Under) |
|---|------------------|-------------------|-------------------|--|
|   | Original         | Final             |                   |  |
| <b>Revenues</b>                                     |                  |                   |                   |  |
| Property Taxes                                      | \$ 148,633       | \$ 171,346        | \$ 169,394        | \$ (1,952)                                       |
| Income Taxes  | 964,976          | 1,113,592         | 1,100,905         | (12,687)   |
| Charges for Services                                | 116,266          | 134,033           | 132,506           | (1,527)  |
| Licenses and Permits                                | 61,352           | 70,728            | 69,922            | (806)  |
| Fines and Forfeitures                               | 90,838           | 104,719           | 103,526           | (1,193)  |
| Intergovernmental                                   | 369,940          | 426,473           | 421,614           | (4,859)  |
| Interest  | 8,664            | 9,988             | 9,874             | (114)  |
| Contributions and Donations                         | 658              | 759               | 750               | (9)  |
| Other   | 42,881           | 49,434            | 48,871            | (563)  |
| <i>Total Revenues</i>                               | <u>1,804,208</u> | <u>2,081,072</u>  | <u>2,057,362</u>  | <u>(23,710)</u>                                  |
| <b>Expenditures</b>                                 |                  |                   |                   |  |
| Current:  |                  |                   |                   |  |
| General Government                                  | 652,681          | 719,907           | 670,481           | 49,426   |
| Security of Persons and Property                    | 1,551,711        | 1,590,952         | 1,538,010         | 52,942   |
| Public Health                                       | 18,310           | 18,268            | 18,267            | 1  |
| <i>Total Expenditures</i>                           | <u>2,222,702</u> | <u>2,329,127</u>  | <u>2,226,758</u>  | <u>102,369</u>                                   |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>(418,494)</u> | <u>(248,055)</u>  | <u>(169,396)</u>  | <u>78,659</u>                                    |
| <b>Other Financing Sources (Uses)</b>               |                  |                   |                   |  |
| Transfers In  | 69,791           | 68,928            | 68,143            | (785)  |
| Transfers Out                                       | (133,000)        | (200,000)         | (200,000)         | 0  |
| <i>Total Other Financing Sources (Uses)</i>         | <u>(63,209)</u>  | <u>(131,072)</u>  | <u>(131,857)</u>  | <u>(785)</u>                                     |
| <i>Net Change in Fund Balance</i>                   | (481,703)        | (379,127)         | (301,253)         | 77,874   |
| <i>Fund Balance Beginning of Year</i>               | 531,968          | 531,968           | 531,968           | 0  |
| Prior Year Encumbrances Appropriated                | 8,501            | 8,501             | 8,501             | 0  |
| <i>Fund Balance End of Year</i>                     | <u>\$ 58,766</u> | <u>\$ 161,342</u> | <u>\$ 239,216</u> | <u>\$ 77,874</u>                                 |

See accompanying notes to the basic financial statements.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Fire Levy V*  
*For the Year Ended December 31, 2013*

|                                       | Budgeted Amounts |                |                 | Variance with<br>Final Budget<br>Over<br>(Under) |
|---------------------------------------|------------------|----------------|-----------------|--|
|                                       | Original         | Final          | Actual          |  |
| <b>Revenues</b>                       |                  |                |                 |  |
| Property Taxes                        | \$ 55,174        | \$ 55,174      | \$ 58,487       | \$ 3,313   |
| Intergovernmental                     | 8,939            | 8,939          | 9,476           | 537  |
| Other                                 | 387              | 387            | 410             | 23   |
| <i>Total Revenues</i>                 | <u>64,500</u>    | <u>64,500</u>  | <u>68,373</u>   | <u>3,873</u>                                     |
| <b>Expenditures</b>                   |                  |                |                 |  |
| Current:                              |                  |                |                 |  |
| Security of Persons and Property      | 1,491            | 1,664          | 1,664           | 0  |
| Capital Outlay                        | 432,175          | 432,175        | 432,175         | 0  |
| Debt Service:                         |                  |                |                 |  |
| Principal Retirement                  | 121,154          | 121,154        | 121,154         | 0  |
| <i>Total Expenditures</i>             | <u>554,820</u>   | <u>554,993</u> | <u>554,993</u>  | <u>0</u>   |
| <i>Net Change in Fund Balance</i>     | (490,320)        | (490,493)      | (486,620)       | 3,873  |
| <i>Fund Balance Beginning of Year</i> | 58,360           | 58,360         | 58,360          | 0  |
| Prior Year Encumbrances Appropriated  | 433,000          | 433,000        | 433,000         | 0  |
| <i>Fund Balance End of Year</i>       | <u>\$ 1,040</u>  | <u>\$ 867</u>  | <u>\$ 4,740</u> | <u>\$ 3,873</u>                                  |

See accompanying notes to the basic financial statements.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Fire and Ambulance Fund*  
*For the Year Ended December 31, 2013*

|   | Budgeted Amounts |                  |                   | Variance with<br>Final Budget<br>Over<br>(Under) |
|---|------------------|------------------|-------------------|--|
|   | Original         | Final            | Actual            |  |
| <b>Revenues</b>                                     |                  |                  |                   |  |
| Charges for Services                                | \$ 1,085,967     | \$ 1,085,967     | \$ 1,190,638      | \$ 104,671                                       |
| Rent  | 6,385            | 6,385            | 7,000             | 615  |
| Other   | 27,648           | 27,648           | 30,313            | 2,665  |
| <i>Total Revenues</i>                               | <u>1,120,000</u> | <u>1,120,000</u> | <u>1,227,951</u>  | <u>107,951</u>                                   |
| <b>Expenditures</b>                                 |                  |                  |                   |  |
| Current:  |                  |                  |                   |  |
| Security of Persons and Property                    | 1,207,617        | 1,244,163        | 1,154,343         | 89,820   |
| Capital Outlay                                      | 25,000           | 20,000           | 0                 | 20,000   |
| Debt Service:                                       |                  |                  |                   |  |
| Principal Retirement                                | 25,000           | 31,000           | 13,369            | 17,631   |
| Interest and Fiscal Charges                         | 4,300            | 4,000            | 3,796             | 204  |
| <i>Total Expenditures</i>                           | <u>1,261,917</u> | <u>1,299,163</u> | <u>1,171,508</u>  | <u>127,655</u>                                   |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>(141,917)</u> | <u>(179,163)</u> | <u>56,443</u>     | <u>235,606</u>                                   |
| <b>Other Financing Sources (Uses)</b>               |                  |                  |                   |  |
| Advances Out  | 0                | 0                | (17,611)          | (17,611)   |
| <i>Total Other Financing Sources (Uses)</i>         | <u>0</u>         | <u>0</u>         | <u>(17,611)</u>   | <u>(17,611)</u>                                  |
| <i>Net Change in Fund Balance</i>                   | (141,917)        | (179,163)        | 38,832            | 217,995  |
| <i>Fund Balance Beginning of Year</i>               | 210,303          | 210,303          | 210,303           | 0  |
| Prior Year Encumbrances Appropriated                | 12,850           | 12,850           | 12,850            | 0  |
| <i>Fund Balance End of Year</i>                     | <u>\$ 81,236</u> | <u>\$ 43,990</u> | <u>\$ 261,985</u> | <u>\$ 217,995</u>                                |

See accompanying notes to the basic financial statements.



**City of Martins Ferry**  
**Belmont County, Ohio**  
*Statement of Fund Net Position*  
*Proprietary Funds*  
*December 31, 2013*

|   | Enterprise Funds    |                   |                                  | Total             |
|---|---------------------|-------------------|----------------------------------|-------------------|
|   | Water               | Sanitation        | All Other<br>Enterprise<br>Funds |                   |
| <b>Assets</b>   |                     |                   |                                  |                   |
| <i>Current Assets:</i>                                    |                     |                   |                                  |                   |
| Equity in Pooled Cash and Cash Equivalents                | \$ 361,994          | \$ 121,268        | \$ 106,544                       | \$ 589,806        |
| Accounts Receivable                                       | 251,479             | 40,693            | 14,337                           | 306,509           |
| Materials and Supplies Inventory                          | 74,393              | 2,180             | 2,180                            | 78,753            |
| <i>Total Current Assets</i>                               | <u>687,866</u>      | <u>164,141</u>    | <u>123,061</u>                   | <u>975,068</u>    |
| <i>Non-Current Assets:</i>                                |                     |                   |                                  |                   |
| <i>Restricted Assets:</i>                                 |                     |                   |                                  |                   |
| Equity in Pooled Cash and Cash Equivalents                | 5,380               | 2,241             | 760                              | 8,381             |
| Non-Depreciable Capital Assets                            | 331,127             | 5,000             | 22,701                           | 358,828           |
| Depreciable Capital Assets, Net                           | 12,960,571          | 290,883           | 136,470                          | 13,387,924        |
| <i>Total Non-Current Assets</i>                           | <u>13,297,078</u>   | <u>298,124</u>    | <u>159,931</u>                   | <u>13,755,133</u> |
| <i>Total Assets</i>                                       | <u>13,984,944</u>   | <u>462,265</u>    | <u>282,992</u>                   | <u>14,730,201</u> |
| <b>Liabilities</b>  |                     |                   |                                  |                   |
| <i>Current Liabilities:</i>                               |                     |                   |                                  |                   |
| Accounts Payable  | 11,522              | 19,771            | 1,385                            | 32,678            |
| Accrued Wages   | 41,755              | 13,871            | 6,043                            | 61,669            |
| Contracts Payable   | 90,000              | 0                 | 0                                | 90,000            |
| Intergovernmental Payable                                 | 50,412              | 17,390            | 8,900                            | 76,702            |
| Accrued Interest Payable                                  | 2,367               | 0                 | 0                                | 2,367             |
| Compensated Absences Payable                              | 10,857              | 12,743            | 2,991                            | 26,591            |
| Capital Leases Payable                                    | 6,836               | 0                 | 6,836                            | 13,672            |
| OPWC Loans Payable  | 43,489              | 0                 | 0                                | 43,489            |
| OWDA Loans Payable  | 646,300             | 0                 | 0                                | 646,300           |
| General Obligation Bonds Payable                          | 15,000              | 0                 | 0                                | 15,000            |
| <i>Total Current Liabilities</i>                          | <u>918,538</u>      | <u>63,775</u>     | <u>26,155</u>                    | <u>1,008,468</u>  |
| <i>Long-Term Liabilities:</i>                             |                     |                   |                                  |                   |
| Compensated Absences Payable - Net of Current Portion     | 70,414              | 0                 | 13,153                           | 83,567            |
| Capital Leases Payable - Net of Current Portion           | 7,886               | 0                 | 7,887                            | 15,773            |
| OPWC Loans Payable - Net of Current Portion               | 658,478             | 0                 | 0                                | 658,478           |
| OWDA Loans Payable - Net of Current Portion               | 6,169,408           | 0                 | 0                                | 6,169,408         |
| General Obligation Bonds Payable - Net of Current Portion | 155,000             | 0                 | 0                                | 155,000           |
| Refundable Deposits                                       | 5,380               | 2,241             | 760                              | 8,381             |
| Advances from Other Funds                                 | 35,380              | 0                 | 0                                | 35,380            |
| <i>Total Long-Term Liabilities</i>                        | <u>7,101,946</u>    | <u>2,241</u>      | <u>21,800</u>                    | <u>7,125,987</u>  |
| <i>Total Liabilities</i>                                  | <u>8,020,484</u>    | <u>66,016</u>     | <u>47,955</u>                    | <u>8,134,455</u>  |
| <b>Net Position</b>                                       |                     |                   |                                  |                   |
| Net Investment in Capital Assets                          | 5,594,613           | 295,883           | 144,449                          | 6,034,945         |
| Unrestricted  | 369,847             | 100,366           | 90,588                           | 560,801           |
| <i>Total Net Position</i>                                 | <u>\$ 5,964,460</u> | <u>\$ 396,249</u> | <u>\$ 235,037</u>                | <u>6,595,746</u>  |

See accompanying notes to the basic financial statements.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Statement of Revenues, Expenses and Changes in Fund Net Position*  
*Proprietary Funds*  
*For the Year Ended December 31, 2013*

|   | Enterprise Funds    |                   |                                  | Totals              |
|---|---------------------|-------------------|----------------------------------|---------------------|
|   | Water               | Sanitation        | All Other<br>Enterprise<br>Funds |                     |
| <b>Operating Revenues</b>   |                     |                   |                                  |                     |
| Charges for Services  | \$ 2,904,941        | \$ 709,310        | \$ 339,911                       | \$ 3,954,162        |
| Other   | 31,370              | 26,432            | 5,586                            | 63,388              |
| <i>Total Operating Revenues</i>                                     | <u>2,936,311</u>    | <u>735,742</u>    | <u>345,497</u>                   | <u>4,017,550</u>    |
| <b>Operating Expenses</b>   |                     |                   |                                  |                     |
| Personal Services   | 1,339,810           | 457,858           | 267,063                          | 2,064,731           |
| Contractual Services  | 484,245             | 205,675           | 20,501                           | 710,421             |
| Materials and Supplies  | 330,670             | 76,236            | 35,144                           | 442,050             |
| Depreciation  | 687,284             | 29,875            | 21,596                           | 738,755             |
| <i>Total Operating Expenses</i>                                     | <u>2,842,009</u>    | <u>769,644</u>    | <u>344,304</u>                   | <u>3,955,957</u>    |
| <i>Operating Income (Loss)</i>                                      | <u>94,302</u>       | <u>(33,902)</u>   | <u>1,193</u>                     | <u>61,593</u>       |
| <b>Non-Operating Revenues (Expense)</b>                             |                     |                   |                                  |                     |
| Capital Grants  | 0                   | 1,000             | 0                                | 1,000               |
| Other Non-Operating Revenues  | 6,155               | 0                 | 0                                | 6,155               |
| Premium on Debt Issued  | 3,712               | 0                 | 0                                | 3,712               |
| Bond Issuance Costs   | (16,022)            | 0                 | 0                                | (16,022)            |
| Interest and Fiscal Charges   | (160,755)           | 0                 | (890)                            | (161,645)           |
| <i>Total Non-Operating Revenues (Expense)</i>                       | <u>(166,910)</u>    | <u>1,000</u>      | <u>(890)</u>                     | <u>(166,800)</u>    |
| <i>Income (Loss) Before Capital Contributions<br/>and Transfers</i> | <u>(72,608)</u>     | <u>(32,902)</u>   | <u>303</u>                       | <u>(105,207)</u>    |
| Transfers Out   | 0                   | 0                 | (68,143)                         | (68,143)            |
| <i>Change in Net Position</i>                                       | <u>(72,608)</u>     | <u>(32,902)</u>   | <u>(67,840)</u>                  | <u>(173,350)</u>    |
| <i>Net Position Beginning of Year</i>                               | <u>6,037,068</u>    | <u>429,151</u>    | <u>302,877</u>                   | <u>6,769,096</u>    |
| <i>Net Position End of Year</i>                                     | <u>\$ 5,964,460</u> | <u>\$ 396,249</u> | <u>\$ 235,037</u>                | <u>\$ 6,595,746</u> |

See accompanying notes to the basic financial statements.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2013

|   | Enterprise Funds  |                   |                                  | Totals            |
|---|-------------------|-------------------|----------------------------------|-------------------|
|   | Water             | Sanitation        | All Other<br>Enterprise<br>Funds |                   |
| <b>Cash Flows from Operating Activities</b>   |                   |                   |                                  |                   |
| Cash Received from Customers  | \$ 2,927,582      | \$ 710,408        | \$ 339,548                       | \$ 3,977,538      |
| Cash Received from Other Operating Receipts   | 30,424            | 26,432            | 5,586                            | 62,442            |
| Cash Payments to Suppliers for Goods and Services                                   | (349,143)         | (73,794)          | (35,203)                         | (458,140)         |
| Cash Payments to Employees for Services and Benefits                                | (1,335,873)       | (453,685)         | (267,942)                        | (2,057,500)       |
| Cash Payments for Contractual Services  | (484,245)         | (205,675)         | (20,501)                         | (710,421)         |
| <i>Net Cash Provided by Operating Activities</i>                                    | <u>788,745</u>    | <u>3,686</u>      | <u>21,488</u>                    | <u>813,919</u>    |
| <b>Cash Flows from Noncapital Financing Activities</b>                              |                   |                   |                                  |                   |
| Other Non-Operating Receipts  | 6,155             | 0                 | 0                                | 6,155             |
| Advances Out  | 0                 | (1,876)           | (1,875)                          | (3,751)           |
| Transfers Out   | 0                 | 0                 | (68,143)                         | (68,143)          |
| <i>Net Cash Provided by (Used for)<br/>Noncapital Financing Activities</i>          | <u>6,155</u>      | <u>(1,876)</u>    | <u>(70,018)</u>                  | <u>(65,739)</u>   |
| <b>Cash Flows from Capital and Related Financing Activities</b>                     |                   |                   |                                  |                   |
| Capital Grants  | 0                 | 1,000             | 0                                | 1,000             |
| Proceeds of General Obligation Bonds  | 190,000           | 0                 | 0                                | 190,000           |
| Acquisition of Capital Assets   | (74,687)          | (25,883)          | 0                                | (100,570)         |
| Premium on Debt Issued  | 3,712             | 0                 | 0                                | 3,712             |
| Bond Issuance Costs   | (16,022)          | 0                 | 0                                | (16,022)          |
| Principal Payments on Debt  | (723,754)         | 0                 | (6,520)                          | (730,274)         |
| Interest Payments on Debt   | (160,392)         | 0                 | (890)                            | (161,282)         |
| <i>Net Cash Provided by (Used for) Capital and<br/>Related Financing Activities</i> | <u>(781,143)</u>  | <u>(24,883)</u>   | <u>(7,410)</u>                   | <u>(813,436)</u>  |
| <i>Net Increase (Decrease) in Cash and Cash Equivalents</i>                         | 13,757            | (23,073)          | (55,940)                         | (65,256)          |
| <i>Cash and Cash Equivalents Beginning of Year</i>                                  | <u>353,617</u>    | <u>146,582</u>    | <u>163,244</u>                   | <u>663,443</u>    |
| <i>Cash and Cash Equivalents End of Year</i>  | <u>\$ 367,374</u> | <u>\$ 123,509</u> | <u>\$ 107,304</u>                | <u>\$ 598,187</u> |

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2013

|  | Enterprise Funds  |                 |                                  | Totals            |
|--|-------------------|-----------------|----------------------------------|-------------------|
|  | Water             | Sanitation      | All Other<br>Enterprise<br>Funds |                   |
| <b>Reconciliation of Operating Income to Net Cash<br/>Provided by Operating Activities</b> |                   |                 |                                  |                   |
| Operating Income (Loss)  | \$ 94,302         | \$ (33,902)     | \$ 1,193                         | \$ 61,593         |
| Adjustments:   |                   |                 |                                  |                   |
| Depreciation   | 687,284           | 29,875          | 21,596                           | 738,755           |
| (Increase) Decrease in Assets:   |                   |                 |                                  |                   |
| Accounts Receivable  | 21,730            | 1,005           | (386)                            | 22,349            |
| Materials and Supplies Inventory   | (16,101)          | (1,082)         | (1,082)                          | (18,265)          |
| Increase (Decrease) in Liabilities:  |                   |                 |                                  |                   |
| Accounts Payable   | (2,372)           | 3,524           | 1,023                            | 2,175             |
| Customer Deposits  | (35)              | 93              | 23                               | 81                |
| Accrued Wages  | 8,598             | 2,515           | (791)                            | 10,322            |
| Compensated Absences Payable   | (1,308)           | 1,873           | 1,580                            | 2,145             |
| Matured Compensated Absences Payable   | 0                 | 0               | 0                                | 0                 |
| Intergovernmental Payable  | (3,353)           | (215)           | (1,668)                          | (5,236)           |
| <i>Net Cash Provided by Operating Activities</i>   | <u>\$ 788,745</u> | <u>\$ 3,686</u> | <u>\$ 21,488</u>                 | <u>\$ 813,919</u> |

**Noncash Capital Financing Activities:**

As of December 31, 2013, the water fund had items purchased on account in the amount of \$90,000.

See accompanying notes to the basic financial statements.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Statement of Assets and Liabilities*  
*Fiduciary Funds*  
*December 31, 2013*

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|  | <u>Agency Funds</u> |
|--|---------------------|
| <b>Assets</b>                              |                     |
| Equity in Pooled Cash and Cash Equivalents | \$ 38,909           |
|  | <u>38,909</u>       |
| <b>Liabilities</b>                         |                     |
| Undistributed Monies                       | \$ 38,909           |
|  | <u>38,909</u>       |

See accompanying notes to the basic financial statements.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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**NOTE 1: REPORTING ENTITY AND BASIS OF PRESENTATION**

The City of Martins Ferry (the "City") is a municipal corporation established under the laws of the State of Ohio. The City operates under a Mayor/Council form of government. Legislative power is vested in an eight member Council, each elected for two year terms, and other elected officials that include a Mayor, Auditor, Treasurer, and Law Director. The Mayor appoints the department directors and public members of various boards and commissions.

The City is located in Belmont County, in Eastern Ohio, on the Ohio River and is the largest city in Belmont County. The City became a settlement in 1835 and was chartered as a city in 1865.

***Reporting Entity***

In evaluating how to define the City for financial reporting purposes, management has considered all agencies, departments, and organizations making up the City (the primary government) and its potential component units consistent with Government Accounting Standards Board Statements No. 14, "*The Financial Reporting Entity*" and No. 39, "*Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14,*" as amended by GASB 61, See Note 2(S).

The City provides various services including police and fire protection, emergency medical, recreation (including parks), planning, zoning, street maintenance and repair, water and water pollution control, sanitation and general administrative services. The operation of each of these activities is directly controlled by the Council through the budgetary process. None of these services are provided by a legally separate organization; therefore these operations are included in the primary government.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the levying of taxes or the issuance of debt. The City has no component units.

The City is involved with the Belmont Metropolitan Housing Authority, Eastern Ohio Regional Transit Authority, Ohio Mid-Eastern Governments Association, Jefferson-Belmont Joint Solid Waste Authority, Belmont County Sewer Authority, and Bel-O-Mar Regional Council which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 17.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the City's accounting policies are described below.

***A. Basis of Presentation***

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

***Government-wide Financial Statements*** The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

The statement of net position presents the financial condition of the governmental and business-type activities at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. 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, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

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

***B. Fund Accounting***

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

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**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

**General Fund** The general fund accounts for all financial resources except those required to be 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.

**Fire Levy V** The fire levy V special revenue fund is used to account for property taxes collected for the purpose of acquiring a new fire truck.

**Fire and Ambulance Fund** The fire and ambulance special revenue fund is used to account for fees charged and collected for ambulance services.

**Permanent Improvement Fund** The permanent improvement capital projects fund is used to account for financial resources for the acquisition and construction of improvements to the City.

The other governmental funds of the City account for grants and other resources to which the City is bound to observe constraints imposed upon the use of the resources.

**Proprietary Funds** Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following is the City's proprietary funds type:

**Enterprise Funds** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The water and sanitation funds are the City's major enterprise funds.

**Water Fund** The water fund accounts for the provision of water service to the residents and commercial users located within the City.

**Sanitation Fund** The sanitation fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

The other enterprise funds of the City account for the sewer, off street parking and parking meter operations.

**Fiduciary Funds** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency fund accounts for monies acquired by the police department in the course of arrests and funds set aside to be used in the reclamation of properties destroyed by fire where insurance proceeds are not sufficient.



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***C. Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing resources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide 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.

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

***D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis arise in the recognition of revenue, the recording of deferred revenue, and in the preparation of expenses versus expenditures.

***Revenues – Exchange and Non-Exchange Transactions*** Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. (See Note 6) Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: investment earnings, state-levied locally shared taxes (including gasoline tax, motor vehicle license tax, government estate tax, and homestead and rollback), and fines and forfeitures.

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any deferred outflows of resources.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2013, but which were levied to finance 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, homestead and rollback, income taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

***E. Budgetary Data***

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level within each department. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time the final appropriations were passed by Council.

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The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

***F. Cash and Investments***

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. Interest in the pool is presented as "equity in pooled cash and cash equivalents." Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating certificates of deposit and repurchase agreements, which are reported at cost.

During fiscal year 2013, the City's investments were limited to certificates of deposit, a money market, and a repurchase agreement.

Investment procedures are restricted by the provisions of the Ohio Revised Code and the City's investment policy. Interest revenue credited to the general fund during 2013 amounted to \$10,091, which includes \$8,660 assigned from other City funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City's treasury. See Note 4.

***G. Materials and Supplies Inventory***

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventory consists of expendable supplies held for consumption.

***H. Restricted Assets***

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Customer deposits have been restricted in the enterprise funds because the deposit remains the property of the customer. The restricted asset account is balanced by a customer deposit payable liability account.

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***I. Capital Assets***

General capital assets are capital assets that are associated and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by proprietary funds are reported in both the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and are updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. The City maintains a capitalization threshold of \$5,000 and \$10,000 for infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

| Description             | Governmental<br>Activities | Business-Type<br>Activities |
|-------------------------|----------------------------|-----------------------------|
| Buildings               | 40 Years                   | 40 Years                    |
| Building Improvements   | 20-50 Years                | 20-50 Years                 |
| Infrastructure          | 15-50 Years                | 15-50 Years                 |
| Equipment and Machinery | 3-25 Years                 | 3-25 Years                  |
| Vehicles                | 5-10 Years                 | 5-10 Years                  |

For 2004, the City reported governmental activities infrastructure for the first time. The City only reports the amounts acquired after 2004.

***J. Interfund Balances***

On fund financial statements, long-term interfund loans are classified as "advances to/from other funds" on the balance sheet and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as "internal balances."

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***K. Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and long-term loans are recognized as a liability on the governmental fund financial statements when due.

***L. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employee for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the City's termination policy.

***M. Fund Balance***

In accordance with Governmental Accounting Standards Board Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," the City classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

*Nonspendable* – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

*Restricted* – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or is imposed by law through constitutional provisions.

*Committed* – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of City Council. Those committed amounts cannot be used for any other purpose unless Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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*Assigned* – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the City. The City has by resolution authorized the Auditor to assign fund balance. The City may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

*Unassigned* – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

***N. Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions, enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

***O. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are primarily for charges for services for water, sanitation and sewer services. Operating expenses are necessary costs that have been incurred in order 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 non-operating.

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***P. Interfund Activity***

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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 non-operating 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.

***Q. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2013.

***R. Estimates***

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

***S. Implementation of New Accounting Policies***

For the year ended December 31, 2013, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 61, “*The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34,*” GASB Statement No. 65, “*Items Previously Reported as Assets and Liabilities,*” and GASB Statement No. 66, “*Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62.*”

GASB Statement No. 61 improves guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the City.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the City’s 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the City.

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**NOTE 3: BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances. The Statements of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual presented for the general fund and major special revenue fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Advances in and advances out are operating transactions (budget) as opposed to Balance Sheet transactions (GAAP).
4. Outstanding year end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budget basis statements for the general fund and the fire apparatus and fire and ambulance special revenue funds.

**Net Change in Fund Balance**

|                      | General      | Fire<br>Levy V | Fire and<br>Ambulance |
|----------------------|--------------|----------------|-----------------------|
| GAAP Basis           | \$ (259,171) | \$ (486,620)   | \$ 45,610             |
| Revenue Accruals     | 1,154        | 0              | 11,880                |
| Expenditure Accruals | (34,741)     | 0              | 6,229                 |
| Advances Out         | 0            | 0              | (17,611)              |
| Encumbrances         | (8,495)      | 0              | (7,276)               |
|                      | \$ (301,253) | \$ (486,620)   | \$ 38,832             |



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**NOTE 4: DEPOSITS AND INVESTMENTS**

The City maintains a cash deposit and investment pool for all funds. Each fund's share of cash deposits and investments is shown separately on the statement of net position and balance sheet as "Equity in Pooled Cash and Cash Equivalents" or "Investments."

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the City has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. 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;
2. 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;
3. 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;
4. Bonds and other obligations of the State of Ohio;

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5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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;
6. The State Treasurer's investment pool (STAROhio and STAR Plus);
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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. 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for uninsured public deposits and investments to be maintained in the City's name. During 2013, the City and public depositories complied with the provisions of these statutes.

**Deposits with Financial Institutions**

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the uninsured public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City.

At fiscal year-end, the carrying amount of the City's deposits was \$1,314,092. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of December 31, 2013, \$958,172 of the City's bank balance of \$1,370,304 was exposed to custodial risk as discussed above, while \$412,132 was covered by Federal Deposit Insurance Corporation.

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**Investments**

As of December 31, 2013, the City had the following investment and maturity:

| <u>Investment Type</u> | <u>Fair Value</u>   | <u>6 Months or Less</u> |
|------------------------|---------------------|-------------------------|
| Repurchase Agreement   | <u>\$ 1,338,156</u> | <u>\$ 1,338,156</u>     |

***Interest Rate Risk*** As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the City's investment policy limits investment portfolio maturities to five years or less.

***Custodial Credit Risk*** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment in repurchase agreements is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the City. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of the securities subject to a repurchase agreement by 2 percent. The City has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payment for investments prior to the delivery of the securities representing such investments to the auditor or qualified trustee.

***Credit Risk*** The City's investments in the federal agency securities that underlie the City's repurchase agreement were rated AAA by Moody's Investor Services. The City has no investment policy that would further limit its investment choices.

***Concentration of Credit Risk*** The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage total of each investment type held by the City as of December 31, 2013:

| <u>Investment Type</u> | <u>Fair Value</u>   | <u>Percent of Total</u> |
|------------------------|---------------------|-------------------------|
| Repurchase Agreement   | <u>\$ 1,338,156</u> | <u>100.00%</u>          |

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**NOTE 5: INTERFUND ACTIVITY**

***A. Interfund Transfers***

Interfund transfers for the year ended December 31, 2013, consisted of the following:

| <u>Fund</u>                  | <u>Transfers Out</u> | <u>Transfers In</u> |
|------------------------------|----------------------|---------------------|
| Governmental:                |                      |                     |
| General                      | \$ 200,000           | \$ 68,143           |
| Permanent Improvement        | 5,628                | 0                   |
| Nonmajor Governmental Funds: |                      |                     |
| Street                       | 0                    | 55,628              |
| Recreation                   | 0                    | 47,000              |
| Safety Service               | 0                    | 45,000              |
| Division of Development      | 0                    | 58,000              |
|                              | <u>205,628</u>       | <u>273,771</u>      |
| Business-Type:               |                      |                     |
| Off Street Parking           | <u>68,143</u>        | <u>0</u>            |
|                              | <u>\$ 273,771</u>    | <u>\$ 273,771</u>   |

Interfund transfers made from the general fund were done to provide additional resources for current operations. Interfund transfers from the off street parking fund to the general fund when that fund was closed per council in April of 2013.

Interfund transfers made from the permanent improvement fund to the street fund were to forgive one quarter of the balance remaining on the long-term advance. See Note 5 B for additional information regarding long-term advances.

***B. Interfund Balances***

Interfund balances at December 31, 2013 consisted of the following:

|                              | <u>Advances to<br/>Other Funds</u> | <u>Advances from<br/>Other Funds</u> |
|------------------------------|------------------------------------|--------------------------------------|
| Governmental:                |                                    |                                      |
| Permanent Improvement        | \$ 94,250                          | \$ 0                                 |
| Nonmajor Governmental Funds: |                                    |                                      |
| Street                       | 0                                  | 5,628                                |
| Fire and EMS                 | 0                                  | 53,242                               |
|                              | <u>94,250</u>                      | <u>58,870</u>                        |
| Business-Type:               |                                    |                                      |
| Water                        | <u>0</u>                           | <u>35,380</u>                        |
|                              | <u>\$ 94,250</u>                   | <u>\$ 94,250</u>                     |

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In 2008, the permanent improvement fund advanced \$28,140 to the street fund for the purpose of purchasing assets. The street fund repaid \$5,628 of this advance during 2009 and \$5,628 was forgiven during 2011, 2012 and 2013. The permanent improvement fund advanced \$31,549 to the fire and EMS fund during 2011 for the purchase of an EMS transport van. The fire and EMS fund will be repaying the advance over 5 years and the payments will be \$1,000 per month which includes interest. The permanent improvement fund advanced \$49,700 to the fire and EMS fund during 2012 for the purchase of a Chevy Cruze. The fire and EMS fund will be repaying the advance over 5 years and the payments will be \$546 per month which includes interest.

The advances to the business-type funds were made for the purpose of purchasing various capital assets. During 2013, the sanitation and sewer funds repaid \$1,876 and \$1,875, respectively, to the Permanent Improvement fund. A portion of these outstanding advances are expected to be repaid within one year.

**NOTE 6: PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2013 for real and public utility property taxes represents collections of the 2012 taxes.

2013 real property taxes were levied after October 1, 2013 on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2013 real property taxes are collected in and intended to finance 2014.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2013 public utility property taxes which became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 with real property taxes.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2010, the City was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

The full tax rate for all City operations for the year ended December 31, 2013, was \$8.10 per \$1,000 of assessed valuation. The assessed values of real personal property upon which 2013 property tax receipts were based are as follows:

|   |                      |
|---|----------------------|
| Real Property                             | \$ 62,853,120        |
| Public Utility Real Property and Minerals | 73,710               |
| Public Utility Tangible Personal Property | <u>4,079,710</u>     |
| Total Assessed Value                      | <u>\$ 67,006,540</u> |

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Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Martins Ferry. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility real and tangible personal property taxes, and outstanding delinquencies which became measurable as of December 31, 2013, and for which there is an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2013 operations is offset to deferred inflows of resources – property taxes levied for the next year. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows or resources – unavailable revenue.

**NOTE 7: RECEIVABLES**

Receivables at December 31, 2013, consisted of taxes, accounts (billings for user charged services), mortgage loans, advances to other funds and intergovernmental receivables arising from entitlements and shared revenues. All receivables are deemed collectible in full.

The general fund reflects mortgage loans receivable of \$18,847. These mortgage loans receivable are for financing of the sale of City property to individuals as a home mortgage. The mortgages bear interest at annual rates between five and seven percent. The mortgages are to be repaid over periods ranging from five to thirty years.

**NOTE 8: INCOME TAXES**

The City levies a municipal income tax of .75 percent on substantially all income earned within the City. In addition, the residents of the City are required to pay income tax on income earned outside the City; however, the City allows a credit for income taxes paid to another municipality up to 100 percent of the City's current rate.

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

Income tax proceeds are to be used for the purpose of general municipal operations, maintenance, new equipment, extension and enlargement of municipal services, facilities and capital improvements of the City as determined by City Council. In 2013, the proceeds were allocated to the general fund.

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**NOTE 9: CAPITAL ASSETS**

A summary of changes in capital assets during 2013 follows:

|   | <u>Balance</u><br><u>12/31/2012</u> | <u>Additions</u>  | <u>Reductions</u> | <u>Balance</u><br><u>12/31/2013</u> |
|---|-------------------------------------|-------------------|-------------------|-------------------------------------|
| <b>Governmental Activities:</b>                     |                                     |                   |                   |                                     |
| <i>Capital Assets Not Being Depreciated:</i>        |                                     |                   |                   |                                     |
| Land  | \$ 760,330                          | \$ 0              | \$ 0              | \$ 760,330                          |
| <i>Total Capital Assets Not Being Depreciated</i>   | <u>760,330</u>                      | <u>0</u>          | <u>0</u>          | <u>760,330</u>                      |
| <i>Capital Assets, Being Depreciated:</i>           |                                     |                   |                   |                                     |
| Buildings   | 1,936,392                           | 0                 | 0                 | 1,936,392                           |
| Building Improvements                               | 938,525                             | 36,933            | 0                 | 975,458                             |
| Equipment and Machinery                             | 934,821                             | 0                 | 0                 | 934,821                             |
| Infrastructure                                      | 777,325                             | 0                 | 0                 | 777,325                             |
| Vehicles  | 3,285,602                           | 590,788           | (283,195)         | 3,593,195                           |
| <i>Total Capital Assets, Being Depreciated</i>      | <u>7,872,665</u>                    | <u>627,721</u>    | <u>(283,195)</u>  | <u>8,217,191</u>                    |
| <i>Less Accumulated Depreciation:</i>               |                                     |                   |                   |                                     |
| Buildings   | (1,242,658)                         | (36,282)          | 0                 | (1,278,940)                         |
| Building Improvements                               | (775,372)                           | (11,000)          | 0                 | (786,372)                           |
| Equipment and Machinery                             | (519,766)                           | (54,204)          | 0                 | (573,970)                           |
| Infrastructure                                      | (210,123)                           | (36,590)          | 0                 | (246,713)                           |
| Vehicles  | (2,959,804)                         | (171,576)         | 283,195           | (2,848,185)                         |
| <i>Total Accumulated Depreciation</i>               | <u>(5,707,723)</u>                  | <u>(309,652)</u>  | <u>283,195</u>    | <u>(5,734,180)</u>                  |
| <i>Total Capital Assets, Being Depreciated, Net</i> | <u>2,164,942</u>                    | <u>318,069</u>    | <u>0</u>          | <u>2,483,011</u>                    |
| <i>Total Governmental Activities</i>                |                                     |                   |                   |                                     |
| <i>Capital Assets, Net</i>                          | <u>\$ 2,925,272</u>                 | <u>\$ 318,069</u> | <u>\$ 0</u>       | <u>\$ 3,243,341</u>                 |

Depreciation expense was charged to governmental functions as follows:

|                                    |                   |
|------------------------------------|-------------------|
| General Government                 | \$ 40,048         |
| Leisure Time Activities            | 38,960            |
| Security of Persons and Property   | 200,693           |
| Transportation                     | 19,519            |
| Community and Economic Development | 1,220             |
| Public Health                      | <u>9,212</u>      |
| <b>Total</b>                       | <u>\$ 309,652</u> |

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|   | Balance<br>12/31/2012 | Additions           | Reductions  | Balance<br>12/31/2013 |
|---|-----------------------|---------------------|-------------|-----------------------|
| <b>Business-Type Activities</b>                     |                       |                     |             |                       |
| <i>Capital Assets Not Being Depreciated:</i>        |                       |                     |             |                       |
| Land  | \$ 194,141            | \$ 0                | \$ 0        | \$ 194,141            |
| Construction in Progress                            | 0                     | 164,687             | 0           | 164,687               |
| <i>Total Capital Assets Not Being Depreciated</i>   | <u>194,141</u>        | <u>164,687</u>      | <u>0</u>    | <u>358,828</u>        |
| <i>Capital Assets, Being Depreciated:</i>           |                       |                     |             |                       |
| Buildings   | 5,892,172             | 25,883              | 0           | 5,918,055             |
| Building Improvements                               | 2,024,094             | 0                   | 0           | 2,024,094             |
| Equipment and Machinery                             | 8,532,194             | 0                   | 0           | 8,532,194             |
| Infrastructure                                      | 6,922,464             | 0                   | 0           | 6,922,464             |
| Vehicles  | 1,176,343             | 0                   | 0           | 1,176,343             |
| <i>Total Capital Assets, Being Depreciated</i>      | <u>24,547,267</u>     | <u>25,883</u>       | <u>0</u>    | <u>24,573,150</u>     |
| <i>Less Accumulated Depreciation:</i>               |                       |                     |             |                       |
| Buildings   | (2,458,608)           | (147,173)           | 0           | (2,605,781)           |
| Building Improvements                               | (790,095)             | (96,915)            | 0           | (887,010)             |
| Equipment and Machinery                             | (4,964,187)           | (265,657)           | 0           | (5,229,844)           |
| Infrastructure                                      | (1,479,040)           | (172,208)           | 0           | (1,651,248)           |
| Vehicles  | (754,541)             | (56,802)            | 0           | (811,343)             |
| <i>Total Accumulated Depreciation</i>               | <u>(10,446,471)</u>   | <u>(738,755)</u>    | <u>0</u>    | <u>(11,185,226)</u>   |
| <i>Total Capital Assets, Being Depreciated, Net</i> | <u>14,100,796</u>     | <u>(712,872)</u>    | <u>0</u>    | <u>13,387,924</u>     |
| <i>Total Business-Type Capital Assets, Net</i>      | <u>\$ 14,294,937</u>  | <u>\$ (548,185)</u> | <u>\$ 0</u> | <u>\$ 13,746,752</u>  |

Depreciation expense was charged to the programs as follows:

|                                    |                       |
|------------------------------------|-----------------------|
| Water                              | \$ 687,284            |
| Sanitation                         | 29,875                |
| Off Street Parking / Parking Meter | 838                   |
| Sewer                              | <u>20,758</u>         |
| <br>Total                          | <br><u>\$ 738,755</u> |



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**NOTE 10: RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; employee injuries, and natural disasters.

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2012 (the latest information available), PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

***Financial Position***

PEP's financial statements (audited by other accountants) conform with accounting principles generally accepted in the United States of America, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012:

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

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$11.6 million and \$13.1 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.1 million and \$12.6 million of unpaid claims to be billed to approximately 466 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The City's share of these unpaid claims collectible in future years is approximately \$89,759.

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

| <u>Contributions to PEP</u> |           |
|-----------------------------|-----------|
| 2011                        | \$ 92,438 |
| 2012                        | 91,110    |
| 2013                        | 95,488    |

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal. Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs to provide coverage to employees for job related injuries.

**NOTE 11: DEFINED BENEFIT PENSION PLANS**

***A. Ohio Public Employees Retirement System***

Plan Description – The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or calling 614-222-5601 or 1-800-222-7377.

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Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

For the year ended December 31, 2013, members in state and local classifications contributed 10.0 percent of covered payroll while public safety and law enforcement members contributed 11.5 percent and 12.1 percent, respectively.

The City's 2013 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 18.1 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4.0 percent during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2013.

The City's required contributions for pension obligations to the Traditional and Combined Plans for the years ended December 31, 2013, 2012, and 2011 were \$263,942, \$248,924 and \$255,146, respectively; 92 percent has been contributed for 2013 and 100 percent for 2012 and 2011. Contributions to the member-directed plan for 2013 were \$1,092 made by the City and \$780 made by the plan members.

***B. Ohio Police and Fire Pension Fund***

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - Plan members are required to contribute 10.75 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. The City's contributions to OP&F for police were \$64,735, \$122,405 and \$103,552 for the years ended December 31, 2013, 2012 and 2011, respectively. The full amount has been contributed for 2012 and 2011. 90 percent has been contributed for police for 2013. The City's firefighters are volunteers.

**NOTE 12: POSTEMPLOYMENT BENEFITS**

***A. Ohio Public Employees Retirement System***

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan, which includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and 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 meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution OPERS is set aside for the funding of post-retirement health care coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2013.

The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and coverage selected.

The City's contributions allocated to fund post-employment health care benefits for the Traditional and Combined plans for the years ended December 31, 2013, 2012, and 2011 were \$105,577, 150,599 and \$127,573, respectively. Contributions to fund post-employment health care benefits for the Member-Directed plan for 2012 were \$312. For 2013 92 percent has been contributed and 100 percent has been contributed for 2012 and 2011.

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

***B. Ohio Police and Fire Pension Fund***

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment 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 reimbursement 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 meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at [www.op-f.org](http://www.op-f.org).

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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 the year ended December 31, 2012, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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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 to OP&F which were allocated to fund post-employment health care benefits for police were \$34,272, \$42,371 and \$35,845 for the years ended December 31, 2013, 2012 and 2011, respectively. The full amount has been contributed for 2012 and 2011. For 2013 90 percent has been contributed for police.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by a State Retirement System have an option to choose social security or the appropriate state system. As of December 31, 2013, no City employees have elected social security.

**NOTE 13: OTHER EMPLOYEE BENEFITS**

The City provides life insurance and accidental death and dismemberment insurance to all union employees as well as all non-union full-time employees, excluding elected officials. The amount of the life insurance policy for the union employees is based on the employee's rate of pay while the police receive a \$30,000 policy and all City supervisors receive a \$30,000 policy.

The City contracts with a local Health Management Organization, Health Plan of the Upper Ohio Valley, for hospitalization insurance for all employees. The City pays \$1,118.96 of the total monthly premiums of \$1,243.28 for family coverage and \$429.46 of the monthly premiums of \$478.18 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries. City AFSCME Union employees and full-time police pay \$124.32 for family coverage and \$48.72 for single coverage.

The City contracts with Met Life for dental insurance for all supervisors and police. The City pays 100 percent of the total monthly premiums of \$91.91 for family coverage, \$53.43 for employees with only one dependent, and 27.57 for single coverage. Premiums are paid from the same funds that pay the employees' salaries. The City contracts with Ohio AFSCME Care Plan for dental insurance for all union employees. The City pays 100 percent of the total monthly premiums of \$34.00 per union employee. Premiums are paid from the same funds that pay the employees' salaries.

**NOTE 14: COMPENSATED ABSENCES**

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn vacation and sick leave at different rates depending upon length of service and type of employment. Vacation leave benefits are lost at year end if employees do not use these balances during the year unless prior approval has been obtained from the department head. Upon retirement or death, employees are paid to a maximum of 720 hours for accumulated unused sick leave. Police are paid upon retirement and completion of twenty-five years of service. Police receive payment for a maximum of 600 hours. As of December 31, 2013, the liability for unpaid long-term compensated absences was \$180,312.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

**NOTE 15: LONG-TERM OBLIGATIONS**

The original issue date, maturity date, interest rate and original issuance amount for the City's debt follows:

| Debt Issue  | Interest<br>Rate | Original<br>Issue Amount | Date of Maturity |
|---|------------------|--------------------------|------------------|
| <b>Governmental Activities:</b>                               |                  |                          |                  |
| St. Route 647 OPWC Loan - 2003                                | 0.00             | \$ 10,029                | July 1, 2023     |
| Roberts Building Note - 2009                                  | 3.00             | 140,000                  | November 1, 2019 |
| Long-Term General Obligation Bond:                            |                  |                          |                  |
| Fire Truck Acquisition - 2012                                 | 3.00             | 435,000                  | December 1, 2017 |
| State Fire Marshall Revolving Loan                            | 0.00             | 41,000                   | July 1, 2018     |
| <b>Business-Type Activities:</b>                              |                  |                          |                  |
| Ferryview/Sharon Road Waterlines OWDA Loan - 2004             | 2.00             | 3,370,848                | January 1, 2025  |
| Water Treatment Plant OWDA Loan - 1995                        | 2.00             | 10,369,124               | January 1, 2022  |
| Woodmont Pump Station OPWC Loan - 2004                        | 0.00             | 20,000                   | July 1, 2023     |
| Water Tank OPWC Loan - 2007                                   | 2.00             | 255,000                  | July 1, 2027     |
| Woodmont Street Pump Project OPWC Loan - 2007                 | 0.00             | 231,526                  | July 1, 2028     |
| Water Treatment Plant and Well Field Project OPWC Loan - 2009 | 0.00             | 379,600                  | January 1, 2030  |
| Water Meters OWDA Loan - 2011                                 | 2.00             | 1,299,083                | January 1, 2042  |
| Water Treatment System Improvement Bonds                      | 3.375-4.00       | 190,000                  | December 1, 2022 |

**City of Martins Ferry**  
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*For the Year Ended December 31, 2013*

A schedule of changes in long-term obligations of the City during 2013 follows:

|   | Outstanding<br>12/31/2012 | Additions         | Deletions           | Outstanding<br>12/31/2013 | Due in<br>One Year |
|---|---------------------------|-------------------|---------------------|---------------------------|--------------------|
| <b>Governmental Activities:</b>         |                           |                   |                     |                           |                    |
| General Obligation Bonds:               |                           |                   |                     |                           |                    |
| Fire Truck                              | \$ 435,000                | \$ 0              | \$ (125,000)        | \$ 310,000                | \$ 80,000          |
| Unamortized Premium                     | 12,341                    | 0                 | (2,468)             | 9,873                     | 0                  |
| OPWC Loan:                              |                           |                   |                     |                           |                    |
| State Route 647                         | 5,515                     | 0                 | (752)               | 4,763                     | 501                |
| Roberts Building Note                   | 100,115                   | 0                 | (13,402)            | 86,713                    | 13,810             |
| State Fire Marshall Revolving Loan      | 0                         | 41,000            | (4,100)             | 36,900                    | 8,200              |
| Police and Fire Pension                 | 168,749                   | 0                 | (4,613)             | 164,136                   | 4,811              |
| Compensated Absences                    | 64,275                    | 9,748             | (3,869)             | 70,154                    | 8,912              |
| <i>Total Governmental Activities</i>    | <u>785,995</u>            | <u>50,748</u>     | <u>(154,204)</u>    | <u>682,539</u>            | <u>116,234</u>     |
| <b>Business-Type Activities:</b>        |                           |                   |                     |                           |                    |
| OWDA Loans:                             |                           |                   |                     |                           |                    |
| Ferryview/Sharon Road Waterlines        | 2,180,871                 | 0                 | (162,513)           | 2,018,358                 | 165,780            |
| Water Treatment Plant                   | 4,335,175                 | 0                 | (444,408)           | 3,890,767                 | 453,295            |
| Water Meters                            | 932,102                   | 0                 | (25,519)            | 906,583                   | 27,225             |
| <i>Total OWDA Loans</i>                 | <u>7,448,148</u>          | <u>0</u>          | <u>(632,440)</u>    | <u>6,815,708</u>          | <u>646,300</u>     |
| OPWC Loans:                             |                           |                   |                     |                           |                    |
| Woodmont Street Pump Project            | 185,222                   | 0                 | (17,364)            | 167,858                   | 11,576             |
| Woodmont Pump Station                   | 11,000                    | 0                 | (1,500)             | 9,500                     | 1,000              |
| Water Tank                              | 200,429                   | 0                 | (17,460)            | 182,969                   | 11,933             |
| Water Treatment Plant and<br>Well Field | 370,110                   | 0                 | (28,470)            | 341,640                   | 18,980             |
| <i>Total OPWC Loans</i>                 | <u>766,761</u>            | <u>0</u>          | <u>(64,794)</u>     | <u>701,967</u>            | <u>43,489</u>      |
| General Obligation Bonds:               |                           |                   |                     |                           |                    |
| Water Treatment System Improvement      | 0                         | 190,000           | (20,000)            | 170,000                   | 15,000             |
| Capital Leases                          | 42,485                    | 0                 | (13,040)            | 29,445                    | 13,672             |
| Compensated Absences                    | 108,013                   | 3,413             | (1,268)             | 110,158                   | 26,591             |
| <i>Total Business-Type Activities</i>   | <u>\$ 8,365,407</u>       | <u>\$ 193,413</u> | <u>\$ (731,542)</u> | <u>\$ 7,827,278</u>       | <u>\$ 745,052</u>  |



**City of Martins Ferry**  
**Belmont County, Ohio**  
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*For the Year Ended December 31, 2013*

The OWDA loans will be repaid with water fund revenues. The OPWC loans for Woodmont Pump Station, water tank and the water treatment plant and well field project will be paid from water fund revenues. The OPWC loan for the repair of State Route 647 road slippage will be repaid from the state highway fund. The bond anticipation notes were issued to purchase equipment and were paid from general fund local government revenues. The police and fire pension liability will be paid from general property tax revenues. The capital lease is paid from the water and sewer funds. Compensated absences will be paid from the fund from which the employee's salaries are paid. These funds include general, street, water, sewer and sanitation.

The City has pledged future water revenue and sewer revenue, net of specified operating expenses to repay \$8,460,710 of Ohio Public Works Commission (OPWC) loans and the Ohio Water Development Authority (OWDA) loans. Annual principal and interest payments, as a percentage of net customer revenues, on the loans are expected to be similar over the term of the loans as in the current year, which were 21.8 percent. The total principal and interest remaining to be paid on the loans is \$8,397,971. Principal and interest paid for the current year and total net revenues were \$885,238 and 155,053, respectively.

Principal and interest requirements to retire governmental activities debt at December 31, 2013 are as follows:

| Year          | General Obligation Bonds |                  | Police and Fire Pension |                  | OPWC Loan       |
|---------------|--------------------------|------------------|-------------------------|------------------|-----------------|
|               | Principal                | Interest         | Principal               | Interest         | Principal       |
| 2014          | \$ 80,000                | \$ 9,610         | \$ 4,811                | \$ 6,924         | \$ 501          |
| 2015          | 80,000                   | 7,130            | 5,027                   | 6,719            | 501             |
| 2016          | 75,000                   | 4,650            | 5,233                   | 6,503            | 502             |
| 2017          | 75,000                   | 2,325            | 5,459                   | 6,279            | 501             |
| 2018          | 0                        | 0                | 5,693                   | 6,044            | 502             |
| 2019-2023     | 0                        | 0                | 32,349                  | 26,330           | 2,256           |
| 2024-2028     | 0                        | 0                | 39,923                  | 18,760           | 0               |
| 2029-2033     | 0                        | 0                | 49,253                  | 9,428            | 0               |
| 2034-2038     | 0                        | 0                | 16,388                  | 689              | 0               |
| <b>Totals</b> | <b>\$310,000</b>         | <b>\$ 23,715</b> | <b>\$ 164,136</b>       | <b>\$ 87,676</b> | <b>\$ 4,763</b> |

| Roberts Building Note |                 | State Fire<br>Marshall Loan | Total             |                   |
|-----------------------|-----------------|-----------------------------|-------------------|-------------------|
| Principal             | Interest        | Principal                   | Principal         | Interest          |
| \$ 13,810             | \$ 2,413        | \$ 8,200                    | \$ 107,322        | \$ 18,947         |
| 14,230                | 1,992           | 8,200                       | 107,958           | 15,841            |
| 14,663                | 1,560           | 8,200                       | 103,598           | 12,713            |
| 15,108                | 1,114           | 8,200                       | 104,268           | 9,718             |
| 15,568                | 655             | 4,100                       | 25,863            | 6,699             |
| 13,334                | 185             | 0                           | 47,939            | 26,515            |
| 0                     | 0               | 0                           | 39,923            | 18,760            |
| 0                     | 0               | 0                           | 49,253            | 9,428             |
| 0                     | 0               | 0                           | 16,388            | 689               |
| <b>\$ 86,713</b>      | <b>\$ 7,919</b> | <b>\$ 36,900</b>            | <b>\$ 602,512</b> | <b>\$ 119,310</b> |

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

Principal and interest requirements to retire business-type activities debt at December 31, 2013 are as follows:

| Year      | OWDA Loans   |            | OPWC Loans |           | General Obligation Bonds |           | Total        |            |
|-----------|--------------|------------|------------|-----------|--------------------------|-----------|--------------|------------|
|           | Principal    | Interest   | Principal  | Interest  | Principal                | Interest  | Principal    | Interest   |
| 2014      | \$ 646,300   | \$ 135,354 | \$ 43,489  | \$ 3,600  | \$ 15,000                | \$ 5,737  | \$ 704,789   | \$ 144,691 |
| 2015      | 659,603      | 122,406    | 43,728     | 3,360     | 15,000                   | 5,231     | 718,331      | 130,997    |
| 2016      | 672,815      | 109,195    | 43,973     | 3,116     | 20,000                   | 4,725     | 736,788      | 117,036    |
| 2017      | 686,292      | 95,719     | 44,222     | 2,865     | 20,000                   | 4,050     | 750,514      | 102,634    |
| 2018      | 700,038      | 81,973     | 44,477     | 2,612     | 20,000                   | 3,375     | 764,515      | 87,960     |
| 2019-2023 | 2,643,523    | 204,306    | 225,889    | 9,055     | 20,000                   | 2,700     | 2,889,412    | 216,061    |
| 2024-2028 | 377,418      | 55,787     | 199,249    | 2,111     | 20,000                   | 2,025     | 596,667      | 59,923     |
| 2029-2033 | 193,458      | 34,424     | 56,940     | 0         | 20,000                   | 1,350     | 270,398      | 35,774     |
| 2034-2038 | 213,698      | 14,185     | 0          | 0         | 20,000                   | 675       | 233,698      | 14,860     |
| 2039-2043 | 22,563       | 228        | 0          | 0         | 0                        | 0         | 22,563       | 228        |
| Totals    | \$ 6,815,708 | \$ 853,577 | \$ 701,967 | \$ 26,719 | \$ 170,000               | \$ 29,868 | \$ 7,687,675 | \$ 910,164 |

**NOTE 16: CAPITALIZED LEASES - LESSEE DISCLOSURE**

During 2011 the City entered into capitalized leases for the acquisition of a case loader. The lease meets the criteria of a capital lease as it transfers benefits and risks of ownership to the lessee.

The assets acquired by the leases were capitalized in the enterprise funds in the amount of \$32,933 in the sewer fund and \$32,933 in the water fund. These amounts were equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded and is reduced for each required principal payment.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2013:

|   | Business-Type<br>Activities |
|---|-----------------------------|
| 2014                                    | \$ 14,818                   |
| 2015                                    | 14,818                      |
| 2016                                    | 1,459                       |
|   | <u>31,095</u>               |
| Less amount representing interest       | 1,650                       |
| Present value of minimum lease payments | <u>\$ 29,445</u>            |

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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**NOTE 17: JOINTLY GOVERNED ORGANIZATIONS**

***A. Belmont Metropolitan Housing Authority***

Belmont Metropolitan Housing Authority is a non-profit organization established to provide adequate public housing for low income individuals and is statutorily created as a separate and distinct political subdivision of the State. The Authority is operated by a five member board of commissioners. Two members are appointed by the Mayor of Martins Ferry, one member is appointed by the Belmont County Commissioners, one member is appointed by the judge of the probate court, and one member is appointed by the judge of the court of common pleas. The City did not contribute any amounts to the Authority during 2013. The continued existence of the Authority is not dependent on the City's continued participation and no equity interest exists. The Authority has no outstanding debt for which the City of Martins Ferry is responsible.

***B. Eastern Ohio Regional Transit Authority***

Eastern Ohio Regional Transit Authority was established to provide transportation to the residents of the Ohio Valley and is statutorily created as a separate and distinct political subdivision of the State. The Authority is operated by a board of directors that is appointed by the nine Mayors of the municipalities served by the Authority. The City did not contribute any amounts to the Authority during 2013. The continued existence of the Authority is not dependent on the City's continued participation and no equity interest exists. The Authority has no outstanding debt for which the City of Martins Ferry is responsible.

***C. Ohio Mid-Eastern Governments Association (OMEGA)***

Ohio Mid-Eastern Governments Association (OMEGA) is a ten-county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum, and Tuscarawas Counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a sixteen member executive board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. The mayor of the City of Martins Ferry serves as the City's representative on the board. The board has total control over budgeting, personnel, and financial matters. Each member currently pays a per capita membership fee based upon the most recent United States census. During 2013, OMEGA received \$80 from the City of Martins Ferry. The continued existence of OMEGA is not dependent on the City's continued participation and no equity interest exists. OMEGA has no outstanding debt.

***D. Jefferson-Belmont Joint Solid Waste Authority***

Jefferson-Belmont Joint Solid Waste Authority is established by state statutes and is operated to provide solid waste services to Jefferson and Belmont counties. The Authority is governed by a fourteen member board of directors of which the Mayor of the City of Martins Ferry is a member. The Authority is not dependent on the City of Martins Ferry for its continued existence, no debt exists, and the City does not maintain an equity interest. The City does not make any monetary contributions to the Authority.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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***E. Belmont County Sewer Authority***

Belmont County Sewer Authority is established by Ohio Revised Code Section 6119, serving the municipalities of Bellaire, Brookside, and Martins Ferry. The Authority is operated by a four member Board of Trustees. One member of the Board is appointed by the Mayor of Martins Ferry. The Authority is not dependent on the City of Martins Ferry for its continued existence and the City does not maintain an equity interest. The City does not make any monetary contributions to the District.

***F. Bel-O-Mar Regional Council***

Bel-O-Mar Regional Council is operated as a non-profit organization formed to provide planning and administrative services to all local governments in a four county region comprised of Belmont County, Ohio and three counties in West Virginia. The governing board is comprised of 58 officials from the four county service area of which three members and one alternate member are appointed by Belmont County and one member is appointed by each local government within Belmont County. The Mayor of the City of Martins Ferry serves as the City's representative on the board. The Council is not dependent upon the City of Martins Ferry for its continued existence, no debt exists, and the City does not maintain an equity interest. During 2013, the City did not contribute any amounts to the Council.

**NOTE 18: SIGNIFICANT COMMITMENTS**

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the governmental funds were as follows:

| <u>Fund</u>              | <u>Amount</u>    |
|--------------------------|------------------|
| General                  | \$ 5,675         |
| Fire and Ambulance       | 416              |
| Permanent Improvement    | 51,020           |
| Other Governmental Funds | <u>7,174</u>     |
| Totals                   | <u>\$ 64,285</u> |

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

**NOTE 19: FUND BALANCE**

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other funds are presented as follows:

|                                      | General           | Fire<br>Levy V  | Fire and<br>Ambulance | Permanent<br>Improvement | Other<br>Governmental<br>Funds | Total               |
|--------------------------------------|-------------------|-----------------|-----------------------|--------------------------|--------------------------------|---------------------|
| Nonspendable for:                    |                   |                 |                       |                          |                                |                     |
| Long Term Receivable                 | \$ 18,847         | \$ 0            | \$ 0                  | \$ 0                     | \$ 0                           | \$ 18,847           |
| Inventory                            | 908               | 0               | 0                     | 0                        | 4,263                          | 5,171               |
| Endowment                            | <u>0</u>          | <u>0</u>        | <u>0</u>              | <u>0</u>                 | <u>177,168</u>                 | <u>177,168</u>      |
| Total Nonspendable                   | 19,755            | 0               | 0                     | 0                        | 181,431                        | 201,186             |
| Restricted for:                      |                   |                 |                       |                          |                                |                     |
| Street, Highway, City<br>Improvement | 0                 | 0               | 0                     | 0                        | 81,521                         | 81,521              |
| Public Safety/Law Enforcement        | 0                 | 4,739           | 0                     | 0                        | 115,243                        | 119,982             |
| General Government                   | 0                 | 0               | 0                     | 0                        | 9,107                          | 9,107               |
| CHIP and CDBG                        | 0                 | 0               | 0                     | 0                        | 5,850                          | 5,850               |
| Recreation                           | 0                 | 0               | 0                     | 0                        | 8,720                          | 8,720               |
| Other Purposes                       | <u>0</u>          | <u>0</u>        | <u>0</u>              | <u>0</u>                 | <u>61,202</u>                  | <u>61,202</u>       |
| Total Restricted                     | 0                 | 4,739           | 0                     | 0                        | 281,643                        | 286,382             |
| Committed for:                       |                   |                 |                       |                          |                                |                     |
| Permanent Improvement                | 0                 | 0               | 0                     | 1,160,293                | 0                              | 1,160,293           |
| Public Safety/Law Enforcement        | <u>0</u>          | <u>0</u>        | <u>198,826</u>        | <u>0</u>                 | <u>0</u>                       | <u>198,826</u>      |
| Total Restricted                     | 0                 | 0               | 198,826               | 1,160,293                | 0                              | 1,359,119           |
| Assigned for:                        |                   |                 |                       |                          |                                |                     |
| Encumbrances:                        |                   |                 |                       |                          |                                |                     |
| General Government                   | <u>5,675</u>      | <u>0</u>        | <u>0</u>              | <u>0</u>                 | <u>0</u>                       | <u>5,675</u>        |
| Total Assigned                       | 5,675             | 0               | 0                     | 0                        | 0                              | 5,675               |
| Unassigned                           | 399,434           | 0               | 0                     | 0                        | 0                              | 399,434             |
| Total Fund Balance                   | <u>\$ 424,864</u> | <u>\$ 4,739</u> | <u>\$ 198,826</u>     | <u>\$ 1,160,293</u>      | <u>\$ 463,074</u>              | <u>\$ 2,251,796</u> |

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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**NOTE 20: CONTINGENCIES**

***A. Grants***

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 are 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 effect on the overall financial position of the City at December 31, 2013.

***B. Litigation***

The City of Martins Ferry is not party to any claims and lawsuits.

July 30, 2014

To the Honorable Mayor and City Council  
City of Martins Ferry  
Belmont County, Ohio  
Fifth & Walnut Streets  
Martins Ferry, Ohio 43935

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Martins Ferry, Belmont County, Ohio (the City) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 30, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as findings 2013-001 and 2013-002 that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **The City's Response to Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rea & Associates, Inc.*

New Philadelphia, Ohio



**City of Martins Ferry  
Belmont County, Ohio**

*Schedule of Findings and Responses  
For The Year Ended December 31, 2013*

**1. SUMMARY OF AUDITOR'S RESULTS**

|   |            |
|---|------------|
| Type of Financial Statement Opinion   | Unmodified |
| Were there any material control weakness conditions reported at the financial statement level (GAGAS)?    | No         |
| Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)? | Yes        |
| Was there any reported material non-compliance at the financial statement level (GAGAS)?                  | No         |

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

**Significant Deficiencies**

|                       |                 |
|-----------------------|-----------------|
| <b>Finding Number</b> | <b>2013-001</b> |
|-----------------------|-----------------|

**Criteria:** *Utility Office Collections* - The City's management has a responsibility to design and maintain internal control over financial reporting. Internal controls must exist over the City's utility billing and collection system. Timely reconciliation and review should be completed by the appropriate personnel.

**Condition:** During testing of the City utility billing and collection function, it was noted that a utility clerk was compiling a daily report of collections using Excel and turning that into the City Auditor's office along with the pay-in instead of using the daily report directly out of the computerized billing system. A Daily Fee Collections Report was printed, however, this report was only used to input information on the excel spreadsheet.

In addition, the monthly adjustment report printed out of the system is reviewed by management, however, the details regarding non-recurring and other types of adjustments are not being investigated further.

Testing further revealed that the utility collection amounts reported on the Excel spreadsheet did agree to the amounts deposited in the bank, however, there were various days these amounts were considerably less than collections posted into the utility billing system and the related payment stubs. Our examination was expanded back to review collection activity in 2010 and 2011, as well as, forward into 2013 and we found the same situation occurring in those three years.

**Effect:** Approximately \$1,800 of utility revenues collected from January 1, 2013 through July 31, 2013 per the utility billing system did not get deposited or paid into the City. This amount is included in the \$35,000 reported in the 2012 audit report finding #2012-002. In addition, the current process of monitoring the collection reports and adjustment reports results in a higher risk of error or fraud not being detected in a timely fashion.

**City of Martins Ferry  
Belmont County, Ohio**

*Schedule of Findings and Responses  
For The Year Ended December 31, 2013  
(Continued)*

**Recommendation:** We recommend the City utility billing office generate daily/monthly collection reports directly out of their computerized system and reconcile daily deposits to that report. In addition, a collections report should be run by the software vendor monthly and sent directly to the City Auditor's office for them to reconcile with the pay-ins. Discrepancies should be investigated immediately. An alternative procedure may be to have an employee not involved in the daily balancing process to run the fee collection report at the end of each week (including all days for that week), agree the report to the total of the daily fee collection reports, and submit that report to the City Auditor.

We also recommend the City monitor utility office daily operations. Assurances are needed that daily batches of billing stubs are maintained orderly, properly dated, signed off and accounted for equaling the daily collection report and deposit. Also, a daily adjustment report should be generated out of the system, reviewed and questioned or approved by someone other than utility billing office employees handling money.

**Management's Response:** The City will follow these recommendations. The utility billing department is undergoing restructuring has begun implementing recommended procedures in 2014.

|                       |                 |
|-----------------------|-----------------|
| <b>Finding Number</b> | <b>2013-002</b> |
|-----------------------|-----------------|

**Criteria: *Utility Office Operations*** - The City's management has a responsibility to design and maintain internal control over financial reporting. Internal controls must exist over the City's utility billing and collection system. Knowledge of operating system as well as the daily operating requirements should be understood by the appropriate personnel.

**Condition:** During our testing of the City utility collections, it was noted the computer system would sometimes backdate the post date of a payment. We further looked into this and discussed this issue with the software company. It was identified that if a payment was looked up on a previous date, that date would remain in the post date area of the collections screen until it was changed back to the correct date. In addition, it was purported the City utility billing department staff has not had formal training on the system and/or the training on the requirements of their positions.

**Effect:** The City utility billing department is not able to balance at the end of the day on the days an old transaction was looked into. Also, the City utility billing department staff does not know how to completely utilize the computerized system and do not know all the daily processes required to perform their duties as effective as they could. These internal control weaknesses along with those identified in Finding 2013-001 contributed to certain amounts of City utility collections which have not been deposited in the bank or paid into the City Auditor's office and went undetected by management of the City in a timely manner.

**Recommendation:** We recommend the City work with the software company to figure out a way to correct the issue of the system not correcting the date on the payment screen or consider purchasing new utility software. We also recommend the City provide formal training on the computerized billing system and consider creating a manual detailing the daily operating procedures.

**Management's Response:** The City will follow these recommendations. The City utility billing department staff is currently being trained by the software company in proper posting and handling of the utility billing process.

**City of Martins Ferry  
Belmont County, Ohio**

*Schedule of Prior Audit Findings  
For The Year Ended December 31, 2013*

| <u>Finding Number</u> | <u>Finding Summary</u>                        | <u>Fully Corrected?</u> | <u>Corrected, Significantly Different<br/>Corrective Action Taken or Finding<br/>No Longer Valid<br/>Explain</u> |
|-----------------------|---|-------------------------|--|
| 2012-001              | Internal Controls over<br>Financial Reporting | Yes                     | Finding No Longer Valid  |
| 2012-002              | Utility Office<br>Collections                 | No                      | Repeated as Finding 2013-001   |
| 2012-003              | Utility Office<br>Operations                  | No                      | Repeated as Finding 2013-002   |

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# Dave Yost • Auditor of State

**CITY OF MARTINS FERRY**

**BELMONT 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  
SEPTEMBER 25, 2014**