

City of Martins Ferry

Audited Financial Statements

December 31, 2006



Mary Taylor, CPA
Auditor of State

Mayor and Members of Council
City of Martins Ferry
P.O. Box 386
Martins Ferry, Ohio 43935

We have reviewed the *Independent Auditor's Report* of the City of Martins Ferry, Belmont County, prepared by Rea & Associates, Inc., for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 9, 2007

This Page is Intentionally Left Blank.

**CITY OF MARTINS FERRY
BELMONT COUNTY, OHIO**

DECEMBER 31, 2006

Table of Contents

	<i>Page</i>
Independent Auditor's Report.....	1
Management's Discussion and Analysis	2-9
Government-Wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities.....	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds	12
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	16
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Street Maintenance & Repair Fund.....	17
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Fire Apparatus Levy III Fund.....	18
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Fire and Ambulance Fund.....	19
Statement of Fund Net Assets – Proprietary Funds	20
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	21
Statement of Cash Flows – Proprietary Funds.....	22
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds.....	23
Notes to the Basic Financial Statements	24-51
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	52-53
Schedule of Prior Audit Findings.....	54

This Page is Intentionally Left Blank.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

June 15, 2007

Mayor and Members of Council
City of Martins Ferry
Martins Ferry, OH 43935

Independent Auditor's Report

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 (the "City"), Belmont County, Ohio as of and for the year ended December 31, 2006, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, Ohio as of December 31, 2006, and the respective changes in financial position and where applicable, cashflows, thereof and the respective budgetary comparison for the General Fund, Street Maintenance & Repair Fund, Fire Apparatus Levy III Fund, and Fire and Ambulance Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 15, 2007 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Rea & Associates, Inc.

City of Martins Ferry
Management's Discussion and Analysis
For the Year Ended December 31, 2006
(Unaudited)

The discussion and analysis of the City of Martins Ferry's (the "City") financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2006. 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 2006 are as follows:

- General Revenues accounted for \$2,626,677 in revenue or 28 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$6,768,575 or 72 percent of total revenues of \$9,395,252.
- Total program expenses were \$7,614,297. \$3,835,707 in governmental activities and \$3,778,590 in business-type activities.
- In total, net assets increased \$1,780,955. Net assets of governmental activities increased \$648,136, which represents a 10 percent increase from 2005. Net assets of business-type activities increased \$1,132,819 or 34 percent from 2005.
- Outstanding debt decreased from \$10,296,475 to \$10,065,805 due to payment of debt.

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 Changes in Net Assets provide information from a summary perspective showing the effects of the operations for the year 2006 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, fire & ambulance 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, 2006
(Unaudited)

A question typically asked about the City's finances "How did we do financially during fiscal year 2006?" 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 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, required educational programs, and other factors.

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

- ü Governmental Activities - Most of the City's programs and services are reported here, including general government, security of persons and property, public health and services, community environment, leisure time activities and transportation.
- ü 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, fire and ambulance, and permanent improvement.

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 educational programs. 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, fire apparatus III, fire & ambulance 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, 2006
(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 2006 compared to 2005:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Current and Other Assets	\$ 5,357,813	\$ 4,792,915	\$ 426,777	\$ 505,758	\$ 5,784,590	\$ 5,298,673
Capital Assets	3,112,722	3,056,362	13,610,862	12,567,261	16,723,584	15,623,623
Total Assets	8,470,535	7,849,277	14,037,639	13,073,019	22,508,174	20,922,296
Liabilities						
Long-Term Liabilities	782,089	856,465	9,456,448	9,612,389	10,238,537	10,468,854
Other Liabilities	719,036	671,538	143,707	155,965	862,743	827,503
Total Liabilities	1,501,125	1,528,003	9,600,155	9,768,354	11,101,280	11,296,357
Net Assets						
Invested in Capital Assets Net of Debt	2,597,447	2,458,963	4,253,004	3,079,955	6,850,451	5,538,918
Restricted	3,452,332	2,791,191	0	0	3,452,332	2,791,191
Unrestricted (Deficit)	919,631	1,071,120	184,480	224,710	1,104,111	1,295,830
Total Net Assets	\$ 6,969,410	\$ 6,321,274	\$ 4,437,484	\$ 3,304,665	\$ 11,406,894	\$ 9,625,939

City of Martins Ferry
Management's Discussion and Analysis
For the Year Ended December 31, 2006
(Unaudited)

Total assets increased by \$1,585,878 with governmental assets increasing \$621,258 and business-type assets increasing \$964,620. An increase of \$1,099,961 in total capital assets reflects the installment of a new transfer station was the majority of the increase in business-type assets. Total liabilities decreased by \$195,077 with governmental liabilities decreasing \$26,878 and business-type assets decreasing \$168,199.

Total net assets increased by \$1,780,955. This number reflects an increase of \$648,136 in governmental activities and an increase of \$1,132,819 in the net assets of the business-type activities.

Table 2 shows the changes in net assets for fiscal year 2006. This table presents two fiscal years in side-by-side comparison. This will enable the reader to draw further conclusion about the City's financial status and possibly project future problems.

THIS SPACE IS INTENTIONALLY BLANK

City of Martins Ferry
Management's Discussion and Analysis
For the Year Ended December 31, 2006
(Unaudited)

(Table 2)
Changes in Net Assets

	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activities	Activities		Activities	Activities	
	2006	2006		2005	2005	
Revenues						
<i>Program Revenues:</i>						
Charges for Services and Sales	\$ 1,045,188	\$ 3,596,462	\$ 4,641,650	\$ 699,292	\$ 3,476,556	\$4,175,848
Grants and Contributions	1,278,183	111,000	1,389,183	699,294	1,219	700,513
Capital Grants and Contributions	113,772	623,970	737,742	0	0	0
<i>General Revenue:</i>						
Property Taxes	750,118	0	750,118	279,954	0	279,954
Income Taxes	1,153,801	0	1,153,801	1,129,100	0	1,129,100
Grants and Entitlements	456,985	0	456,985	458,893	0	458,893
Investment Earnings	140,314	0	140,314	148,304	0	148,304
Miscellaneous	64,607	60,852	125,459	81,588	43,274	124,862
Total Revenues	5,002,968	4,392,284	9,395,252	3,496,425	3,521,049	7,017,474
Program Expenses						
General Government	616,255	0	616,255	710,251	0	710,251
Security of Persons and Property	2,118,206	0	2,118,206	1,781,039	0	1,781,039
Transportation	615,545	0	615,545	573,579	0	573,579
Public Health Services	72,233	0	72,233	85,159	0	85,159
Community and Economic Development	285,226	0	285,226	290,747	0	290,747
Leisure Time Activities	99,158	0	99,158	91,459	0	91,459
Interest and Fiscal Charges	29,084	0	29,084	28,712	0	28,712
<i>Enterprise Operations:</i>						
Off Street Parking	0	46	46	0	5	5
Parking Meter	0	50,524	50,524	0	41,221	41,221
Water	0	2,812,712	2,812,712	0	1,914,752	1,914,752
Sewer	0	265,617	265,617	0	249,987	249,987
Sanitation	0	649,691	649,691	0	622,672	622,672
Total Program Expenses	3,835,707	3,778,590	7,614,297	3,560,946	2,828,637	6,389,583
Change in Net Assets						
Before Transfers	1,167,261	613,694	1,780,955	(64,521)	692,412	627,891
Transfers In (Out)	(519,125)	519,125	0	(18,358)	18,358	0
Change in Net Assets	\$ 648,136	\$ 1,132,819	\$ 1,780,955	\$ (82,879)	\$ 710,770	\$ 627,891

City of Martins Ferry
Management's Discussion and Analysis
For the Year Ended December 31, 2006
(Unaudited)

Governmental Activities

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

General revenues include grants and entitlements, such as local government funds. With the combination of property 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 \$2,118,206 represents 55 percent of the total governmental activities 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 2006, charges for services of \$3,596,462 accounted for 83 percent of the business-type revenues. The total expenses for the utilities were \$3,778,950.

The City's Funds

Information about the City's governmental funds begins on page 12. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$4,003,547 and expenditures of \$5,016,922. 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 20. These funds are accounted for on an accrual basis. All business type funds had operating expenses of \$3,560,409 which was less than operating revenues of \$3,657,314 by \$96,906 or three percent 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 2005, 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, actual receipts were less than the final budgeted revenues and other financing sources by \$38,040.

Actual disbursements and other financing uses of the general fund were \$33,387 below the final budgeted amount of \$2,122,271. The primary factor contributing to this was disbursements for security of persons and property and general government being \$33,384 below budgeted amounts.

City of Martins Ferry
Management's Discussion and Analysis
For the Year Ended December 31, 2006
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of year 2006, the City had \$16,723,554 invested in land, buildings, construction in progress, improvements, machinery and equipment, infrastructure and vehicles. A total of \$3,112,722 of this was for governmental activities with the remainder attributable to business-type activities. Table 3 shows fiscal year 2006 balances compared with 2005.

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

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 892,720	\$ 875,641	\$ 158,570	\$ 158,570	\$ 1,051,290	\$ 1,034,211
Buildings	689,536	704,588	4,318,148	4,466,297	5,007,684	5,170,885
Buildings Improvements	160,130	181,210	1,551,629	858,193	1,711,759	1,039,403
Machinery and Equipmen	123,677	70,609	2,386,622	2,430,943	2,510,299	2,501,552
Vehicles	606,195	764,939	61,144	102,689	667,339	867,628
Infrastructure	160,438	167,058	5,134,749	4,550,569	5,295,187	4,717,627
Construction in Progress	480,026	292,317	0	0	480,026	292,317
Totals	\$ 3,112,722	\$ 3,056,362	\$13,610,862	\$12,567,261	\$16,723,584	\$ 15,623,623

The \$1,099,961 increase in capital assets was attributable to additional purchases exceeding depreciation expense. Note 10 provides capital asset activity during the 2006 year.

City of Martins Ferry
Management's Discussion and Analysis
For the Year Ended December 31, 2006
(Unaudited)

Debt

The outstanding debt for the City as of December 31, 2006 was \$10,065,805 with \$976,706 due within one year. Table 4 summarizes outstanding debt.

(Table 4)
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Installment Loans	\$ 0	\$ 10,623	\$ 0	\$ 15,660	\$ 0	\$ 26,283
General Obligation Bonds	9,000	18,000	0	0	9,000	18,000
OPWC Loans	8,275	8,776	271,500	17,500	279,775	26,276
OWDA Loans	0	0	9,016,358	9,389,807	9,016,358	9,389,807
Police and Fire Pension	192,672	196,109	0	0	192,672	196,109
Notes Payable	498,000	560,000	70,000	80,000	568,000	640,000
<i>Total</i>	<u>\$ 707,947</u>	<u>\$ 793,508</u>	<u>\$ 9,357,858</u>	<u>\$ 9,502,967</u>	<u>\$ 10,065,805</u>	<u>\$ 10,296,475</u>

Additional information concerning the City's debt can be found in Note 17 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.

City of Martins Ferry
Statement of Net Assets
December 31, 2006

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 719,819	\$ 113,951	\$ 833,770
Investments	1,617,890	0	1,617,890
Taxes Receivable	1,406,578	0	1,406,578
Accounts Receivable	506,676	247,785	754,461
Accrued Interest Receivable	1,210	0	1,210
Intergovernmental Receivable	994,306	0	994,306
Loans Receivable	52,381	0	52,381
Materials and Supplies Inventory	34,777	56,387	91,164
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	0	8,654	8,654
Deposit on Capital Asset	24,176	0	24,176
Non-Depreciable Capital Assets	1,372,746	158,570	1,531,316
Depreciable Capital Assets, Net	1,739,976	13,452,292	15,192,268
<i>Total Assets</i>	<u>8,470,535</u>	<u>14,037,639</u>	<u>22,508,174</u>
Liabilities			
Accounts Payable	42,531	21,261	63,792
Accrued Wages	33,238	25,537	58,775
Contracts Payable	56,630	0	56,630
Intergovernmental Payable	152,558	86,415	238,973
Customer Deposits Payable	0	8,654	8,654
Accrued Interest Payable	13,090	1,840	14,930
Deferred Revenue	420,989	0	420,989
Long-Term Liabilities:			
Due Within One Year	542,591	496,296	1,038,887
Due in More Than One Year	239,498	8,960,152	9,199,650
<i>Total Liabilities</i>	<u>1,501,125</u>	<u>9,600,155</u>	<u>11,101,280</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	2,597,447	4,253,004	6,850,451
Restricted for Capital Outlay	1,456,133	0	1,456,133
Restricted for Other Purposes	1,996,199	0	1,996,199
Unrestricted	919,631	184,480	1,104,111
<i>Total Net Assets</i>	<u>\$ 6,969,410</u>	<u>\$ 4,437,484</u>	<u>\$ 11,406,894</u>

The accompanying notes are an integral part of these financial statements.

City of Martins Ferry
Statement of Activities
For the Year Ended December 31, 2006

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 616,255	\$ 80,932	\$ 0	\$ 0	\$ (535,323)	\$ 0	\$ (535,323)
Security of Persons and Property	2,118,206	926,206	37,433	0	(1,154,567)	0	(1,154,567)
Public Health Services	72,233	38,050	0	0	(34,183)	0	(34,183)
Leisure Time Activities	99,158	0	0	0	(99,158)	0	(99,158)
Community and Economic Development	285,226	0	855,686	113,772	684,232	0	684,232
Transportation	615,545	0	385,064	0	(230,481)	0	(230,481)
Interest and Fiscal Charges	29,084	0	0	0	(29,084)	0	(29,084)
<i>Total Governmental Activities</i>	<u>3,835,707</u>	<u>1,045,188</u>	<u>1,278,183</u>	<u>113,772</u>	<u>(1,398,564)</u>	<u>0</u>	<u>(1,398,564)</u>
Business-Type Activities:							
Water	2,812,712	2,686,584	111,000	623,849	0	608,721	608,721
Sanitation	649,691	598,022	0	0	0	(51,669)	(51,669)
Sewer	265,617	276,792	0	121	0	11,296	11,296
Parking Meter	50,524	35,064	0	0	0	(15,460)	(15,460)
Off Street Parking	46	0	0	0	0	(46)	(46)
<i>Total Business-Type Activities</i>	<u>3,778,590</u>	<u>3,596,462</u>	<u>111,000</u>	<u>623,970</u>	<u>0</u>	<u>552,842</u>	<u>552,842</u>
<i>Total - Primary Government</i>	<u>\$ 7,614,297</u>	<u>\$ 4,641,650</u>	<u>\$ 1,389,183</u>	<u>\$ 737,742</u>	<u>(1,398,564)</u>	<u>552,842</u>	<u>(845,722)</u>
General Revenues:							
Property Taxes Levied for:							
General Purposes					328,891	0	328,891
Other Purposes					421,227	0	421,227
Income Taxes Levied for General Purposes					1,153,801	0	1,153,801
Grants and Entitlements not Restricted to Specific Programs					456,985	0	456,985
Investment Earnings					140,314	0	140,314
Miscellaneous					64,607	60,852	125,459
<i>Total General Revenues</i>					<u>2,565,825</u>	<u>60,852</u>	<u>2,626,677</u>
Transfers					<u>(519,125)</u>	<u>519,125</u>	<u>0</u>
<i>Total General Revenues and Transfers</i>					<u>2,046,700</u>	<u>579,977</u>	<u>2,626,677</u>
<i>Change in Net Assets</i>					<u>648,136</u>	<u>1,132,819</u>	<u>1,780,955</u>
<i>Net Assets Beginning of Year</i>					<u>6,321,274</u>	<u>3,304,665</u>	<u>9,625,939</u>
<i>Net Assets End of Year</i>					<u>\$ 6,969,410</u>	<u>\$ 4,437,484</u>	<u>\$ 11,406,894</u>

The accompanying notes are an integral part of these financial statements.

City of Martins Ferry
Balance Sheet
Governmental Funds
December 31, 2006

	General	Street Maintenance & Repair	Fire Apparatus Levy III	Fire & Ambulance	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$ 56,752	\$ 50,247	\$ 39,567	\$ 257,624	\$ 43,625	\$ 272,004	\$ 719,819
Investments	0	0	0	0	1,469,138	148,752	1,617,890
Taxes Receivable	821,223	0	141,269	0	0	444,086	1,406,578
Accounts Receivable	58,295	0	0	448,381	0	0	506,676
Accrued Interest Receivable	1,059	0	0	0	0	151	1,210
Intergovernmental Receivable	238,202	147,023	2,277	0	0	606,804	994,306
Loans Receivable	52,381	0	0	0	0	0	52,381
Materials and Supplies Inventory	31,581	2,960	0	0	0	236	34,777
<i>Total Assets</i>	<u>\$ 1,259,493</u>	<u>\$ 200,230</u>	<u>\$ 183,113</u>	<u>\$ 706,005</u>	<u>\$ 1,512,763</u>	<u>\$ 1,472,033</u>	<u>\$ 5,333,637</u>
Liabilities							
Accounts Payable	3,758	9,917	0	1,077	0	27,779	42,531
Accrued Wages	21,408	6,117	0	5,333	0	380	33,238
Contracts Payable	0	0	0	0	56,630	0	56,630
Intergovernmental Payable	104,826	16,673	0	21,766	0	9,293	152,558
Deferred Revenue	849,316	87,038	143,546	381,218	0	1,025,466	2,486,584
<i>Total Liabilities</i>	<u>979,308</u>	<u>119,745</u>	<u>143,546</u>	<u>409,394</u>	<u>56,630</u>	<u>1,062,918</u>	<u>2,771,541</u>
Fund Balances							
Reserved for Encumbrances	4,267	0	0	12,874	119,682	74,666	211,489
Reserved for Loans Receivable	52,381	0	0	0	0	0	52,381
Unreserved, Undesignated, Reported in:							
General Fund	223,537	0	0	0	0	0	223,537
Special Revenue Funds	0	80,485	39,567	283,737	0	348,965	752,754
Capital Projects Funds	0	0	0	0	1,336,451	(14,516)	1,321,935
<i>Total Fund Balances</i>	<u>280,185</u>	<u>80,485</u>	<u>39,567</u>	<u>296,611</u>	<u>1,456,133</u>	<u>409,115</u>	<u>2,562,096</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,259,493</u>	<u>\$ 200,230</u>	<u>\$ 183,113</u>	<u>\$ 706,005</u>	<u>\$ 1,512,763</u>	<u>\$ 1,472,033</u>	<u>\$ 5,333,637</u>

The accompanying notes are an integral part of these financial statements.

City of Martins Ferry
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2006*

Total Governmental Fund Balances	\$	2,562,096
---	----	-----------

*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		3,112,722
--	--	-----------

Deposit on capital asset used in governmental activities is not a financial resource and therefore is not reported in the funds		24,176
---	--	--------

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

Property Taxes	\$	618,414
Income Taxes		170,549
Intergovernmental		837,119
Charges for Services		<u>439,513</u>

Total		2,065,595
-------	--	-----------

Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(13,090)
---	--	----------

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

OPWC Loan		(8,275)
Long - Term Bond Anticipation Notes		(498,000)
General Obligation Bonds		(9,000)
Police and Fire Pension		(192,672)
Compensated Absences		<u>(74,142)</u>

Total		<u>(782,089)</u>
-------	--	------------------

<i>Net Assets of Governmental Activities</i>	\$	<u><u>6,969,410</u></u>
--	----	-------------------------

The accompanying notes are an integral part of these financial statements.

City of Martins Ferry
Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 December 31, 2006

	General	Street Maintenance & Repair	Fire Apparatus Levy III	Fire & Ambulance	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues							
Property Taxes	\$ 184,823	\$ 0	\$ 52,727	\$ 0	\$ 0	\$ 169,018	\$ 406,568
Income Taxes	1,111,109	0	0	0	0	0	1,111,109
Charges for Services	0	0	0	657,753	0	46,768	704,521
Licenses and Permits	55,235	0	0	0	0	27,170	82,405
Fines and Forfeitures	22,012	0	0	0	0	1,378	23,390
Intergovernmental	370,137	323,238	11,095	2,500	0	763,663	1,470,633
Interest	134,331	204	0	0	0	5,779	140,314
Other	24,512	1,604	0	6,500	0	31,991	64,607
<i>Total Revenues</i>	<u>1,902,159</u>	<u>325,046</u>	<u>63,822</u>	<u>666,753</u>	<u>0</u>	<u>1,045,767</u>	<u>4,003,547</u>
Expenditures							
Current:							
General Government	530,470	0	0	0	0	197,106	727,576
Security of Persons and Property	1,278,565	0	1,335	568,822	0	258,052	2,106,774
Public Health Services	25,922	0	0	0	0	42,518	68,440
Leisure Time Activities	0	0	0	0	0	59,607	59,607
Community and Economic Development	0	0	0	0	0	280,330	280,330
Transportation	0	507,348	0	0	0	61,512	568,860
Capital Outlay	0	0	0	0	348,840	245,000	593,840
Debt Service:							
Principal Retirement	10,623	0	533,000	0	0	39,938	583,561
Interest and Fiscal Charges	149	0	17,948	0	0	9,837	27,934
<i>Total Expenditures</i>	<u>1,845,729</u>	<u>507,348</u>	<u>552,283</u>	<u>568,822</u>	<u>348,840</u>	<u>1,193,900</u>	<u>5,016,922</u>
<i>Excess of Revenues Over (Under)</i> <i>Expenditures</i>	<u>56,430</u>	<u>(182,302)</u>	<u>(488,461)</u>	<u>97,931</u>	<u>(348,840)</u>	<u>(148,133)</u>	<u>(1,013,375)</u>
Other Financing Sources (Uses)							
Transfers In	0	170,000	0	0	0	96,780	266,780
Proceeds of Notes	0	0	498,000	0	0	0	498,000
Transfers Out	(256,000)	0	0	0	0	(452)	(256,452)
<i>Total Other Financing Sources (Uses)</i>	<u>(256,000)</u>	<u>170,000</u>	<u>498,000</u>	<u>0</u>	<u>0</u>	<u>96,328</u>	<u>508,328</u>
<i>Net Change in Fund Balance</i>	(199,570)	(12,302)	9,539	97,931	(348,840)	(51,805)	(505,047)
<i>Fund Balance Beginning of Year</i>	<u>479,755</u>	<u>92,787</u>	<u>30,028</u>	<u>198,680</u>	<u>1,804,973</u>	<u>460,920</u>	<u>3,067,143</u>
<i>Fund Balance End of Year</i>	<u>\$ 280,185</u>	<u>\$ 80,485</u>	<u>\$ 39,567</u>	<u>\$ 296,611</u>	<u>\$ 1,456,133</u>	<u>\$ 409,115</u>	<u>\$ 2,562,096</u>

The accompanying notes are an integral part of these financial statements.

City of Martins Ferry
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2006*

Net Change in Fund Balances - Total Governmental Funds \$ (505,047)

*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	\$ 891,312	
Current Year Depreciation	<u>(305,499)</u>	585,813

Governmental funds do not report capital assets. In the statement of activities, transfers of capital assets to business-type activities are reported as transfers.

(529,453)

Governmental funds only report the deposits on capital assets.

When the asset is received it will be added to capital assets and depreciated over its useful life.

24,176

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

Delinquent Property Taxes	343,550	
Deferred Income Taxes	42,692	
Charges for Services	234,872	
Intergovernmental	<u>378,307</u>	999,421

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

Intallment Loan Principal	10,623	
General Obligation Bonds Principal	9,000	
Long - Term Bond Anticipation Notes	560,000	
OPWC Loan Principal	501	
Police and Fire Principal	<u>3,437</u>	583,561

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

(1,150)

Note 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.

(498,000)

Compensated absences 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.

(11,185)

Change in Net Assets of Governmental Activities

\$ 648,136

The accompanying notes are an integral part of these financial statements.

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, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 188,000	\$ 184,967	\$ 184,823	\$ (144)
Income Taxes	1,039,490	1,102,647	1,102,647	0
Charges for Services	22	23	0	(23)
Licenses and Permits	52,152	55,321	55,235	(86)
Fines and Forfeitures	20,772	22,034	22,012	(22)
Intergovernmental	353,845	375,344	375,111	(233)
Interest	127,247	134,978	134,978	0
Other	52,875	56,088	24,512	(31,576)
<i>Total Revenues</i>	<u>1,834,403</u>	<u>1,931,402</u>	<u>1,899,318</u>	<u>(32,084)</u>
Expenditures				
Current:				
General Government	547,698	552,429	528,392	24,037
Security of Persons and Property	1,136,816	1,277,145	1,267,798	9,347
Public Health Services	26,710	25,923	25,922	1
Debt Service:				
Principal Retirement	0	10,624	10,623	1
Interest and Fiscal Charges	1,649	150	149	1
<i>Total Expenditures</i>	<u>1,712,873</u>	<u>1,866,271</u>	<u>1,832,884</u>	<u>33,387</u>
<i>Excess of Revenues Over Expenditures</i>	<u>121,530</u>	<u>65,131</u>	<u>66,434</u>	<u>1,303</u>
Other Financing Sources (Uses)				
Transfers Out	(255,000)	(256,000)	(256,000)	0
Other Financing Sources	10,676	11,325	5,369	(5,956)
<i>Total Other Financing Sources (Uses)</i>	<u>(244,324)</u>	<u>(244,675)</u>	<u>(250,631)</u>	<u>(5,956)</u>
<i>Net Change in Fund Balance</i>	(122,794)	(179,544)	(184,197)	(4,653)
<i>Fund Balance Beginning of Year</i>	210,798	210,798	210,798	0
Prior Year Encumbrances Appropriated	24,575	24,575	24,755	180
<i>Fund Balance End of Year</i>	<u>\$ 112,579</u>	<u>\$ 55,829</u>	<u>\$ 51,356</u>	<u>\$ (4,473)</u>

The accompanying notes are an integral part of these financial statements.

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, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 324,208	\$ 325,804	\$ 325,804	\$ 0
Interest	179	180	204	24
Other	1,596	1,604	1,604	0
<i>Total Revenues</i>	<u>325,983</u>	<u>327,588</u>	<u>327,612</u>	<u>24</u>
Expenditures				
Current:				
Transportation	521,120	520,171	505,860	14,311
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(195,137)</u>	<u>(192,583)</u>	<u>(178,248)</u>	<u>14,335</u>
Other Financing Sources				
Transfers In	169,167	170,000	170,000	0
<i>Total Other Financing Sources</i>	<u>169,167</u>	<u>170,000</u>	<u>170,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(25,970)	(22,583)	(8,248)	14,335
<i>Fund Balance Beginning of Year (Restated, See Note 21)</i>	35,748	35,748	35,748	0
Prior Year Encumbrances Appropriated	5,596	5,596	5,596	0
<i>Fund Balance End of Year</i>	<u>\$ 15,374</u>	<u>\$ 18,761</u>	<u>\$ 33,096</u>	<u>\$ 14,335</u>

The accompanying notes are an integral part of these financial statements.

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$ 54,900	\$ 52,727	\$ 52,727	\$ 0
Intergovernmental	12,074	11,096	11,095	(1)
<i>Total Revenues</i>	<u>66,974</u>	<u>63,823</u>	<u>63,822</u>	<u>(1)</u>
Expenditures				
Current:				
Security of Persons and Property	1,450	1,978	1,335	643
Debt Service:				
Principal Retirement	550,000	533,000	533,000	0
Interest and Fiscal Charges	22,000	17,949	17,948	1
<i>Total Expenditures</i>	<u>573,450</u>	<u>552,927</u>	<u>552,283</u>	<u>644</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(506,476)</u>	<u>(489,104)</u>	<u>(488,461)</u>	<u>643</u>
Other Financing Sources				
Proceeds of Notes	541,926	498,000	498,000	0
<i>Net Change in Fund Balance</i>	35,450	8,896	9,539	643
<i>Fund Balance Beginning of Year (Restated, See Note 21)</i>	<u>30,028</u>	<u>30,028</u>	<u>30,028</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$ 65,478</u>	<u>\$ 38,924</u>	<u>\$ 39,567</u>	<u>\$ 643</u>

The accompanying notes are an integral part of these financial statements.

City of Martins Ferry
*Statement of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP Basis) and Actual
 Fire and Ambulance Fund
 For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Charges for Services	\$ 616,480	\$ 651,247	\$ 651,246	\$ (1)
Intergovernmental	2,367	2,500	2,500	0
Other	6,153	6,500	6,500	0
<i>Total Revenues</i>	<u>625,000</u>	<u>660,247</u>	<u>660,246</u>	<u>(1)</u>
Expenditures				
Current:				
Security of Persons and Property	568,850	630,640	574,692	55,948
<i>Net Change in Fund Balance</i>	56,150	29,607	85,554	55,947
<i>Fund Balance Beginning of Year</i>	150,085	150,085	150,085	0
Prior Year Encumbrances Appropriated	8,034	8,034	8,034	0
<i>Fund Balance End of Year</i>	<u>\$ 214,269</u>	<u>\$ 187,726</u>	<u>\$ 243,673</u>	<u>\$ 55,947</u>

The accompanying notes are an integral part of these financial statements.

City of Martins Ferry
Statement of Fund Net Assets
Proprietary Funds
December 31, 2006

	Water	Sanitation	Other Enterprise Funds	Totals
Assets:				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$ 7,217	\$ 5,463	\$ 101,271	\$ 113,951
Accounts Receivable	205,333	29,002	13,450	247,785
Materials and Supplies Inventory	54,157	1,338	892	56,387
<i>Total Current Assets</i>	<u>266,707</u>	<u>35,803</u>	<u>115,613</u>	<u>418,123</u>
<i>Non-Current Assets:</i>				
<i>Restricted Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	4,882	3,772	0	8,654
Non-Depreciable Capital Assets	153,570	5,000	0	158,570
Depreciable Capital Assets, Net	13,185,639	205,672	60,981	13,452,292
<i>Total Non-Current Assets</i>	<u>13,344,091</u>	<u>214,444</u>	<u>60,981</u>	<u>13,619,516</u>
<i>Total Assets</i>	<u>13,610,798</u>	<u>250,247</u>	<u>176,594</u>	<u>14,037,639</u>
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	5,355	15,346	560	21,261
Accrued Wages	18,287	5,614	1,636	25,537
Customer Deposits Payable	4,882	3,772	0	8,654
Intergovernmental Payable	56,427	19,485	10,503	86,415
Compensated Absences Payable	30,675	0	0	30,675
Accrued Interest Payable	1,840	0	0	1,840
Notes Payable	70,000	0	0	70,000
OPWC Loan Payable	1,000	0	0	1,000
OWDA Loans Payable	394,621	0	0	394,621
<i>Total Current Liabilities</i>	<u>583,087</u>	<u>44,217</u>	<u>12,699</u>	<u>640,003</u>
<i>Long-Term Liabilities:</i>				
Compensated Absences Payable - Net of Current Portion	43,402	16,192	8,321	67,915
OPWC Loan Payable - Net of Current Portion	270,500	0	0	270,500
OWDA Loans Payable - Net of Current Portion	8,621,737	0	0	8,621,737
<i>Total Long-Term Liabilities</i>	<u>8,935,639</u>	<u>16,192</u>	<u>8,321</u>	<u>8,960,152</u>
<i>Total Liabilities</i>	<u>9,518,726</u>	<u>60,409</u>	<u>21,020</u>	<u>9,600,155</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	3,981,351	210,672	60,981	4,253,004
Unrestricted	110,721	(20,834)	94,593	184,480
<i>Total Net Assets</i>	<u>\$ 4,092,072</u>	<u>\$ 189,838</u>	<u>\$ 155,574</u>	<u>\$ 4,437,484</u>

The accompanying notes are an integral part of these financial statements.

City of Martins Ferry
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2006

	Enterprise Funds			Totals
	Water	Sanitation	Other Enterprise Funds	
Operating Revenues				
Charges for Services	\$ 2,686,584	\$ 598,022	\$ 311,856	\$ 3,596,462
Other	16,499	28,986	15,367	60,852
<i>Total Operating Revenues</i>	<u>2,703,083</u>	<u>627,008</u>	<u>327,223</u>	<u>3,657,314</u>
Operating Expenses				
Personal Services	1,132,377	368,929	242,774	1,744,080
Contractual Services	709,313	191,270	27,881	928,464
Materials and Supplies	233,457	53,277	35,356	322,090
Depreciation	520,345	35,254	10,176	565,775
<i>Total Operating Expenses</i>	<u>2,595,492</u>	<u>648,730</u>	<u>316,187</u>	<u>3,560,409</u>
<i>Operating Income (Loss)</i>	<u>107,591</u>	<u>(21,722)</u>	<u>11,036</u>	<u>96,905</u>
Non-Operating Revenues (Expenses)				
Intergovernmental	111,000	0	0	111,000
Interest and Fiscal Charges	(217,220)	(961)	0	(218,181)
Special Assessments	0	0	121	121
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(106,220)</u>	<u>(961)</u>	<u>121</u>	<u>(107,060)</u>
<i>Income (Loss) Before Transfers and Contributions</i>	1,371	(22,683)	11,157	(10,155)
Transfer Out	0	0	(10,328)	(10,328)
Capital Contributions from Governmental Activities	362,669	166,784	0	529,453
Capital Grants and Contributions	623,849	0	0	623,849
<i>Change in Net Assets</i>	987,889	144,101	829	1,132,819
<i>Net Assets Beginning of Year</i>	<u>3,104,183</u>	<u>45,737</u>	<u>154,745</u>	<u>3,304,665</u>
<i>Net Assets End of Year</i>	<u>\$ 4,092,072</u>	<u>\$ 189,838</u>	<u>\$ 155,574</u>	<u>\$ 4,437,484</u>

The accompanying notes are an integral part of these financial statements.

City of Martins Ferry
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2006

	Enterprise Funds			Totals
	Water	Sanitation	Other Enterprise Funds	
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 2,695,184	\$ 600,096	\$ 312,935	\$ 3,608,215
Other Operating Receipts	16,499	28,986	15,367	60,852
Cash Payments to Suppliers for Goods and Services	(235,635)	(52,572)	(36,071)	(324,278)
Cash Payments for Employees Services and Benefits	(1,115,940)	(373,268)	(241,414)	(1,730,622)
Cash Payments for Contractual Services	(718,435)	(187,166)	(28,025)	(933,626)
<i>Net Cash Provided by Operating Activities</i>	<u>641,673</u>	<u>16,076</u>	<u>22,792</u>	<u>680,541</u>
Cash Flows from Noncapital Financing Activities				
Intergovernmental Receipts	111,000	0	0	111,000
Special Assessments	0	0	121	121
Transfers Out	0	0	(10,328)	(10,328)
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>111,000</u>	<u>0</u>	<u>(10,207)</u>	<u>100,793</u>
Cash Flows from Capital and Related Financing Activities				
Proceeds from Notes	70,000	0	0	70,000
Proceeds from OWDA Loans	168,533	0	0	168,533
Proceeds from OPWC Loans	255,000	0	0	255,000
Capital Grants and Contributions	623,849	0	0	623,849
Acquisition of Capital Assets	(1,096,601)	(8,861)	(8,860)	(1,114,322)
Principal Payments on OWDA Loans	(541,982)	0	0	(541,982)
Principal Payments on OPWC Loan	(1,000)	0	0	(1,000)
Principal Payments on Installment Loan	0	(15,660)	0	(15,660)
Principal Payments on Notes	(80,000)	0	0	(80,000)
Interest Payments on All Debt	(217,086)	(961)	0	(218,047)
<i>Net Cash (Used for) Capital and Related Financing Activities</i>	<u>(819,287)</u>	<u>(25,482)</u>	<u>(8,860)</u>	<u>(853,629)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(66,614)	(9,406)	3,725	(72,295)
<i>Cash and Cash Equivalents Beginning of Year</i>	78,713	18,641	97,546	194,900
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 12,099</u>	<u>\$ 9,235</u>	<u>\$ 101,271</u>	<u>\$ 122,605</u>
Reconciliation of Operating Income To Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ 107,591	\$ (21,722)	\$ 11,036	\$ 96,905
Adjustments:				
Depreciation	520,345	35,254	10,176	565,775
(Increase) Decrease in Assets:				
Accounts Receivable	7,487	1,432	1,079	9,998
Materials and Supplies Inventory	(1,701)	(967)	(644)	(3,312)
Increase (Decrease) in Liabilities:				0
Accounts Payable	(9,599)	5,776	(215)	(4,038)
Customers Deposits	1,113	642	0	1,755
Accrued Wages	3,712	282	(517)	3,477
Compensated Absences Payable	(1,507)	(9,011)	(314)	(10,832)
Intergovernmental Payable	14,232	4,390	2,191	20,813
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 641,673</u>	<u>\$ 16,076</u>	<u>\$ 22,792</u>	<u>\$ 680,541</u>

Noncash Capital Financing Activities:

During 2006, capital contributions were made by the permanent improvement fund to the sanitation and the water enterprise funds in the amount of \$166,784 and \$117,669, respectively. The water enterprise fund also received \$245,000 in capital contributions from the downtown revitalization fund. \$623,849 of waterlines were donated to the City from Belmont County.

The accompanying notes are an integral part of these financial statements.

City of Martins Ferry
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
December 31, 2005

	<u>Agency</u>
Assets	
Cash and Cash Equivalents in Segregated Accounts	<u>\$ 34,637</u>
Liabilities	
Undistributed Monies	<u>\$ 34,637</u>

The accompanying notes are an integral part of these financial statements.

City of Martins Ferry
Notes to the Basic Financial Statements
December 31, 2006

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, Belmont County Sewer Authority, and Bel-O-Mar Regional Council which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 18.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2006

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
Notes to the Basic Financial Statements (Continued)
December 31, 2006

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 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.

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

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

The other governmental funds of the City account for grants and other resources 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 sanitary sewer service to the residents and commercial users located within the City.

The other enterprise fund of the City accounts for the for sanitary sewer operations.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2006

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 (i.e. revenues) and decreases (i.e. 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 arise in the recognition of revenue, the recording of deferred revenue, and in the preparation of expenses versus expenditures.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2006

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 mean that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. (See Note 7.) Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred 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, 2006, but which were levied to finance fiscal year 2007 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.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2006

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Data

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

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

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. 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 2006, the City's investments were limited to certificates of deposit and money market funds.

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 2006 amounted to \$134,331, which includes \$131,129 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.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2006

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City's treasury. See Note 5, Deposits and Investments.

G. Materials and Supplies Inventory

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

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.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2006

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	40-50 Years	40-50 Years
Building Improvements	20-50 Years	20-50 Years
Infrastructure	15-50 Years	15-50 Years
Equipment and Machinery	3-25 Years	3-25 Years
Vehicles	5-10 Years	5-10 Years

City management chose not to record general infrastructure assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets.

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 special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and long-term loans are recognized as a liability on the governmental fund financial statements when due.

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.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2006

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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 primarily for charges for services for water and sewer services. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.

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.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2006

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2006.

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.

R. Changes in Accounting Principles

For the year ended December 31, 2006, the City has implemented GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation* and Statement No. 47, *Accounting for Termination Benefits*.

Statement No. 46 establishes that any amount of the primary government's net assets at the end of the reporting period restricted by enabling legislation should be disclosed in the notes to the financial statements. At December 31, 2006, \$7,411 of the City's net assets were restricted by enabling legislation.

Statement No. 47 provides guidance to governmental employers for measuring, recognizing, and reporting liabilities and expenses/expenditures related to *all* termination benefits without limitations as to the period of time during which the benefits are offered.

The implementation of these GASB statements did not have an effect on the financial statements of the City.

NOTE 3: BUDGETARY BASIS OF ACCOUNTING

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

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2006

NOTE 3: BUDGETARY BASIS OF ACCOUNTING (Continued)

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 and repair, the fire apparatus levy III, the fire and ambulance special revenue funds.

Net Change in Fund Balance

	General	Street Maintenance & Repair	Fire Apparatus Levy III	Fire and Ambulance
GAAP Basis	\$ (199,570)	\$ (12,302)	\$ 9,539	\$ 97,931
Revenue Accruals	2,528	2,566	0	(6,507)
Expenditure Accruals	18,241	6,295	0	8,081
Encumbrances	(5,396)	(4,807)	0	(13,951)
Budget Basis	<u>\$ (184,197)</u>	<u>\$ (8,248)</u>	<u>\$ 9,539</u>	<u>\$ 85,554</u>

NOTE 4: ACCOUNTABILITY

Fund balances at December 31, 2006 included the following individual fund deficits:

	<u>Deficit</u>
Non-major funds:	
Safety/Service	\$ 1,331
Division of Development	2,307
Downtown Revitalization	13,616

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

NOTE 5: DEPOSITS AND INVESTMENTS

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

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2006

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
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 (STAR Ohio);
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2006

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the City's name. During 2006, the City and public depositories complied with the provisions of these statutes.

Deposits with Financial Institutions

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

At fiscal year-end, the carrying amount of the City's deposits was \$2,494,951. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of December 31, 2006, \$2,326,073 of the City's bank balance of \$2,626,073 was exposed to custodial risk as discussed above, while \$300,000 was covered by Federal Deposit Insurance Corporation.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2006

NOTE 6: INTERFUND TRANSFERS

<u>Transfer To</u>	<u>Transfer From</u>		
	General	CDBG Grant Housing	Sewer
Major Funds:			
Street	\$ 170,000	\$ 0	\$ 0
Nonmajor Funds:			
Recreation	62,000	0	0
Cemetery	10,000	0	0
Pattons Run	0	0	10,328
Division of Development	0	452	0
Safety Service	14,000	0	0
Total	<u>\$ 256,000</u>	<u>\$ 452</u>	<u>\$ 10,328</u>

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

In addition, the permanent improvement fund transferred \$166,784 and \$117,669 of capital assets to the sanitation and water fund, respectively. The downtown revitalization fund transferred \$245,000 of capital assets to the water fund. These transactions are only reflected on the government-wide financial statements and the Proprietary Fund's Statement of Revenues, Expenses and Changes in Fund Net Assets.

NOTE 7: PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property, and tangible personal property located in the City. Property tax revenue received during 2006 for real and public utility property taxes represents collections of the 2005 taxes. Property tax payments received during 2006 for tangible personal property (other than public utility property) and for 2006 taxes.

2006 real property taxes were levied after October 1, 2005 on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2006 real property taxes are collected in and intended to finance 2006.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2006 public utility property taxes which became a lien December 31, 2005, are levied after October 1, 2006, and are collected in 2006 with real property taxes.

2006 tangible personal property taxes are levied after October 1, 2005, on the values as of December 31, 2005. Collections are made in 2006. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent for inventory.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2006

NOTE 7: PROPERTY TAXES (Continued)

The full tax rate for all City operations for the year ended December 31, 2006 was \$8.60 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	\$ 55,555,930
Tangible Personal Property	18,242,780
Public Utilities	<u>3,886,450</u>
Total	<u><u>\$ 77,685,160</u></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.

NOTE 8: RECEIVABLES

Receivables at December 31, 2006 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 \$52,381. These mortgage loans receivable are for financing of the sale of City property to individuals as a home mortgage. The mortgages bear interest at annual rates between five and seven percent. The mortgages are to be repaid over periods ranging from five to thirty years.

NOTE 9: INCOME TAX

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

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

Income tax proceeds are to be used for the purpose of general municipal operations, maintenance, new equipment, extension and enlargement of municipal services, facilities and capital improvements of the City as determined by City Council. In 2006, the proceeds were allocated to the General Fund.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2006

NOTE 10: CAPITAL ASSETS

A summary of changes in capital assets during 2006 follows:

	Balance 12/31/2005	Additions	Reductions	Balance 12/31/2006
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 875,641	\$ 17,079	\$ 0	\$ 892,720
Construction in Progress	292,317	354,493	(166,784)	480,026
<i>Total Capital Assets Not Being Depreciated</i>	<u>1,167,958</u>	<u>371,572</u>	<u>(166,784)</u>	<u>1,372,746</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings	1,705,241	17,000	0	1,722,241
Building Improvements	856,544	0	0	856,544
Equipment and Machinery	375,423	68,589	0	444,012
Infrastructure	171,970	0	0	171,970
Vehicles	2,858,096	71,482	(149,759)	2,779,819
<i>Total Capital Assets, Being Depreciated</i>	<u>5,967,274</u>	<u>157,071</u>	<u>(149,759)</u>	<u>5,974,586</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(1,000,653)	(32,052)	0	(1,032,705)
Building Improvements	(675,334)	(21,080)	0	(696,414)
Equipment and Machinery	(304,814)	(15,521)	0	(320,335)
Infrastructure	(4,912)	(6,620)	0	(11,532)
Vehicles	(2,093,157)	(230,226)	149,759	(2,173,624)
<i>Total Accumulated Depreciation</i>	<u>(4,078,870)</u>	<u>(305,499)</u>	<u>149,759</u>	<u>(4,234,610)</u>
<i>Total Capital Assets, Being Depreciated, Net</i>	<u>1,888,404</u>	<u>(148,428)</u>	<u>0</u>	<u>1,739,976</u>
<i>Total Governmental Activities Capital Assets, Net</i>	<u>\$ 3,056,362</u>	<u>\$ 223,144</u>	<u>\$ (166,784)</u>	<u>\$ 3,112,722</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 49,734
Security of Persons and Property	154,606
Public Health Services	5,204
Transportation	55,184
Community and Economic Development	1,220
Leisure Time Activities	39,551
Total	<u>\$ 305,499</u>

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2006

NOTE 10: CAPITAL ASSETS (Continued)

	Balance 12/31/2005	Additions	Reductions	Balance 12/31/2006
Business-Type Activities				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 158,570	\$ 0	\$ 0	\$ 158,570
<i>Capital Assets, Being Depreciated:</i>				
Buildings	5,892,172	0	0	5,892,172
Building Improvements	1,044,196	746,555	0	1,790,751
Equipment and Machinery	6,390,869	123,462	0	6,514,331
Infrastructure	4,872,835	739,359	0	5,612,194
Vehicles	741,532	0	0	741,532
<i>Total Capital Assets, Being Depreciated</i>	<u>18,941,604</u>	<u>1,609,376</u>	<u>0</u>	<u>20,550,980</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(1,425,875)	(148,149)	0	(1,574,024)
Building Improvements	(186,003)	(53,119)	0	(239,122)
Equipment and Machinery	(3,959,926)	(167,783)	0	(4,127,709)
Infrastructure	(322,266)	(155,179)	0	(477,445)
Vehicles	(638,843)	(41,545)	0	(680,388)
<i>Total Accumulated Depreciation</i>	<u>(6,532,913)</u>	<u>(565,775)</u>	<u>0</u>	<u>(7,098,688)</u>
<i>Total Capital Assets, Being Depreciated, Net</i>	<u>12,408,691</u>	<u>1,043,601</u>	<u>0</u>	<u>13,452,292</u>
<i>Total Business-Type Capital Assets, Net</i>	<u>\$ 12,567,261</u>	<u>\$ 1,043,601</u>	<u>\$ 0</u>	<u>\$ 13,610,862</u>

NOTE 11: 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 insurance 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 Insurance

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 Corporations.

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
Notes to the Basic Financial Statements (Continued)
December 31, 2006

NOTE 11: RISK MANAGEMENT (Continued)

Property Insurance

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 specific losses exceeding \$100,000 up to \$500,000,000 per occurrence. 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 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, 2005 (the latest information available):

<u>Casualty Coverage</u>	<u>2005</u>
Assets	\$ 29,719,675
Liabilities	<u>(15,994,168)</u>
Retained Earnings	<u>\$ 13,725,507</u>
<u>Property Coverage</u>	
Assets	\$ 4,443,332
Liabilities	<u>(1,068,245)</u>
Retained Earnings	<u>\$ 3,375,087</u>

There was no reduction in insurance coverage from the prior year and insurance was sufficient to cover settlements in 2004, 2005 and 2006.

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 12: DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System (PERS)

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 deferred benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan 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.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2006

NOTE 12: DEFINED BENEFIT PENSION PLANS (Continued)

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 which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.9 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The employer contribution rate for pension benefits for 2006 was 9.2 percent, except for those plan members in law enforcement or public safety. For those classifications, the employer's pension contributions were 13.7 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 all three plans for the years ended December 31, 2006, 2005 and 2004 were \$188,858, \$181,110 and \$223,174, respectively. The full amount has been contributed for 2005 and 2004. 92 percent has been contributed for 2006 with the remainder being presented as "intergovernmental payable" in the governmental activities column of the statement of net assets.

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 and the City is required to contribute 19.5 percent for police officers and 24 percent for firefighters. Contributions are authorized by state statute. The City's contributions to the OP&F for police was \$109,362 for the year ended December 31, 2006, \$103,260 for the year ended December 31, 2005, \$69,546 for the year ended December 31, 2004. The full amount has been contributed for 2005 and 2004. 76 percent has been contributed for 2006 with the remainder being presented as "intergovernmental payable" in the government activities column of the statement of net assets.

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, 2006, the unfunded liability of the City was \$192,672, payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary. The liability is included in "Long-Term Liabilities" in the governmental activities column of the statements of net assets.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2006

NOTE 13: POSTEMPLOYMENT BENEFITS

A. 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 the retirement system 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 2006 local government employer contribution rate was 13.7 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.5 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a return on investments of 6.5 percent, an annual increase in active employee total payroll of 4 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 at the projected wage inflation rate plus an additional factor ranging from .5 to 6 percent annually for the next nine years and 4 percent annually after nine 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, not to exceed a 12 percent corridor.

As of December 31, 2006, the number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005 actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$92,376. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2005 (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.1 billion and \$20.2 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. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006 and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2006

NOTE 13: POSTEMPLOYMENT BENEFITS (Continued)

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

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement 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 health care cost paid from the Ohio Police and Fire Pension Fund 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 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2006 and 2005. In addition, since July 1, 1992, most retirees 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 2006 that were used to fund postemployment benefits were \$43,464 for police. The OP&F's total health care expense for the year ended December 31, 2005 (the latest information available) was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005 was 13,922 for police and 10,537 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, 2006, no City employees have elected social security.

NOTE 14: 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 a \$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 \$848.17 of the total monthly premiums of \$927.79 for family coverage and \$306.84 of the monthly premiums of \$356.84 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries. City ASME Union employees pay \$50.00 of the total premium. City full-time police pay \$75.00 for family coverage and \$50.00 for single coverage.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2006

NOTE 14: OTHER EMPLOYEE BENEFITS (Continued)

The City contracts with Met Life for dental insurance for all supervisors and police. The City pays 100 percent of the total monthly premiums of \$75.57 for family coverage, \$43.93 for employees with only one dependent, and \$22.67 for single coverage. Premiums are paid from the same funds that pay the employees' salaries. The City contracts with Ohio AFSCME Care Plan for dental insurance for all union employees. The City pays 100 percent of the total monthly premiums of \$34.00 per union employee. Premiums are paid from the same funds that pay the employees' salaries.

NOTE 15: 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, 2006, the liability for unpaid compensated absences was \$172,732.

NOTE 16: 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
Governmental Activities:			
Pattons Run Picoma General Obligation Bonds - 1987	7.375%	\$ 160,000	December 1, 2007
St. Route 647 OPWC Loan - 2003	0.00	10,029	July 1, 2023
Long-Term Bond Anticipation Notes:			
Truck Acquisition Note - 2006	4.10	204,000	May 10, 2007
Aerial Fire Truck Note - 2006	4.10	294,000	May 10, 2007
Business-Type Activities:			
Ferryview/Sharon Road Waterlines OWDA Loan - 2004	2.00	3,697,909	January 1, 2025
Water Treatment Plant OWDA Loan - 1995	2.00	10,369,123	January 1, 2022
Woodmont Pump Station OPWC Loan - 2003	0.00	20,000	July 1, 2023
Water Tank OPWC Loan - 2006	0.02	255,000	July 1, 2027
Long-Term Bond Anticipation Notes:			
Water System Improvement Note - 2006	4.10	70,000	May 10, 2007

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2006

NOTE 16: LONG-TERM OBLIGATIONS (Continued)

A schedule of changes in bonds and other long-term obligations of the City during 2006 follows:

	Outstanding 12/31/2005	Additions	Deletions	Outstanding 12/31/2006	Due in One Year
Governmental Activities:					
Installment Loans:					
Police Cruiser	\$ 8,974	\$ 0	\$ (8,974)	\$ 0	\$ 0
Police Cruiser	1,649	0	(1,649)	0	0
<i>Total Installment Loans</i>	<u>10,623</u>	<u>0</u>	<u>(10,623)</u>	<u>0</u>	<u>0</u>
General Obligation Bonds	18,000	0	(9,000)	9,000	9,000
OPWC Loan - State Route 647	8,776	0	(501)	8,275	501
Long-Term Bond Anticipation Notes:					
Street and Sidewalk Improvement	10,000	0	(10,000)	0	0
Truck Acquisition	250,000	204,000	(250,000)	204,000	204,000
Aerial Fire Truck	300,000	294,000	(300,000)	294,000	294,000
<i>Total Long-Term Bond Anticipation Notes</i>	<u>560,000</u>	<u>498,000</u>	<u>(560,000)</u>	<u>498,000</u>	<u>498,000</u>
Police and Fire Pension	196,109	0	(3,437)	192,672	3,584
Compensated Absences	62,957	11,185	0	74,142	31,506
<i>Total Governmental Activities</i>	<u>\$ 856,465</u>	<u>\$ 509,185</u>	<u>\$ (583,561)</u>	<u>\$ 782,089</u>	<u>\$ 542,591</u>
Business-Type Activities:					
OWDA Loans:					
Ferryview/Sharon Road Waterlines	\$ 2,178,430	\$ 168,533	\$ (155,098)	2,191,865	\$ 0
Water Treatment Plant	7,211,377	0	(386,884)	6,824,493	394,621
<i>Total OWDA Loans</i>	<u>9,389,807</u>	<u>168,533</u>	<u>(541,982)</u>	<u>9,016,358</u>	<u>394,621</u>
OPWC Loans:					
Woodmont Pump Station	17,500	0	(1,000)	16,500	1,000
Water Tank	0	255,000	0	255,000	0
<i>Total OPWC Loans</i>	<u>17,500</u>	<u>255,000</u>	<u>(1,000)</u>	<u>271,500</u>	<u>1,000</u>
Installment Loan (Packer Loan)	15,660	0	(15,660)	0	
Long-Term Bond Anticipation Note:					
Water System Improvement	80,000	70,000	(80,000)	70,000	70,000
Compensated Absences	109,422	0	(10,832)	98,590	30,675
<i>Total Business-Type Activities</i>	<u>\$ 9,612,389</u>	<u>\$ 493,533</u>	<u>\$ (649,474)</u>	<u>\$ 9,456,448</u>	<u>\$ 496,296</u>

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2006

NOTE 16: LONG-TERM OBLIGATIONS (Continued)

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 bond anticipation notes were issued to purchase a police cruiser and will be paid from general fund local government revenues. 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.

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. \$2,493,747 has been drawn down by the City as of December 31, 2006. Upon completion of the project, the loan will be repaid over a period of twenty years. In addition to the draw down, the City has incurred interest of \$5,257 as of December 31, 2006. The City began to repay this loan as of July 2006, but the OWDA has not completed an amortization schedule, therefore, the loan is not included in the following amortization schedule.

The OPWC issued a \$255,000 loan in 2006 for the improvements of the City's water tanks.

The City entered into a contractual agreement with the Ohio Water Development Authority (OWDA) for a new water treatment plant. The amount of loan awarded was \$10,369,212. The first payment was made July 1997 and will be repaid over twenty-five years.

The City was awarded a \$20,000 Ohio Public Works Commission Loan in 2004 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 11, 2006 for \$568,000 were used to partially retire the \$630,000 bond anticipation notes issued May 12, 2005. These notes were issued for the purpose of fire equipment and water system improvements. These notes are set to mature May 10, 2007, and are not included in the amortization schedules.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2006

NOTE 16: LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire governmental activities debt at December 31, 2006 are as follows:

Year	General Obligation Bonds		Police and Fire Pension		OPWC Loan	Total	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2007	\$ 9,000	\$ 664	\$ 3,584	\$ 8,152	\$ 501	\$ 13,085	\$ 8,816
2008	0	0	3,739	7,998	501	4,240	7,998
2009	0	0	3,899	7,837	501	4,400	7,837
2010	0	0	4,067	7,670	501	4,568	7,670
2011	0	0	4,241	7,495	501	4,742	7,495
2012-2016	0	0	24,100	34,583	2,508	26,608	34,583
2017-2021	0	0	29,740	28,943	2,508	32,248	28,943
2022-2026	0	0	36,700	21,984	754	37,454	21,984
2027-2031	0	0	45,288	13,395	0	45,288	13,395
2032-2036	0	0	37,314	3,218	0	37,314	3,218
Totals	<u>\$ 9,000</u>	<u>\$ 664</u>	<u>\$ 192,672</u>	<u>\$ 141,275</u>	<u>\$ 8,275</u>	<u>\$ 209,947</u>	<u>\$ 141,939</u>

Principal and interest requirements to retire business-type activities debt at December 31, 2006 are as follows:

Year	OWDA Loans		OPWC Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 394,621	\$ 136,490	\$ 1,000	\$ 2,125	\$ 395,621	\$ 138,615
2008	402,514	128,597	11,484	5,048	413,998	133,645
2009	410,564	120,547	11,695	4,837	422,259	125,384
2010	418,775	112,336	11,910	4,622	430,685	116,958
2011	427,151	103,960	12,129	4,403	439,280	108,363
2012-2016	2,267,367	388,188	64,095	18,567	2,331,462	406,755
2017-2021	2,503,501	152,053	70,277	12,385	2,573,778	164,438
2022-2026	0	0	73,607	5,555	73,607	5,555
2027-2031	0	0	15,303	230	15,303	230
Totals	<u>\$ 6,824,493</u>	<u>\$ 1,142,171</u>	<u>\$ 271,500</u>	<u>\$ 57,772</u>	<u>\$ 7,095,993</u>	<u>\$ 1,199,943</u>

The City has entered into contractual agreements for construction loans from the Ohio Water Development Authority (OWDA). Under the terms of these agreements, OWDA will reimburse, advance, or directly pay the construction costs of the approved projects. OWDA will capitalize administrative costs and construction interest and then add them to the total amounts of the final loans. These loans will not have an accurate repayment schedule until the loans are finalized and, therefore, are not included in the schedule of future annual debt service requirements.

The balances of these loans are as follows:

OWDA Loans:

Ferryview/Sharon Rd. Waterlines	<u>\$ 2,191,865</u>
---------------------------------	---------------------

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2006

NOTE 17: CONTRACTUAL COMMITMENTS

As of December 31, 2006 the City had a contractual commitment for the following project:

	<u>Contractual Commitment</u>	<u>Expended</u>	<u>Balance 12/31/06</u>
Vaugh, Coast & Vaugh Engineers - Gannet Fleming Engineers & Architects, PC – Woodmont Pump Station Project	\$ <u>75,000</u>	\$ <u>20,000</u>	\$ <u>50,000</u>

NOTE 18: JOINTLY GOVERNED ORGANIZATIONS

A. Belmont Metropolitan Housing Authority

Belmont Metropolitan Housing Authority is a non-profit organization established to provide adequate public housing for low income individuals and is statutorily created as a separate and distinct political subdivision of the State. The Authority is operated by a five member board of commissioners. Two members are appointed by the Mayor of Martins Ferry, one member is appointed by the Belmont County Commissioners, one member is appointed by the judge of the probate court, and one member is appointed by the judge of the court of common pleas. The City did not contribute any amounts to the Authority during 2006. 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 2006. The continued existence of the Authority is not dependent on the City's continued participation and no equity interest exists. The Authority has no outstanding debt for which the City of Martins Ferry is responsible.

C. Ohio Mid-Eastern Governments Association (OMEGA)

Ohio Mid-Eastern Governments Association (OMEGA) is a ten-county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum, and Tuscarawas Counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a sixteen member executive board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. The mayor of the City of Martins Ferry serves as the City's representative on the board. The board has total control over budgeting, personnel, and financial matters. Each member currently pays a per capita membership fee based upon the most recent United States census. During 2006, OMEGA received \$1,084 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.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2006

NOTE 18: JOINTLY GOVERNED ORGANIZATIONS (Continued)

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. Belmont County Sewer Authority

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

F. Bel-O-Mar Regional Council

Bel-O-Mar Regional Council is operated as a non-profit organization formed to provide planning and administrative services to all local governments in a four county region comprised of Belmont County, Ohio and three counties in West Virginia. The governing board is comprised of 58 officials from the four county service area of which three members and one alternate member are appointed by Belmont County and one member is appointed by each local government within Belmont County. The Mayor of the City of Martins Ferry serves as the City's representative on the board. The Council is not dependent upon the City of Martins Ferry for its continued existence, no debt exists, and the City does not maintain an equity interest. During 2006, Bel-O-Mar Regional Council received \$2,385 from the City of Martins Ferry for annual fees and grant administration services.

NOTE 19: 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, 2006.

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.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2006

NOTE 20: SUBSEQUENT EVENT

On May 10, 2007, fire equipment and water system improvement bond anticipation notes in the amount of \$443,000 were rolled over into bond anticipation notes. The notes have an interest rate of 4.25 percent and mature on May 9, 2008.

The City was approved by OPWC for a loan in the amount of \$408,000 at 0% interest. This loan is for the Waste Water Storage Tank Project.

NOTE 21: RESTATEMENT OF NET ASSETS

In the prior year, the street maintenance and repair and fire apparatus levy III funds were overstated by \$61,774 and \$250,000, respectively, on the budgetary basis statements. To correct this error, the beginning fund balance has been restated as follows:

<u>Budget (Non-GAAP Basis) Fund Balance</u>	<u>Street Maintenance & Repair Fund</u>	<u>Fire Apparatus Levy III Fund</u>
Previously Reported Fund Balance at 12/31/05	\$ 109,866	\$ 280,028
Correction of Error	<u>(74,118)</u>	<u>(250,000)</u>
Restated Fund Balance at 1/1/06	<u>\$ 35,748</u>	<u>\$ 30,028</u>



June 15, 2007

Mayor and Members of Council
City of Martins Ferry
Martins Ferry, OH 43935

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

We have audited 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 (the "City") as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 15, 2007.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the City in a separate letter dated June 15, 2007.

City of Martins Ferry, Ohio
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards
June 15, 2007
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated June 15, 2007.

This report is intended solely for the information and use of management and City Council and is not intended to be and should not be used by anyone other than those specified parties.

Hea & Associates, Inc.

**CITY OF MARTINS FERRY
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2005-001	Ohio Revised Code Section 5705.29 for appropriating more than estimated resources.	Yes	N/A



Mary Taylor, CPA
Auditor of State

CITY OF MARTINS FERRY

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 19, 2007**