



**Auditor of State  
Betty Montgomery**



**CITY OF MARTINS FERRY  
BELMONT COUNTY**

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**CITY OF MARTINS FERRY  
BELMONT COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

City of Martins Ferry  
Belmont County  
Fifth and Walnut Streets, P.O. Box 386  
Martins Ferry, Ohio 43935

To Members of City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Martins Ferry, Belmont County, Ohio (the City), as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 of Martins Ferry, Belmont County, Ohio, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General, Street Maintenance & Repair, and Fire Apparatus Levy III Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2004, the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and as described in Note 21, the City changed its capitalization criteria for capital assets from \$500 to \$5,000.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2005, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Federal Awards Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as whole.



**Betty Montgomery**  
Auditor of State

October 17, 2005

**City of Martins Ferry**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*(Unaudited)*

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The discussion and analysis of the City of Martins Ferry's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2004. 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 2004 are as follows:

- General Revenues accounted for \$2,380,228 in revenue or 34% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$4,591,147 or 66% of total revenues of \$6,971,375.
- Total program expenses were \$6,386,888. \$3,155,313 in governmental activities and \$3,231,575 in business-type activities.
- In total, net assets increased \$584,487. Net assets of governmental activities increased \$157,720 which represents a 3% increase from 2003. Net assets of business-type activities increased \$426,767 or 20% from 2003.
- Outstanding debt increased from \$9,324,904 to \$9,749,042 due to additional borrowings.

***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 operations, as they prefer.

The Statement of Net Assets and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2004 and how they affected the operations of the City as a whole.

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

*Statement of Net Assets and the Statement of Activities*

The *Statement of Net Assets 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 Martins Ferry, the General, Street Maintenance & Repair, Fire Apparatus Levy III, and Permanent Improvement Funds are the most significant governmental funds. The Water and Sanitation Funds are the significant enterprise funds.

**City of Martins Ferry**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*(Unaudited)*

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A question typically asked about the City's finances "How did we do financially during fiscal year 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* 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 assets* and *changes in those assets*. This change in net assets 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 Assets 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 services, 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 business-type activities are water, sanitation, sewer, parking meter and off street parking.

***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, Street Maintenance & Repair, Fire Apparatus Levy III, and Permanent Improvement Funds.

**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 Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, street maintenance & repair, fire apparatus III and permanent improvement funds, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.



**City of Martins Ferry**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
(Unaudited)

The City adopts an annual appropriated budget for each of its funds. A budgetary comparison statement has been provided for the General Fund and each major special revenue fund to demonstrate compliance with this budget.

**Proprietary Funds** - Proprietary funds use the same basis of accounting as business-type activities (Water, Sanitation, Sewer, Off Street Parking and Parking Meter); therefore, these statements will essentially match.

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

**The City of Martins Ferry as a Whole**

Recall that the Statement of Net Assets provides the perspective of the City as a whole.

Table 1 provides a summary of the City's net assets for 2004 compared to 2003:

**(Table 1)**  
**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
<b>Assets</b>						
Current and Other Assets	\$ 5,703,149	\$ 5,644,763	\$ 629,703	\$ 1,129,327	\$ 6,332,852	\$ 6,774,090
Capital Assets	2,580,918	2,339,298	11,828,475	9,682,275	14,409,393	12,021,573
Total Assets	8,284,067	7,984,061	12,458,178	10,811,602	20,742,245	18,795,663
<b>Liabilities</b>						
Long-Term Liabilities	945,595	397,959	8,601,515	8,228,188	9,547,110	8,626,147
Other Liabilities	916,319	1,321,669	1,290,768	444,286	2,207,087	1,765,955
Total Liabilities	1,861,914	1,719,628	9,892,283	8,672,474	11,754,197	10,392,102
<b>Net Assets</b>						
Invested in Capital						
Assets Net of Debt	1,880,138	1,451,363	3,329,617	1,447,870	5,209,755	2,899,233
Restricted	2,746,694	3,911,021	0	0	2,746,694	3,911,021
Unrestricted (Deficit)	1,795,321	902,049	(763,722)	691,258	1,031,599	1,593,307
Total Net Assets	\$ 6,422,153	\$ 6,264,433	\$ 2,565,895	\$ 2,139,128	\$ 8,988,048	\$ 8,403,561

**City of Martins Ferry**  
*Management's Discussion and Analysis*  
For the Year Ended December 31, 2004  
(Unaudited)

Total assets increased by \$1,946,582 with governmental assets increasing \$300,006 and business-type assets increasing \$1,646,576. An increase of approximately \$2,146,200 in total capital assets reflects the construction of the Ferryview/Sharon Road installation of new waterlines as the majority of the increase in business-type assets. Total liabilities increased by \$1,362,095 with governmental liabilities increasing \$142,286 and business-type assets increasing \$1,219,809. The majority of this increase was the result of loans proceeds from OWDA for the waterlines project on Ferryview and Sharon roads in business-type activities.

Total net assets increased by \$584,487. This number reflects an increase of \$157,720 in governmental activities and an increase of \$426,767 in the net assets of the business-type activities.

Table 2 shows the changes in net assets for fiscal year 2004. Since this is the first year the City has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2003 are not available. This table will present two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusion about the City's financial status and possibly project future problems.

**(Table 2)**  
**Changes in Net Assets**

	Governmental	Business-Type	Total
	Activities	Activities	
	2004	2004	2004
<b>Revenues</b>			
<i>Program Revenues:</i>			
Charges for Services and Sales	\$ 275,382	\$ 3,437,969	\$ 3,713,351
Grants and Contributions	877,105	691	877,796
<i>General Revenue:</i>			
Property Taxes	286,236	0	286,236
Income Taxes	1,032,181	0	1,032,181
Grants and Entitlements	762,038	0	762,038
Investment Earnings	139,866	1,092	140,958
Miscellaneous	78,570	80,245	158,815
<i>Total Revenues</i>	<u>3,451,378</u>	<u>3,519,997</u>	<u>6,971,375</u>
<b>Program Expenses</b>			
General Government	502,242	0	502,242
Security of Persons and Property	1,480,341	0	1,480,341
Transportation	592,280	0	592,280
Public Health Services	98,547	0	98,547
Community and Economic Development	347,956	0	347,956
Leisure Time Activities	96,103	0	96,103
Interest and Fiscal Charges	37,844	0	37,844
<i>Enterprise Operations:</i>			
Off Street Parking	0	280	280
Parking Meter	0	50,431	50,431
Water	0	2,295,110	2,295,110
Sewer	0	274,549	274,549
Sanitation	0	611,205	611,205
<i>Total Program Expenses</i>	<u>3,155,313</u>	<u>3,231,575</u>	<u>6,386,888</u>
Change in Net Assets			
Before Transfers	296,065	288,422	584,487
Transfers	<u>(138,345)</u>	<u>138,345</u>	<u>0</u>
Change in Net Assets	<u>\$ 157,720</u>	<u>\$ 426,767</u>	<u>\$ 584,487</u>

**City of Martins Ferry**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
(Unaudited)

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**Governmental Activities**

The funding for the governmental activities comes from several different sources. Prominent sources are property taxes, income taxes, grants and entitlements, and charges for services.

The City's income tax is at a rate of .75%. 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% for those who pay income tax to another 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 source of revenues very closely for fluctuations.

Police represents the largest expense of the governmental activities. This expense of \$1,480,341 represents 47% of the total expenses. This department operates out of the police fund.

**Business-Type Activities**

Business-type activities include water, sewer, sanitation, parking meter and off street parking operations. The revenues are generated primarily from charges for services. In 2004, charges for services of \$3,437,969 accounted for 98% of the business-type revenues. The total expenses for the utilities were \$3,231,575.

***The City's Funds***

Information about the City's governmental funds begins on page 27. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$3,345,510 and expenditures of \$3,533,534. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

Information about the proprietary funds starts on page 27. These funds are accounted for on an accrual basis. All business type funds had operating expenses of \$3,065,844 which was less than operating revenues of \$3,473,625 by \$407,781 or 12% of operating revenues.

***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 2004, 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, budget basis revenue and other financing sources was \$1,965,162, higher than the original budget estimates of \$1,900,000. Of this approximate \$65,162 increase, most was attributable to increase in income tax collections and a decrease in intergovernmental revenue.

Final appropriations of \$1,965,102, were \$297,355 higher than the \$1,667,747 in the original budget.

**City of Martins Ferry**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*(Unaudited)*

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of year 2004, the City had \$14,409,393 invested in land, buildings, construction in progress, improvements, machinery and equipment, infrastructure and vehicles. A total of \$2,580,918 of this was for governmental activities with the remainder attributable to business-type activities. Table 3 shows fiscal year 2004 balances compared with 2003.

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

	Governmental Activities		Business-Type Activities		Total	
	2004	Restated 2003	2004	Restated 2003	2004	Restated 2003
Land	\$ 860,641	\$ 860,641	\$ 158,570	\$ 158,570	\$ 1,019,211	\$ 1,019,211
Buildings	736,463	768,338	4,614,559	4,762,606	5,351,022	5,530,944
Improvements Other Than Buildings	98,346	101,176	908,203	951,650	1,006,549	1,052,826
Machinery and Equipment	37,734	18,232	2,612,408	2,703,714	2,650,142	2,721,946
Vehicles	505,226	590,911	63,377	91,062	568,603	681,973
Infrastructure	118,158	0	983,925	1,014,673	1,102,083	1,014,673
Construction in Progress	224,350	0	2,487,433	0	2,711,783	0
<b>Totals</b>	<b>\$ 2,580,918</b>	<b>\$ 2,339,298</b>	<b>\$ 11,828,475</b>	<b>\$ 9,682,275</b>	<b>\$ 14,409,393</b>	<b>\$ 12,021,573</b>

The \$2,387,820 increase in capital assets was attributable to additional purchases exceeding depreciation expense. Note 11 provides capital asset activity during the 2004 year.

**City of Martins Ferry**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*(Unaudited)*

**Debt**

The outstanding debt for the City as of December 31, 2004 was \$9,749,042 with \$579,992 due within one year. Table 4 summarizes outstanding debt.

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

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Installment Loans	\$ 19,503	\$ 112,157	\$ 31,928	\$ 47,396	\$ 51,431	\$ 159,553
General Obligation Bonds	27,000	36,000	0	0	27,000	36,000
OPWC Loans	9,277	9,778	18,500	19,500	27,777	29,278
OWDA Loans	0	0	8,348,430	8,067,509	8,348,430	8,067,509
Police and Fire Pension	199,404	202,564	0	0	199,404	202,564
Notes Payable	981,500	730,000	113,500	100,000	1,095,000	830,000
<i>Total</i>	<u>\$ 1,236,684</u>	<u>\$ 1,090,499</u>	<u>\$ 8,512,358</u>	<u>\$ 8,234,405</u>	<u>\$ 9,749,042</u>	<u>\$ 9,324,904</u>

Additional information concerning the City's debt can be found in Note 17 and 18 to the basic financial statements.

***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@1st.net.

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**City of Martins Ferry**  
*Statement of Net Assets*  
*December 31, 2004*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 967,177	\$ 266,425	\$ 1,233,602
Investments	2,437,660	0	2,437,660
Taxes Receivable	1,074,009	0	1,074,009
Accounts Receivable	230,777	301,979	532,756
Accrued Interest Receivable	3,890	0	3,890
Intergovernmental Receivable	875,623	0	875,623
Loans Receivable	77,997	0	77,997
Materials and Supplies Inventory	36,016	53,677	89,693
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	0	7,622	7,622
Non-Depreciable Capital Assets	1,084,991	2,646,003	3,730,994
Depreciable Capital Assets, Net	1,495,927	9,182,472	10,678,399
<i>Total Assets</i>	<u>8,284,067</u>	<u>12,458,178</u>	<u>20,742,245</u>
<b>Liabilities</b>			
Accounts Payable	56,173	59,845	116,018
Accrued Wages	25,573	20,226	45,799
Contracts Payable	0	1,136,252	1,136,252
Intergovernmental Payable	86,654	50,779	137,433
Customer Deposits Payable	0	7,622	7,622
Accrued Interest Payable	17,039	2,544	19,583
Deferred Revenue	394,380	0	394,380
Notes Payable	336,500	13,500	350,000
Long-Term Liabilities:			
Due Within One Year	51,390	225,776	277,166
Due in More Than One Year	894,205	8,375,739	9,269,944
<i>Total Liabilities</i>	<u>1,861,914</u>	<u>9,892,283</u>	<u>11,754,197</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	1,880,138	3,329,617	5,209,755
Restricted for Capital Outlay	2,372,905	0	2,372,905
Restricted for Other Purposes	373,789	0	373,789
Unrestricted	1,795,321	(763,722)	1,031,599
<i>Total Net Assets</i>	<u>\$ 6,422,153</u>	<u>\$ 2,565,895</u>	<u>\$ 8,988,048</u>

See accompanying notes.

**City of Martins Ferry**  
**Statement of Activities**  
For the Year Ended December 31, 2004

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$ 502,242	\$ 77,764	\$ 0	\$ 0	\$ (424,478)	\$ 0	\$ (424,478)
Security of Persons and Property	1,480,341	151,234	0	0	(1,329,107)	0	(1,329,107)
Public Health Services	98,547	42,626	0	0	(55,921)	0	(55,921)
Leisure Time Activities	96,103	1,003	0	0	(95,100)	0	(95,100)
Community and Economic Development	347,956	2,755	633,946	12,499	301,244	0	301,244
Transportation	592,280	0	230,660	0	(361,620)	0	(361,620)
Interest and Fiscal Charges	37,844	0	0	0	(37,844)	0	(37,844)
<i>Total Governmental Activities</i>	<u>3,155,313</u>	<u>275,382</u>	<u>864,606</u>	<u>12,499</u>	<u>(2,002,826)</u>	<u>0</u>	<u>(2,002,826)</u>
<b>Business-Type Activities:</b>							
Water Fund	2,295,110	2,505,525	400	0	0	210,815	210,815
Sanitation Fund	611,205	618,728	0	0	0	7,523	7,523
Sewer Fund	274,549	276,209	0	291	0	1,951	1,951
Parking Meter Fund	50,431	37,507	0	0	0	(12,924)	(12,924)
Off Street Parking Fund	280	0	0	0	0	(280)	(280)
<i>Total Business-Type Activities</i>	<u>3,231,575</u>	<u>3,437,969</u>	<u>400</u>	<u>291</u>	<u>0</u>	<u>207,085</u>	<u>207,085</u>
<i>Total - Primary Government</i>	<u>\$ 6,386,888</u>	<u>\$ 3,713,351</u>	<u>\$ 865,006</u>	<u>\$ 12,790</u>	<u>(2,002,826)</u>	<u>207,085</u>	<u>(1,795,741)</u>
<b>General Revenues:</b>							
Property Taxes Levied for:							
General Purposes					137,845	0	137,845
Other Purposes					148,391	0	148,391
Income Taxes Levied for General Purposes					1,032,181	0	1,032,181
Grants and Entitlements not Restricted to Specific Programs					762,038	0	762,038
Investment Earnings					139,866	1,092	140,958
Miscellaneous					78,570	80,245	158,815
<i>Total General Revenues</i>					<u>2,298,891</u>	<u>81,337</u>	<u>2,380,228</u>
Transfers					(138,345)	138,345	0
<i>Total General Revenues and Transfers</i>					<u>2,160,546</u>	<u>219,682</u>	<u>2,380,228</u>
<i>Change in Net Assets</i>					157,720	426,767	584,487
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>					<u>6,264,433</u>	<u>2,139,128</u>	<u>8,403,561</u>
<i>Net Assets End of Year</i>					<u>\$ 6,422,153</u>	<u>\$ 2,565,895</u>	<u>\$ 8,988,048</u>

See accompanying notes.



**City of Martins Ferry**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2004*

	General	Street Maintenance & Repair	Fire Apparatus Levy III	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$ 115,830	\$ 101,570	\$ 290,967	\$ 69,539	\$ 389,271	\$ 967,177
Investments	0	0	0	2,298,000	139,660	2,437,660
Taxes Receivable	637,622	0	117,024	0	319,363	1,074,009
Accounts Receivable	49,938	12,342	0	0	168,497	230,777
Accrued Interest Receivable	3,752	0	0	0	138	3,890
Intergovernmental Receivable	185,305	140,777	2,989	0	546,552	875,623
Loans Receivable	77,997	0	0	0	0	77,997
Materials and Supplies Inventory	31,581	4,199	0	0	236	36,016
<i>Total Assets</i>	<u>\$ 1,102,025</u>	<u>\$ 258,888</u>	<u>\$ 410,980</u>	<u>\$ 2,367,539</u>	<u>\$ 1,563,717</u>	<u>\$ 5,703,149</u>
<b>Liabilities</b>						
Accounts Payable	\$ 5,694	\$ 11,286	\$ 0	8,055	\$ 31,138	\$ 56,173
Accrued Wages	16,315	5,676	0	0	3,582	25,573
Intergovernmental Payable	39,595	9,593	0	0	8,639	57,827
Accrued Interest Payable	63	156	16,318	0	502	17,039
Deferred Revenue	589,669	90,089	120,013	0	951,158	1,750,929
Notes Payable	24,725	61,775	250,000	0	0	336,500
<i>Total Liabilities</i>	<u>676,061</u>	<u>178,575</u>	<u>386,331</u>	<u>8,055</u>	<u>995,019</u>	<u>2,244,041</u>
<b>Fund Balances</b>						
Reserved for Encumbrances	3,310	4,842	0	60,781	114,263	183,196
Reserved for Inventory	31,581	4,199	0	0	236	36,016
Reserved for Loans Receivable	77,997	0	0	0	0	77,997
Unreserved, Undesignated, Reported in:						
General Fund	313,076	0	0	0	0	313,076
Special Revenue Funds	0	71,272	24,649	0	447,373	543,294
Capital Projects Funds	0	0	0	2,298,703	6,826	2,305,529
<i>Total Fund Balances</i>	<u>425,964</u>	<u>80,313</u>	<u>24,649</u>	<u>2,359,484</u>	<u>568,698</u>	<u>3,459,108</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,102,025</u>	<u>\$ 258,888</u>	<u>\$ 410,980</u>	<u>\$ 2,367,539</u>	<u>\$ 1,563,717</u>	<u>\$ 5,703,149</u>

See accompanying notes.

**City of Martins Ferry**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2004*

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**Total Governmental Fund Balances** \$ 3,459,108

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

Capital assets used in governmental activities are not financial  
 resources and therefore are not reported in the funds 2,580,918

Other long-term assets are not available to pay for current-  
 period expenditures and therefore are deferred in the funds:

Property Taxes	\$ 432,716
Income Taxes	38,444
Intergovernmental	736,674
Charges for Services	<u>148,715</u>

Total 1,356,549

Intergovernmental payable includes contractually required  
 pension contributions not expected to be paid with  
 expendable available financial resources and therefore  
 not reported in the funds. (28,827)

Long-term liabilities are not due and payable in the current  
 period and therefore are not reported in the funds:

OPWC Loan	(9,277)
Installment Loans Payable	(19,503)
Long-Term Bond Anticipation Notes	(645,000)
General Obligation Bonds	(27,000)
Police and Fire Pension	(199,404)
Compensated Absences	<u>(45,411)</u>

Total (945,595)

*Net Assets of Governmental Activities* \$ 6,422,153

See accompanying notes.

**City of Martins Ferry**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*December 31, 2004*

	General	Street Maintenance & Repair	Fire Apparatus Levy III	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property Taxes	\$ 198,632	\$ 0	\$ 57,695	\$ 0	\$ 185,493	\$ 441,820
Income Taxes	1,012,955	0	0	0	0	1,012,955
Charges for Services	92	0	0	0	232,462	232,554
Licenses and Permits	48,207	0	0	0	8,630	56,837
Fines and Forfeitures	26,258	0	0	0	19,403	45,661
Intergovernmental	446,109	283,269	7,076	0	598,038	1,334,492
Interest	136,603	369	0	0	2,894	139,866
Rent	2,755	0	0	0	0	2,755
Other	16,303	16,655	0	0	45,612	78,570
<i>Total Revenues</i>	<u>1,887,914</u>	<u>300,293</u>	<u>64,771</u>	<u>0</u>	<u>1,092,532</u>	<u>3,345,510</u>
<b>Expenditures</b>						
Current:						
General Government	505,836	0	0	0	0	505,836
Security of Persons and Property	1,115,083	0	3,306	0	302,052	1,420,441
Public Health Services	27,526	0	0	0	65,795	93,321
Lesiure Time Activities	0	0	0	0	60,700	60,700
Community and Economic Development	0	0	0	0	346,395	346,395
Transportation	0	445,914	0	0	87,259	533,173
Capital Outlay	0	0	0	187,284	222,310	409,594
Debt Service:						
Principal Retirement	12,038	0	0	81,636	32,556	126,230
Interest and Fiscal Charges	949	156	20,754	3,106	12,879	37,844
<i>Total Expenditures</i>	<u>1,661,432</u>	<u>446,070</u>	<u>24,060</u>	<u>272,026</u>	<u>1,129,946</u>	<u>3,533,534</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>226,482</u>	<u>(145,777)</u>	<u>40,711</u>	<u>(272,026)</u>	<u>(37,414)</u>	<u>(188,024)</u>
<b>Other Financing Sources (Uses)</b>						
Transfers In	0	201,342	0	0	87,245	288,587
Proceeds of Notes	20,915	0	625,000	0	20,000	665,915
Transfers Out	(424,343)	0	0	0	(2,589)	(426,932)
<i>Total Other Financing Sources (Uses)</i>	<u>(403,428)</u>	<u>201,342</u>	<u>625,000</u>	<u>0</u>	<u>104,656</u>	<u>527,570</u>
<i>Net Change in Fund Balance</i>	<u>(176,946)</u>	<u>55,565</u>	<u>665,711</u>	<u>(272,026)</u>	<u>67,242</u>	<u>339,546</u>
<i>Fund Balance (Deficit) Beginning of Year</i>	574,876	23,110	(641,062)	2,631,510	501,784	3,090,218
Increase (Decrease) in Reserve for Inventory	28,034	1,638	0	0	(328)	29,344
<i>Fund Balance (Deficit) End of Year</i>	<u>\$ 425,964</u>	<u>\$ 80,313</u>	<u>\$ 24,649</u>	<u>\$ 2,359,484</u>	<u>\$ 568,698</u>	<u>\$ 3,459,108</u>

See accompanying notes.

**City of Martins Ferry**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
December 31, 2004*

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**Net Change in Fund Balances - Total Governmental Funds** \$ 339,546

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

Governmental funds report capital outlays as expenditures.

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

Capital Asset Additions	\$ 461,596	
Current Year Depreciation	(219,976)	
Total		241,620

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	(155,584)	
Deferred Income Taxes	19,226	
Charges for Services	(62,425)	
Intergovernmental	304,651	
Total		105,868

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

Installment Loan Principal	113,569	
General Obligation Bonds Principal	9,000	
OPWC Loan Principal	501	
Police and Fire Pension Principal	3,160	
Total		126,230

Loan proceeds in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenues in the statement of activities. (665,915)

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

Compensated Absences	(26,592)	
Pension Obligations	7,619	
Change in Inventory	29,344	
Total		10,371

*Change in Net Assets of Governmental Activities* \$ 157,720

See accompanying notes.

**City of Martins Ferry**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 33,873	\$ 199,026	\$ 198,632	\$ (394)
Income Taxes	173,127	1,017,241	1,017,240	(1)
Charges for Services	215	92	92	0
Licenses and Permits	112,740	48,226	48,207	(19)
Fines and Forfeitures	61,883	26,470	26,258	(212)
Intergovernmental	1,085,347	464,249	464,034	(215)
Interest	310,526	132,825	137,244	4,419
Rent	0	0	2,755	2,755
Other	38,224	16,350	16,303	(47)
<i>Total Revenues</i>	1,815,935	1,904,479	1,910,765	6,286
<b>Expenditures</b>				
Current:				
General Government	464,797	515,023	505,824	9,199
Security of Persons and Property	1,014,150	1,155,628	1,146,199	9,429
Public Health Services	28,500	27,526	27,526	0
Debt Service:				
Principal Retirement	0	12,096	12,038	58
Interest and Fiscal Charges	0	829	886	(57)
<i>Total Expenditures</i>	1,507,447	1,711,102	1,692,473	18,629
<i>Excess of Revenues Over Expenditures</i>	308,488	193,377	218,292	24,915
<b>Other Financing Sources (Uses)</b>				
Proceeds of Loans	48,997	45,683	45,640	(43)
Transfers Out	(160,300)	(254,000)	(324,343)	(70,343)
Other Financing Sources	35,068	15,000	7,715	(7,285)
<i>Total Other Financing Sources (Uses)</i>	(76,235)	(193,317)	(270,988)	(77,671)
<i>Net Change in Fund Balance</i>	232,253	60	(52,696)	(52,756)
<i>Fund Balance Beginning of Year</i>	132,383	132,383	132,383	0
Prior Year Encumbrances Appropriated	30,164	30,164	30,164	0
<i>Fund Balance End of Year</i>	\$ 394,800	\$ 162,607	\$ 109,851	\$ (52,756)

See accompanying notes.

**City of Martins Ferry**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Street Maintenance & Repair Fund*  
*For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Intergovernmental	\$ 197,182	\$ 265,718	\$ 265,717	\$ (1)
Interest	271	365	369	4
Other	3,221	4,340	4,313	(27)
<i>Total Revenues</i>	<u>200,674</u>	<u>270,423</u>	<u>270,399</u>	<u>(24)</u>
<b>Expenditures</b>				
Current:				
Transportation	325,500	463,718	458,277	5,441
<i>Total Expenditures</i>	<u>325,500</u>	<u>463,718</u>	<u>458,277</u>	<u>5,441</u>
<i>Excess of Revenues (Under) Expenditures</i>	<u>(124,826)</u>	<u>(193,295)</u>	<u>(187,878)</u>	<u>5,417</u>
<b>Other Financing Sources</b>				
Proceeds of Loans	0	61,775	61,775	0
Transfers In	99,326	133,850	201,342	67,492
<i>Total Other Financing Sources</i>	<u>99,326</u>	<u>195,625</u>	<u>263,117</u>	<u>67,492</u>
<i>Net Change in Fund Balance</i>	(25,500)	2,330	75,239	72,909
<i>Fund Balance Beginning of Year</i>	15,720	15,720	15,720	0
Prior Year Encumbrances Appropriated	5,490	5,490	5,490	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$ (4,290)</u>	<u>\$ 23,540</u>	<u>\$ 96,449</u>	<u>\$ 72,909</u>

See accompanying notes.

**City of Martins Ferry**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Fire Apparatus Levy III Fund*  
*For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property Taxes	\$ 62,000	\$ 57,702	\$ 57,695	\$ (7)
Intergovernmental	3,928	7,094	7,076	(18)
<i>Total Revenues</i>	<u>65,928</u>	<u>64,796</u>	<u>64,771</u>	<u>(25)</u>
<b>Expenditures</b>				
Current:				
Security of Persons and Property	2,600	4,021	3,306	715
Debt Service:				
Principal Retirement	400,000	700,000	700,000	0
Interest and Fiscal Charges	<u>0</u>	<u>12,079</u>	<u>12,078</u>	<u>1</u>
<i>Total Expenditures</i>	<u>402,600</u>	<u>716,100</u>	<u>715,384</u>	<u>716</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(336,672)</u>	<u>(651,304)</u>	<u>(650,613)</u>	<u>691</u>
<b>Other Financing Sources</b>				
Proceeds of Loans	<u>346,072</u>	<u>647,204</u>	<u>875,000</u>	<u>227,796</u>
<i>Net Change in Fund Balance</i>	9,400	(4,100)	224,387	228,487
<i>Fund Balance at Beginning of Year</i>	<u>66,580</u>	<u>66,580</u>	<u>66,580</u>	<u>0</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 75,980</u>	<u>\$ 62,480</u>	<u>\$ 290,967</u>	<u>\$ 228,487</u>

See accompanying notes.

**City of Martins Ferry**  
*Statement of Fund Net Assets*  
*Proprietary Funds*  
*December 31, 2004*

	Water	Sanitation	Other Enterprise Funds	Totals
<b>Assets:</b>				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$ 197,820	\$ 3,527	\$ 65,078	\$ 266,425
Accounts Receivable	245,862	36,179	19,938	301,979
Materials and Supplies Inventory	53,107	342	228	53,677
<i>Total Current Assets</i>	<u>496,789</u>	<u>40,048</u>	<u>85,244</u>	<u>622,081</u>
<i>Non-Current Assets:</i>				
<i>Restricted Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	4,118	3,504	0	7,622
Non-Depreciable Capital Assets	2,641,003	5,000	0	2,646,003
Depreciable Capital Assets, Net	9,022,523	94,173	65,776	9,182,472
<i>Total Non-Current Assets</i>	<u>11,667,644</u>	<u>102,677</u>	<u>65,776</u>	<u>11,836,097</u>
<i>Total Assets</i>	<u>12,164,433</u>	<u>142,725</u>	<u>151,020</u>	<u>12,458,178</u>
<b>Liabilities</b>				
<i>Current Liabilities:</i>				
Accounts Payable	42,846	16,033	966	59,845
Accrued Wages	12,542	5,639	2,045	20,226
Contracts Payable	1,136,252	0	0	1,136,252
Customer Deposits Payable	4,118	3,504	0	7,622
Intergovernmental Payable	30,419	12,826	7,534	50,779
Compensated Absences Payable	16,990	1,869	0	18,859
Accrued Interest Payable	2,544	0	0	2,544
Notes Payable	13,500	0	0	13,500
Installment Loan Payable	0	16,268	0	16,268
OPWC Loan Payable	1,000	0	0	1,000
OWDA Loans Payable	189,649	0	0	189,649
<i>Total Current Liabilities</i>	<u>1,449,860</u>	<u>56,139</u>	<u>10,545</u>	<u>1,516,544</u>
<i>Long-Term Liabilities:</i>				
Compensated Absences Payable - net of current portion	55,010	20,404	8,384	83,798
Notes Payable	100,000	0	0	100,000
Installment Loan Payable - net of current portion	0	15,660	0	15,660
OPWC Loan Payable - net of current portion	17,500	0	0	17,500
OWDA Loans Payable - net of current portion	8,158,781	0	0	8,158,781
<i>Total Long-Term Liabilities</i>	<u>8,331,291</u>	<u>36,064</u>	<u>8,384</u>	<u>8,375,739</u>
<i>Total Liabilities</i>	<u>9,781,151</u>	<u>92,203</u>	<u>18,929</u>	<u>9,892,283</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	3,196,596	67,245	65,776	3,329,617
Unrestricted	(813,314)	(16,723)	66,315	(763,722)
<i>Total Net Assets</i>	<u>\$ 2,383,282</u>	<u>\$ 50,522</u>	<u>\$ 132,091</u>	<u>\$ 2,565,895</u>

See accompanying notes.



**City of Martins Ferry**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Funds*  
*For the Year Ended December 31, 2004*

	Enterprise Funds			Totals
	Water	Sanitation	Other Enterprise Funds	
<b>Operating Revenue</b>				
Charges for Services	\$ 2,505,525	\$ 618,728	\$ 313,716	\$ 3,437,969
Other	15,885	7,280	12,491	35,656
<i>Total Operating Revenues</i>	<u>2,521,410</u>	<u>626,008</u>	<u>326,207</u>	<u>3,473,625</u>
<b>Operating Expenses</b>				
Personal Services	939,100	350,080	248,483	1,537,663
Contractual Services	558,381	187,755	22,722	768,858
Materials and Supplies	254,466	42,512	44,807	341,785
Depreciation	379,643	28,647	9,248	417,538
<i>Total Operating Expenses</i>	<u>2,131,590</u>	<u>608,994</u>	<u>325,260</u>	<u>3,065,844</u>
<i>Operating Income</i>	<u>389,820</u>	<u>17,014</u>	<u>947</u>	<u>407,781</u>
<b>Non-Operating Revenues (Expenses)</b>				
Interest	1,092	0	0	1,092
Intergovernmental	400	0	0	400
Other Non-Operating Revenues	36,127	4,231	4,231	44,589
Interest and Fiscal Charges	(163,520)	(2,211)	0	(165,731)
Special Assessments	0	0	291	291
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(125,901)</u>	<u>2,020</u>	<u>4,522</u>	<u>(119,359)</u>
<i>Income Before Transfers</i>	263,919	19,034	5,469	288,422
Operating Transfer In	100,000	50,000	0	150,000
Operating Transfer Out	0	0	(11,655)	(11,655)
<i>Change in Net Assets</i>	363,919	69,034	(6,186)	426,767
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>	<u>2,019,363</u>	<u>(18,512)</u>	<u>138,277</u>	<u>2,139,128</u>
<i>Net Assets End of Year</i>	<u>\$ 2,383,282</u>	<u>\$ 50,522</u>	<u>\$ 132,091</u>	<u>\$ 2,565,895</u>

See accompanying notes.

**City of Martins Ferry**  
**Statement of Cash Flows**  
**Proprietary Funds**  
For the Year Ended December 31, 2004

	Enterprise Funds			
	Water	Sanitation	Other Enterprise Funds	Totals
<b>Increase (Decrease) in Cash and Cash Equivalents</b>				
<b>Cash flows from Operating Activities</b>				
Cash Received from Customers	\$ 2,446,413	\$ 602,744	\$ 306,794	\$ 3,355,951
Other Operating Receipts	15,885	7,280	12,491	35,656
Cash Payments to Suppliers for Goods and Services	(248,300)	(41,759)	(43,969)	(334,028)
Cash Payments for Employees Services and Benefits	(988,488)	(415,499)	(251,773)	(1,655,760)
Cash Payments for Contractual Services	587,902	(188,104)	(22,886)	376,912
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>1,813,412</u>	<u>(35,338)</u>	<u>657</u>	<u>1,778,731</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Intergovernmental Receipts	698,400	0	0	698,400
Special Assessments	0	0	291	291
Transfers In	0	50,000	0	50,000
Transfers Out	0	0	(11,655)	(11,655)
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>698,400</u>	<u>50,000</u>	<u>(11,364)</u>	<u>737,036</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Proceeds from Notes	113,500	0	0	113,500
Proceeds from OWDA Loans	652,781	0	0	652,781
Acquisition of Capital Assets	(2,551,557)	(7,309)	(4,872)	(2,563,738)
Principal Paid on OWDA Loans	(371,860)	0	0	(371,860)
Principal Paid on OPWC Loan	(1,000)	0	0	(1,000)
Principal Payments on Notes	(100,000)	(15,468)	0	(115,468)
Interest Paid on All Debt	(160,976)	(2,211)	0	(163,187)
<i>Net Cash (Used for) Capital and Related Financing Activities</i>	<u>(2,419,112)</u>	<u>(24,988)</u>	<u>(4,872)</u>	<u>(2,448,972)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	92,700	(10,326)	(15,579)	66,795
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>109,238</u>	<u>17,357</u>	<u>80,657</u>	<u>207,252</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 201,938</u>	<u>\$ 7,031</u>	<u>\$ 65,078</u>	<u>\$ 274,047</u>
<b>Reconciliation of Operating Income To Net Cash Provided by (Used for) Operating Activities:</b>				
Operating Income	\$ 389,820	\$ 17,014	\$ 947	\$ 407,781
Adjustments:				
Depreciation	379,643	28,647	9,248	417,538
<b>(Increase) Decrease in Assets:</b>				
Accounts Receivable	(59,077)	(16,526)	(6,922)	(82,525)
Materials and Supplies Inventory	(4,330)	(203)	66	(4,467)
<b>Increase (Decrease) in Liabilities:</b>				
Accounts Payable	28,026	607	608	29,241
Customers Deposits	(35)	542	0	507
Contracts Payable	1,128,753	0	0	1,128,753
Accrued Wages	(19,427)	(10,007)	(3,840)	(33,274)
Compensated Absences Payable	4,617	3,873	384	8,874
Intergovernmental Payable	(34,578)	(59,285)	166	(93,697)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$ 1,813,412</u>	<u>\$ (35,338)</u>	<u>\$ 657</u>	<u>\$ 1,778,731</u>

See accompanying notes.

**City of Martins Ferry**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Funds*  
*December 31, 2004*

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	<u>Agency</u>
<b>Assets</b>	
Cash and Cash Equivalents in Segregated Accounts	<u>\$ 27,182</u>
<b>Liabilities</b>	
Undistributed Monies	<u>\$ 27,182</u>

See accompanying notes.

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**City of Martins Ferry, Ohio**  
**Notes to the Basic Financial Statements**  
**December 31, 2004**

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

The City of Martins Ferry (the City) is a home rule municipal corporation organized under the laws of the State of Ohio which operates under its own charter. 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. Martins Ferry has a land area of 4,352 square acres and a 2001 census population of 7,226.

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.

***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".

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, Eastern Ohio Regional Wastewater 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 20.

**City of Martins Ferry, Ohio**  
**Notes to the Basic Financial Statements**  
**December 31, 2004**

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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 City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The entity has elected not to apply FASB pronouncements and Interpretations issued after November 30, 1989, to its business-type activities and enterprise funds. 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 assets 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 assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

The statement of net assets 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.

**City of Martins Ferry, Ohio**  
**Notes to the Basic Financial Statements**  
**December 31, 2004**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 is 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.

**Street Maintenance & Repair Fund** The street maintenance & repair special revenue fund is required by the Ohio Revised Code to account for state gasoline tax and motor vehicle registration fees designated for maintenance of streets within the City.

**Fire Apparatus Levy III Fund** The fire apparatus levy III special revenue fund is used to account for property taxes levied in the City for the purchase of an aerial fire truck.

**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 whose use is restricted to a particular purpose.

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

**Enterprise Funds** Enterprise funds may be using 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 sanitation service to the residents and commercial users located within the City.

**Fiduciary Funds** Fiduciary funds reporting focuses on net assets and changes in net assets. 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 funds account for money received and held until distribution requirement to others is met upon final plan approval.

**City of Martins Ferry, Ohio**  
**Notes to the Basic Financial Statements**  
**December 31, 2004**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***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 Assets. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

***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 assets. The statement of revenues, expenses and changes in fund net assets presents increases (i.e. revenues) and decreases (i.e. expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary 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 of accounting 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.



**City of Martins Ferry, Ohio**  
**Notes to the Basic Financial Statements**  
**December 31, 2004**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 8.) Revenue from grants, entitlements, and donations 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 the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: income tax, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fines and forfeitures, interest, grants and entitlements, and rentals.

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

***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.

**City of Martins Ferry, Ohio**  
**Notes to the Basic Financial Statements**  
**December 31, 2004**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

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. Pooled Cash and Cash Equivalents***

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. Each fund's 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 2004, the City's investments were limited to certificates of deposit and overnight sweep accounts.

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 2004 amounted to \$136,603, which includes \$122,775 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.

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

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory consists of expendable supplies.

**City of Martins Ferry, Ohio**  
**Notes to the Basic Financial Statements**  
**December 31, 2004**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***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.

***I. Capital Assets***

General capital assets are capital assets which 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 assets 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 assets 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. 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:

Buildings	40 - 50 Years
Building Improvements	10 - 40 Years
Equipment and Machinery	6 - 10 Years
Infrastructure	15 - 50 Years
Vehicles	5 Years

***J. 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, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent

**City of Martins Ferry, Ohio**  
**Notes to the Basic Financial Statements**  
**December 31, 2004**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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. The unmatured portion of these obligations should be reported as general long-term liabilities segregated between amounts due in one year and amounts due in more than one year.

***K. 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.

The entire compensated absence liability is reported on the government-wide financial statements.

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

***L. Fund Balance Reserves***

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves have been established for encumbrances, materials and supplies inventory and loans receivable.

***M. Net Assets***

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

Net assets restricted for other purposes include recreation, street construction and repair, and the operation of the police and fire departments.

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

**City of Martins Ferry, Ohio**  
**Notes to the Basic Financial Statements**  
**December 31, 2004**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***N. 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 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 nonoperating.

***O. 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.

***P. 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 2004.

***Q. 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.

**NOTE 3: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND  
BALANCE/NET ASSETS**

***Change in Accounting Principles*** For 2004, the City has implemented GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus," GASB Statement No. 38, "Certain Financial Statement Note Disclosures," and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements." At December 31, 2004, there was no effect on fund balance as a result of implementing GASB Statements No. 37 or No. 38.

GASB Statement No. 34 creates new basic financial statements for reporting on the City's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

**City of Martins Ferry, Ohio**  
**Notes to the Basic Financial Statements**  
**December 31, 2004**

**NOTE 3: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE/NET ASSETS (Continued)**

The government-wide financial statements split the City's programs for governmental activities and business-type activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at December 31, 2003, caused by the conversion to the accrual basis of accounting and the reclassification of funds based on the guidance provided in GASB Statement No. 34.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in the areas where differences have arisen, or potentially could arise, in the interpretation and practice. For 2004, the City increased its capitalization threshold to \$5,000. The City restated the capital asset balance at January 1, 2004 to include accumulated depreciation of \$3,621,719.

**Restatement of Fund Balance** The restatements for GASB Statement No. 34 and GASB Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the City as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	<u>General</u>	<u>Street Maintenance &amp; Repair</u>	<u>Fire Apparatus Levy III</u>	<u>Permanent Improvements</u>	<u>Aggregate Non-Major</u>	<u>Total</u>
Fund Balances 12/31/03	\$ 489,164	\$ 23,110	\$ 58,938	\$2,631,510	\$ 617,496	\$ 3,820,218
Capital Assets, 12/31/03						6,333,309
Change in Value of Capital Assets: Cost						(372,292)
GASB 34 Adjustments:						
Change in Value of Capital Assets:						
Accumulated Depreciation						<u>(3,621,719)</u>
<i>Adjusted Capital Assets, 1/1/04</i>						2,339,298
Compensated Absences						(18,819)
Pension Obligations						(36,446)
Long-Term (Deferred) Assets						1,250,681
Long-term Liabilities						<u>(1,090,499)</u>
Governmental Activities Net Assets, 1/1/04						<u>\$ 6,264,433</u>

**City of Martins Ferry, Ohio**  
**Notes to the Basic Financial Statements**  
**December 31, 2004**

**NOTE 3: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE/NET ASSETS (Continued)**

In 2004, the City increased its capitalization threshold to \$5,000. As a result, the cost of capital assets in business-type funds decreased by \$330,082 and the accumulated depreciation decreased by \$300,388. In addition, intergovernmental receivable was overstated by \$53,100 in the water fund for year end 2003. To correct for these, the beginning net asset balances have been restated as follows:

	Previously Stated Balance <u>12/31/2003</u>	<u>Adjustments</u>	Restated Balance <u>1/1/2004</u>
Water	\$ 2,095,149	\$ (75,786)	\$ 2,019,363
Sanitation	(17,347)	(1,165)	(18,512)
Other Enterprise Funds	<u>144,120</u>	<u>(5,843)</u>	<u>138,277</u>
 Total Business-Type Activities	 <u>\$ 2,221,922</u>	 <u>\$ (82,794)</u>	 <u>\$ 2,139,128</u>

**NOTE 4: 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, the Street Maintenance & Repair and Fire Apparatus Levy III major special revenue funds 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. 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, the Street Maintenance & Repair and Fire Apparatus Levy III major special revenue funds:

**City of Martins Ferry, Ohio**  
**Notes to the Basic Financial Statements**  
**December 31, 2004**

**NOTE 4: BUDGETARY BASIS OF ACCOUNTING (Continued)**

**Net Change in Fund Balance**

	<u>General</u>	<u>Street Maintenance &amp; Repair</u>	<u>Fire Apparatus Levy III</u>
GAAP Basis	\$ (176,946)	\$ 55,565	\$ 665,711
Revenue Accruals	55,291	31,881	250,000
Expenditure Accruals	74,938	(7,086)	(691,324)
Encumbrances	<u>(5,979)</u>	<u>(5,121)</u>	<u>0</u>
Budget basis	<u>\$ (52,696)</u>	<u>\$ 75,239</u>	<u>\$ 224,387</u>

**NOTE 5: A. FUND DEFICIT**

The Recreation Non-Major Special Revenue Fund had a fund deficit balance at December 31, 2004 in the amount of \$18,886.

The deficit in this fund resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in this fund and will provide operating transfers when cash is required, not when accruals occur.

**NOTE 5: B. COMPLIANCE**

The following funds had estimated receipts in excess of actual receipts, thus reducing available resources below the current level of appropriation, and allowing expenditures or expenditures plus outstanding encumbrances to exceed appropriations, contrary to section 5705.36, Revised Code:

<u>Fund Type</u>	<u>Estimated Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
Clean Ohio Revitalization	\$213,430	\$138,612	\$74,818
Water	2,000,000	1,975,826	24,174
Water Replacement and Improvement	2,650,000	565,683	2,084,317

The City will monitor estimated receipts levels in the future to ensure that increased/decreased amended certificates are requested when necessary.



**City of Martins Ferry, Ohio**  
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**NOTE 5: B. COMPLIANCE (Continued)**

The following funds had expenditures which exceeded appropriations, contrary to Section 5705.41 (B), Revised Code:

Fund Type	Appropriations	Expenditures	Variance
General	\$1,995,266	\$2,016,816	(\$21,550)
Clean Ohio Revitalization	15,000	213,430	(198,430)
Federal Emergency Management Agency	922	6,595	(5,673)
Water	1,979,208	1,985,076	(5,868)
Water Replacement & Improvement	750,000	2,611,620	(1,861,620)
Refundable Security Deposits	0	4,938	(4,938)

The City will monitor all expenditures at the legal level of control to ensure expenditures remain within their respective budgeted amounts.

**NOTE 6: DEPOSITS AND 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 five-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;

**City of Martins Ferry, Ohio**  
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**NOTE 6: DEPOSITS AND INVESTMENTS (Continued)**

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;
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;

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.

***Cash on Hand.*** At year end, the City had \$225 in undeposited cash on hand which is included on the balance sheet of the City as part of "equity in pooled cash and cash equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

***Deposits.*** At year-end, the carrying amount of the City's deposits was \$2,594,951, and the bank balance was \$3,729,844. Of the bank balance:

1. \$300,000 was covered by federal depository insurance.
2. \$3,429,844 was uninsured and uncollateralized. Although the collateral for the securities was held by the pledging financial institutions' trust department in the City's name and all statutory requirements for the deposit of money had been followed, non-compliance with Federal requirements would potentially subject the City to a successful claim by the FDIC.

**City of Martins Ferry, Ohio**  
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**NOTE 6: DEPOSITS AND INVESTMENTS (Continued)**

*Investments.* City investments are required to be categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the City's name.

	Category 3	Carrying Amount	Fair Value
Repurchase Agreement	\$ 1,111,115	\$ 1,111,115	\$ 1,111,115

The classification of cash and cash equivalents, and investments on the financial statements is based on criteria set forth in GASB Statements No. 9. Cash and cash equivalents are defined to include investments with original maturities of three months or less.

A reconciliation between the classifications of cash and cash equivalents and investments on the financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$ 1,268,406	\$ 2,437,660
Certificates of Deposit with Maturities of Greater Than 3 months	2,437,660	(2,437,660)
Repurchase Agreement	(1,111,115)	1,111,115
GASB Statement 3	\$ 2,594,951	\$ 1,111,115

**City of Martins Ferry, Ohio**  
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**December 31, 2004**

**NOTE 7 – INTERFUND TRANSFERS**

Following is a summary of interfund transfers in and out for all funds for 2004:

Fund	Transfer In	Transfer Out
Major Governmental Funds:		
General	\$ 0	\$ 424,343
Street Maintenance & Repair	201,342	0
Non-Major Governmental Funds:		
Recreation	61,000	0
Permissive City	4,000	0
Cemetery	8,000	0
Pattons Run	11,655	0
CDBG Grant	2,590	2,589
Total Non-Major Governmental Funds	87,245	2,589
Major Proprietary Funds:		
Water	100,000	0
Sanitation	50,000	0
Non-Major Proprietary Funds:		
Sewer	0	11,655
Totals	\$438,587	\$438,587

The General Fund transfers to the other funds were made to provide additional resources for current operations and capital improvements. The Sewer Fund transferred fund to Pattons Run Fund for the payment of debt.

**NOTE 8: PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2004 for real and public utility property taxes represents collections of the 2003 taxes. Property tax payments received during 2004 for tangible personal property (other than public utility property) is for 2004 taxes.

2004 real property taxes were levied after October 1, 2004 on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2004 real property taxes are collected in and intended to finance 2005.

Public utility tangible personal property currently is assessed at varying percentages of true collected value; public utility real property is assessed at 35 percent of true value. 2004 public utility property taxes which

**City of Martins Ferry, Ohio**  
**Notes to the Basic Financial Statements**  
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**NOTE 8: PROPERTY TAXES (Continued)**

became a lien December 31, 2003, are levied after October 1, 2004, and are collected in 2005 with real property taxes.

2004 tangible personal property taxes are levied after October 1, 2003, on the values as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are 25 percent of true value for machinery and equipment and 23 percent for inventory.

The full tax rate for all City operations for the year ended December 31, 2004 was \$7.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property	\$ 54,606,080
Tangible Personal Property	18,242,780
Public Utilities	<u>4,511,000</u>
Total	<u>\$ 77,359,860</u>

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 September 20.

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which became measurable as of December 31, 2004. Total property tax collections will not be received during the available period nor are intended to finance 2004 operations, the receivable is offset by a credit to deferred revenue. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

**NOTE 9: RECEIVABLES**

Receivables at December 31, 2004 consisted of taxes, accounts (billings for user charged services), mortgage loans, interest and intergovernmental receivables arising from entitlements and shared revenues. All receivables are deemed collectible in full.

The General Fund reflects mortgage loans receivable of \$77,997. 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.

**City of Martins Ferry, Ohio**  
**Notes to the Basic Financial Statements**  
**December 31, 2004**

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**NOTE 9: RECEIVABLES (Continued)**

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amount</u>
Local Government Funding	\$174,273
Homestead/Rollback	22,746
Motor Vehicle License and Gas Tax Fund Grants	152,143
Permissive Tax Fund Grant	16,062
CDBG Grant Funds	<u>510,399</u>
 Total	 <u><u>\$875,623</u></u>

**NOTE 10: INCOME TAX**

The City levies a municipal income tax of .75% 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% 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 2004, the proceeds were allocated to the General Fund.

**City of Martins Ferry, Ohio**  
**Notes to the Basic Financial Statements**  
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**NOTE 11: CAPITAL ASSETS**

A summary of changes in capital assets during 2004 follows:

	Restated Balance 1/1/2004	Additions	Reductions	Balance 12/31/2004
<b>Governmental Activities</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 860,641	\$ 0	\$ 0	\$ 860,641
Construction in Progress	0	224,350	0	224,350
<i>Total Capital Assets Not Being Depreciated</i>	<u>860,641</u>	<u>224,350</u>	<u>0</u>	<u>1,084,991</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings	1,705,241	0	0	1,705,241
Building Improvements	738,565	15,240	0	753,805
Equipment and Machinery	306,260	25,017	0	331,277
Infrastructure	0	118,670	0	118,670
Vehicles	2,350,310	78,319	0	2,428,629
<i>Total Capital Assets, Being Depreciated</i>	<u>5,100,376</u>	<u>237,246</u>	<u>0</u>	<u>5,337,622</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(936,903)	(31,875)	0	(968,778)
Building Improvements	(637,389)	(18,070)	0	(655,459)
Equipment and Machinery	(288,028)	(5,515)	0	(293,543)
Infrastructure	0	(512)	0	(512)
Vehicles	(1,759,399)	(164,004)	0	(1,923,403)
<i>Total Accumulated Depreciation</i>	<u>(3,621,719)</u>	<u>(219,976)</u>	<u>0</u>	<u>(3,841,695)</u>
<i>Total Capital Assets, Being Depreciated, Net</i>	<u>1,478,657</u>	<u>17,270</u>	<u>0</u>	<u>1,495,927</u>
<i>Total Governmental Activities Capital Assets, Net</i>	<u>\$ 2,339,298</u>	<u>\$ 241,620</u>	<u>\$ 0</u>	<u>\$ 2,580,918</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 53,371
Security of Persons and Property	72,167
Public Health Services	5,205
Transportation	52,610
Community and Economic Development	1,220
Leisure Time Activities	35,403
Total	<u>\$ 219,976</u>

**City of Martins Ferry, Ohio**  
**Notes to the Basic Financial Statements**  
**December 31, 2004**

**NOTE 11: CAPITAL ASSETS (Continued)**

	Restated Balance 1/1/2004	Additions	Reductions	Balance 12/31/2004
<b>Business-Type Activities</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 158,570	\$ 0	\$ 0	\$ 158,570
Construction in Progress	0	2,487,433	0	2,487,433
<i>Total Capital Assets Not Being Depreciated</i>	<u>158,570</u>	<u>2,487,433</u>	<u>0</u>	<u>2,646,003</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings	5,892,172	0	0	5,892,172
Building Improvements	1,037,946	6,250	0	1,044,196
Equipment and Machinery	6,337,128	70,055	0	6,407,183
Infrastructure	1,229,906	0	0	1,229,906
Vehicles	668,977	0	0	668,977
<i>Total Capital Assets, Being Depreciated</i>	<u>15,166,129</u>	<u>76,305</u>	<u>0</u>	<u>15,242,434</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(1,129,566)	(148,047)	0	(1,277,613)
Building Improvements	(86,296)	(49,697)	0	(135,993)
Equipment and Machinery	(3,633,414)	(161,361)	0	(3,794,775)
Infrastructure	(215,233)	(30,748)	0	(245,981)
Vehicles	(577,915)	(27,685)	0	(605,600)
<i>Total Accumulated Depreciation</i>	<u>(5,642,424)</u>	<u>(417,538)</u>	<u>0</u>	<u>(6,059,962)</u>
<i>Total Capital Assets, Being Depreciated, Net</i>	<u>9,523,705</u>	<u>(341,233)</u>	<u>0</u>	<u>9,182,472</u>
<i>Total Business-Type Capital Assets, Net</i>	<u>\$ 9,682,275</u>	<u>\$ 2,146,200</u>	<u>\$ 0</u>	<u>\$ 11,828,475</u>

**NOTE 12: 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. To address these various risks, 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. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

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



**City of Martins Ferry, Ohio**  
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**NOTE 12: RISK MANAGEMENT (Continued)**

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

Financial Position

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

<u>Casualty Coverage</u>	<u>2004</u>
Assets	\$30,547,049
Liabilities	(16,989,918)
Retained earnings	<u>\$13,557,131</u>

<u>Property Coverage</u>	<u>2004</u>
Assets	\$3,652,970
Liabilities	(544,771)
Retained earnings	<u>\$3,108,199</u>

There was no reduction in insurance coverage, as compared to the prior year and insurance was sufficient to cover settlements in 2002, 2003 and 2004.

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 13: DEFINED BENEFIT PENSION PLANS**

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

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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-

**City of Martins Ferry, Ohio**  
**Notes to the Basic Financial Statements**  
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**NOTE 13: DEFINED BENEFIT PENSION PLANS (Continued)**

sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, 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 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 that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. The City's contribution rate for pension benefits for 2004 was 9.55 percent. For those classifications, the City's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003 and 2002 were \$223,174, \$208,266 and \$180,854, respectively. 99.2 percent has been contributed for 2004 and 100 percent for 2003 and 2002.

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

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 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 the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 11.75 percent for police officers. Contributions are authorized by State Statute. The City's contributions to the Fund for police was \$69,546 for the year ended December 31, 2004, \$81,214 for the year ended December 31, 2003 and \$76,999 for the year ended December 31, 2002. The full amount has been contributed for 2003 and 2002. 69.44 percent has been contributed for 2004.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. As of December 31, 2004, the unfunded liability of the City was \$199,404, payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary.

**City of Martins Ferry, Ohio**  
**Notes to the Basic Financial Statements**  
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**NOTE 14: POSTEMPLOYMENT BENEFITS**

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

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost actuarial method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund post employment benefits were \$9,299. Actual contribution and actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

***B. Ohio Police and Firemen's Pension Fund (OP&F)***

The Ohio Police and Firemen's Disability and Pension Fund ("OP&F") provides post retirement health care coverage to 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. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that

**City of Martins Ferry, Ohio**  
**Notes to the Basic Financial Statements**  
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**NOTE 14:     POSTEMPLOYMENT BENEFITS (Continued)**

health care costs paid from the OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 7.75% of covered payroll was applied to the postemployment health care program during 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2004 that were used to fund post employment benefits were \$22,463 for police. The OP&F's total health care expenses for the year ended December 31, 2003, (the latest information available) was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003 was 13.662 for police and 10.474 for firefighters.

***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, 2004, no City employees have elected social security.

**NOTE 15:     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 \$20,000 policy and all City supervisors receive an \$20,000 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 \$734.69 of the total monthly premiums of \$774.69 for family coverage and \$254.96 of the monthly premiums of \$297.96 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries. City AFSCME Union employees pay \$40.00 of the total premium. City full-time police pay \$75.00 for family coverage and \$50.00 for single coverage.

The City contracts with Met Life for dental insurance for all supervisors and police. The City pays 100% of the total monthly premiums of \$71.93 for family coverage, \$41.81 for employees with only one dependent, and \$21.58 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% of the total monthly premiums of \$34.00 per union employee. Premiums are paid from the same funds that pay the employees' salaries.

**City of Martins Ferry, Ohio**  
**Notes to the Basic Financial Statements**  
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**NOTE 16: 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 480 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 480 hours. As of December 31, 2004, the liability for unpaid compensated absences was \$148,068.

**NOTE 17: LONG-TERM OBLIGATIONS**

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

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
<b>Governmental Activities</b>			
Pattons Run Picoma General Obligation Bonds - 1987	7.375%	\$ 160,000	December 1, 2007
Air Pack Installment Loan - 2001	5.35	34,072	June 1, 2005
Ford Ambulance Installment Loan - 2003	3.875	81,636	August 1, 2008
Police Cruiser Installment Loan - 2004	3.35	20,915	March 1, 2007
Police Cruiser Installment Loan - 2002	4.43	20,581	March 11, 2005
St. Route 647 OPWC Loan - 2003	0.00	10,029	July 1, 2023
Long-Term Bond Anticipation Notes -			
Street and Sidewalk Improvement Note - 2004	1.71	20,000	May 12, 2005
Fire Equipment Improvement Note - 2004	1.71	275,000	May 12, 2005
Fire Equipment Improvement Note - 2004	1.71	350,000	May 12, 2005
<b>Business-Type Activities</b>			
Ferryview/Sharon Road Waterlines OWDA Loan	2.00	3,697,909	January 1, 2025
Water Treatment Plant OWDA Loan	2.00	10,369,123	January 1, 2022
Woodmont OPWC Loan - 2003	0.00	20,000	July 1, 2023
Packer Installment Loan - 2002	4.99	62,361	December 1, 2006
Long-Term Bond Anticipation Notes -			
Water System Improvement Note - 2004	1.71	100,000	May 12, 2005

**City of Martins Ferry, Ohio**  
**Notes to the Basic Financial Statements**  
**December 31, 2004**

**NOTE 17: LONG-TERM OBLIGATIONS (Continued)**

A schedule of changes in bonds and other long-term obligations of the City during 2004 follows:

	Outstanding 1/1/2004	Additions	Deletions	Outstanding 12/31/2004	Due In One Year
<b>Governmental Activities</b>					
Installment Loans:					
Air Pack	\$ 19,895	\$ 0	\$ 19,895	\$ 0	\$ 0
Ford Ambulance	81,636	0	81,636	0	0
Police Cruiser	0	20,915	5,030	15,885	6,911
Police Cruiser	10,626	0	7,008	3,618	3,618
Total Installment Loans	<u>112,157</u>	<u>20,915</u>	<u>113,569</u>	<u>19,503</u>	<u>10,529</u>
General Obligation Bonds	36,000	0	9,000	27,000	9,000
OPWC Loan	9,778	0	501	9,277	251
Long-Term Bond Anticipation Notes:					
Street and Sidewalk Improvement Note - 1.71%	30,000	20,000	30,000	20,000	0
Fire Equipment Improvement Note - 1.71%	300,000	275,000	300,000	275,000	0
Fire Equipment Improvement Note - 1.71%	400,000	350,000	400,000	350,000	0
Total Long-Term Bond Anticipation Notes	<u>730,000</u>	<u>645,000</u>	<u>730,000</u>	<u>645,000</u>	<u>0</u>
Police and Fire Pension	202,564	0	3,160	199,404	3,295
Compensated Absences	37,460	7,951	0	45,411	28,315
Total Governmental Activities	<u>\$ 1,127,959</u>	<u>\$ 673,866</u>	<u>\$ 856,230</u>	<u>\$ 945,595</u>	<u>\$ 51,390</u>
<b>Business-Type Activities</b>					
OWDA Loans:					
Ferryview/Sharon					
Road Waterlines	\$ 104,974	\$ 652,781	\$ 0	\$ 757,755	\$ 0
Water Treatment Plant	7,962,535	0	371,860	7,590,675	189,649
Total OWDA Loans	<u>8,067,509</u>	<u>652,781</u>	<u>371,860</u>	<u>8,348,430</u>	<u>189,649</u>
OPWC Loan	19,500	0	1,000	18,500	1,000
Installment Loan	47,396	0	15,468	31,928	16,268
Long-Term Bond Anticipation Notes:					
Water System Improvement Note - 1.71%	100,000	100,000	100,000	100,000	0
Compensated Absences	93,783	8,874	0	102,657	18,859
Total Business-Type Activities	<u>\$ 8,328,188</u>	<u>\$ 761,655</u>	<u>\$ 488,328</u>	<u>\$ 8,601,515</u>	<u>\$ 225,776</u>

General obligation bonds will be paid from revenue derived from charges for services in the enterprise funds. The OWDA loans will be repaid with Water Fund revenues. The OPWC loan was issued for the repair of State Route 647 road slippage. The loan will be repaid from General Fund local government revenues. The installment loans were issued to purchase air packs for the fire department, police cruisers and an ambulance for the City. The payments will be made from the Fire Levy Fund, General Fund local government revenues, tax revenues, and the Fire and Ambulance Fund revenues, respectively. The police and fire pension liability will be paid from general property tax revenues. Compensated absences will be paid from the fund from which the employee's salaries are paid.

**City of Martins Ferry, Ohio**  
**Notes to the Basic Financial Statements**  
**December 31, 2004**

**NOTE 17: LONG-TERM OBLIGATIONS (Continued)**

The installment loan for the purchase of a garbage truck will be paid from revenue received from charges for service in the Sanitation Fund.

The Ohio Water Development Authority (OWDA) approved a \$3,697,909 loan to the City on March 28, 2003 for improvements to the City's water system. \$757,755 has been drawn down by the City as of December 31, 2004. Upon completion of the project, the loan will be repaid over a period of twenty years. Since the total amount of the loan has not been determined, it is not included in the amortization schedule below.

The City was awarded a \$20,000 Ohio Public Works Commission Loan in 2003 to help pay the costs of the Woodmont Pump Station Replacement Project. The loan will be repaid with intergovernmental revenues from the Issue II Fund.

The long-term bond anticipation notes issued on May 13, 2004 for \$745,000 were used to partially retire the \$830,000 bond anticipation notes issued May 16, 2003. These notes were issued for the purpose of street and sidewalk improvements, fire equipment improvements, and water system improvements. The notes were rolled over on May 12, 2005. See subsequent event Note 22.

The City's overall legal debt margin was \$7,085,525 at December 31, 2004.

Principal and interest requirements to retire governmental activities debt at December 31, 2004 are as follows:

Year	General Obligation Bonds		Police and Fire Pension		Installment Loans		OPWC Loan	Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2005	\$ 9,000	\$ 1,991	\$ 3,295	\$ 8,441	\$ 10,529	\$ 452	\$ 251	\$ 23,075	\$ 10,884
2006	9,000	1,328	3,437	8,300	7,149	214	501	20,087	9,842
2007	9,000	664	3,584	8,152	1,825	15	501	14,910	8,831
2008	0	0	3,739	7,998	0	0	501	4,240	7,998
2009	0	0	3,899	7,837	0	0	501	4,400	7,837
2010-2014	0	0	22,156	36,527	0	0	2,508	24,664	36,527
2015-2019	0	0	27,341	31,342	0	0	2,508	29,849	31,342
2020-2024	0	0	33,739	24,944	0	0	2,006	35,745	24,944
2025-2029	0	0	41,635	17,049	0	0	0	41,635	17,049
2030-2034	0	0	51,349	7,315	0	0	0	51,349	7,315
2035	0	0	5,230	111	0	0	0	5,230	111
Totals	<u>\$ 27,000</u>	<u>\$ 3,983</u>	<u>\$ 199,404</u>	<u>\$ 158,016</u>	<u>\$ 19,503</u>	<u>\$ 681</u>	<u>\$ 9,277</u>	<u>\$ 255,184</u>	<u>\$ 162,680</u>

**City of Martins Ferry, Ohio**  
**Notes to the Basic Financial Statements**  
**December 31, 2004**

**NOTE 17: LONG-TERM OBLIGATIONS (Continued)**

Principal and interest requirements to retire business-type activities debt at December 31, 2004 are as follows:

Year	OWDA Loans		OPWC Loan	Installment Loan		Total	
	Principal	Interest		Principal	Interest	Principal	Interest
2005	\$ 189,649	\$ 75,906	\$ 1,000	\$ 16,268	\$ 1,411	\$ 206,917	\$ 77,317
2006	383,091	148,019	1,000	15,660	578	399,751	148,597
2007	390,752	140,358	1,000	0	15	391,752	140,373
2008	398,568	132,542	1,000	0	0	399,568	132,542
2009	406,539	124,571	1,000	0	0	407,539	124,571
2010-2014	2,157,957	497,593	5,000	0	0	2,162,957	497,593
2015-2019	2,382,557	272,992	5,000	0	0	2,387,557	272,992
2020-2024	1,281,562	46,213	3,500	0	0	1,285,062	46,213
Totals	<u>\$ 7,590,675</u>	<u>\$ 1,438,194</u>	<u>\$ 18,500</u>	<u>\$ 31,928</u>	<u>\$ 2,004</u>	<u>\$ 7,641,103</u>	<u>\$ 1,440,198</u>

**NOTE 18: NOTES PAYABLE**

A summary of the note transactions for the year ended December 31, 2004, follows:

	Outstanding 1/1/2004	Additions	Retired	Outstanding 12/31/2004
<b>Governmental Activities</b>				
City Building Repair Note - 2.50%	\$ 0	\$ 24,725	\$ 0	\$ 24,725
Street Department Garage				
Repair Note - 2.50%	0	61,775	0	61,775
Fire Truck Note - 2.50%	0	250,000	0	250,000
<i>Total Governmental Activities</i>	<u>0</u>	<u>336,500</u>	<u>0</u>	<u>336,500</u>
<b>Business-Type Activities</b>				
Water Building Repair Note - 2.50%	0	13,500	0	13,500
<i>Total Business-Type Activities</i>	<u>0</u>	<u>13,500</u>	<u>0</u>	<u>13,500</u>
<b>Total</b>	<u>\$ 0</u>	<u>\$ 350,000</u>	<u>\$ 0</u>	<u>\$ 350,000</u>



**City of Martins Ferry, Ohio**  
**Notes to the Basic Financial Statements**  
**December 31, 2004**

**NOTE 18: NOTES PAYABLE (Continued)**

Note proceeds for fire trucks or repair of buildings in the amount of \$350,000 was not spent as of December 31, 2004. All of the notes are bond anticipation notes, are backed by the full faith and credit of the City, and mature within one year. The note liability is reflected in the fund which received the proceeds and will repay the debt.

**NOTE 19: CONTRACTUAL COMMITMENTS**

As of December 31, 2004 the City had contractual commitments for the following projects:

	Contractual Commitment	Expended	Balance 12/31/2004
Gannett Fleming Engineers & Architects, PC - design of Sharon and Ferryview water system improvement project	\$ 146,000	\$ 87,914	\$ 58,086
Seneca Valley - Sharon and Ferryview water system improvement project	2,253,020	1,043,501	1,209,519
Caldwell Tanks - Sharon and Ferryview water system improvement project	911,000	132,668	778,332
TH Enterprises - Darrah Road paving	196,528	188,284	8,244
James Lewis - Stucco Jail Walls	25,500	8,500	17,000
Davcon - removal & disposal brick facade	9,566	566	9,000
Total	\$ 3,541,614	\$ 1,461,433	\$ 2,080,181

**NOTE 20: 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 the City 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 2004. 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 2004. The

**City of Martins Ferry, Ohio**  
**Notes to the Basic Financial Statements**  
**December 31, 2004**

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**NOTE 20: JOINTLY GOVERNED ORGANIZATIONS (Continued)**

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 2004, OMEGA received \$1,012 from the City of Martins Ferry for an annual fee. 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 District.

***E. Eastern Ohio Regional Wastewater Authority***

Eastern Ohio Regional Wastewater 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 the City 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 2004, Bel-O-Mar Regional Council received \$2,023 from the City of Martins Ferry for annual fees and grant administration services.

**City of Martins Ferry, Ohio**  
**Notes to the Basic Financial Statements**  
**December 31, 2004**

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**NOTE 21: 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, 2004.

***B. Litigation***

The City of Martins Ferry is currently party to several claims and lawsuits. In the opinion of the City Law Director, the outcome of these claims will not have a material effect on the financial statements of the City of Martins Ferry.

**NOTE 22: SUBSEQUENT EVENTS**

On May 12, 2005, the May 13, 2004 street and sidewalk, fire equipment, and water system improvement bond anticipation notes in the amount of \$745,000 were rolled over into bond anticipation notes in the amount of \$640,000. The notes have an interest rate of 3.27% and mature on May 11, 2006.

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CITY OF MARTINS FERRY  
BELMONT COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2004

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Number	Expenditures
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grants/State's Program Formula Allocation Program	14.228	A-F-03-143-1	\$41,085
Community Housing Improvement Program	14.228	A-C-04-143-1	200
Community Housing Improvement Program	14.228	A-C-01-143-1	166,814
Total Community Housing Improvement Program			<u>167,014</u>
Total Community Development Block Grants/State's Program			208,099
HOME Investment Partnerships Program			
Community Housing Improvement Program - HOME Funds	14.239	A-C-04-143-2	1,634
Community Housing Improvement Program - HOME Funds	14.239	A-C-01-143-2	32,659
Total HOME Investment Partnerships Program			<u>34,293</u>
Total U. S. Department of Housing and Urban Development			242,392
<b><u>U.S. DEPARTMENT HOMELAND SECURITY</u></b>			
<i>Passed Through Ohio Emergency Management Agency:</i>			
Public Assistance Grants	97.036	FEMA-DR-1453-0H	<u>825</u>
Total U.S. Department of Homeland Security			825
<b><u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u></b>			
<i>Direct Grant</i>			
Surveys, Studies, Investigations and Special Purpose Grants (STAG Grant)	66.606	N/A	<u>698,400</u>
Total U.S. Environmental Protection Agency			<u>698,400</u>
<b>Total Federal Awards Expenditures</b>			<b><u><u>\$941,617</u></u></b>

*The Notes to the Schedule of Federal Awards Expenditures is an integral part of the Schedule.*

**CITY OF MARTINS FERRY  
BELMONT COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
DECEMBER 31, 2004**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

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

The City has established a revolving loan program to provide low-interest loans to eligible persons to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development (ODOD). The initial loan of this money was recorded as a disbursement in the year in which the loans were originally made. Loans repaid, including interest, are used to fund housing activities. Such activities are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property. At December 31, 2004, the gross amount of loans outstanding under this program was \$77,997. No new loans were made during calendar year 2004.

**NOTE C – MATCHING REQUIREMENTS**

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



## Auditor of State Betty Montgomery

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

City of Martins Ferry  
Belmont County  
Fifth and Walnut Streets, P.O. Box 386  
Martins Ferry, Ohio 43935

To Members of City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Martins Ferry, Belmont County, Ohio (the City), as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 17, 2005, wherein we noted the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and we also noted the City changed its capitalization criteria for capital assets from \$500 to \$5,000. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the City's management dated October 17, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

As part of reasonably assuring about whether the City's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2004-001 and 2004-002. In a separate letter to the City's management dated October 17, 2005, we reported other matters related to noncompliance we deemed immaterial.

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City of Martins Ferry  
Belmont County

Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Required By *Government Audit Standards*

Page 2

We intend this report solely for the information and use of the audit committee, management, the City Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

October 17, 2005





## **Auditor of State Betty Montgomery**

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

City of Martins Ferry  
Belmont County  
Fifth and Walnut Streets, P.O. Box 386  
Martins Ferry, Ohio 43935

To Members of City Council:

#### **Compliance**

We have audited the compliance of the City of Martins Ferry, Belmont County, Ohio (the City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended December 31, 2004. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the City's major federal program. The City's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to its major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2004.

#### **Internal Control over Compliance**

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

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the City's management in a separate letter dated October 17, 2005.

We intend this report solely for the information and use of the audit committee, management, the City Council, federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

October 17, 2005

**CITY OF MARTINS FERRY  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 SECTION .505  
DECEMBER 31, 2004**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under Section .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Surveys, Studies, Investigations and Special Purpose Grants (STAG Grant), CFDA # 66.606
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**CITY OF MARTINS FERRY  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 SECTION .505  
DECEMBER 31, 2004  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2004-001**

**Noncompliance Citation**

Ohio Rev Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Rev. Code Section 5705.36(A)(3) provides that an increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. Ohio Rev. Code Section 5705.36(A)(4) provides that a reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

Ohio Rev. Code Section 5705.39 provides that the total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

As of December 31, 2004 the following funds had estimated receipts which exceeded actual receipts, thus reducing available resources below the current level of appropriation and allowing expenditures or expenditures plus outstanding encumbrances to exceed appropriations:

Fund	Estimated Receipts	Actual Receipts	Variance
Clean Ohio Revitalization	\$213,430	\$138,612	(\$74,818)
Water	2,000,000	1,975,826	(24,174)
Water Replacement & Improvement	2,650,000	565,683	(2,084,317)

We recommend the City take the necessary steps to ensure it obtains increased/reduced amended certificates when necessary.

**FINDING NUMBER 2004-002**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated.

At December 31, 2004, the following funds reflected expenditures which exceeded appropriations:

**CITY OF MARTINS FERRY  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 SECTION .505  
DECEMBER 31, 2004  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2004-002 (Continued)**

**Noncompliance Citation - Ohio Rev. Code Section 5705.41(B) (Continued)**

<b>Fund</b>	<b>Appropriations</b>	<b>Expenditures</b>	<b>Variance</b>
General	\$1,995,266	\$2,016,816	(\$21,550)
Clean Ohio Revitalization	15,000	213,430	(198,430)
Federal Emergency Management Agency	922	6,595	(5,673)
Water	1,979,208	1,985,076	(5,868)
Water Replacement & Improvement	750,000	2,611,620	(1,861,620)
Refundable Security Deposits	0	4,938	(4,938)

The practice of allowing expenditures to exceed appropriations could result in deficit spending by City Council.

We recommend the City Auditor monitor all expenditures at the legal level of control to ensure expenditures remain within their respective budgeted amounts. The City Auditor should not certify the availability of funds and should deny payment requests exceeding appropriations. The City Auditor may request City Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
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None.

**CITY OF MARTINS FERRY  
BELMONT COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A-133 SECTION .315 (c)  
DECEMBER 31, 2004**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2004-001	The City will monitor all funds' actual receipts to ensure they equal or exceed estimated receipts.	December 31, 2005	Rita Randall, City Auditor
2004-002	The City will monitor all funds' expenditures to ensure they do not exceed budgeted appropriations.	December 31, 2005	Rita Randall, City Auditor



**Auditor of State  
Betty Montgomery**

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Facsimile 614-466-4490

**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  
DECEMBER 6, 2005**