



City of Martins Ferry

Audited Financial Statements

December 31, 2010



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.



Dave Yost • Auditor of State

Members of Council
City of Martins Ferry
PO 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, 2010 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

August 8, 2011

This Page is Intentionally Left Blank.

**CITY OF MARTINS FERRY
BELMONT COUNTY**

DECEMBER 31, 2010

Table of Contents

	<i>Page</i>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-10
Government-Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund.....	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Fire and Ambulance Fund.....	18
Statement of Fund Net Assets – Proprietary Funds	19
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	20
Statement of Cash Flows – Proprietary Funds.....	21
Statement of Fiduciary Assets and Liabilities – Agency Fund	22
Notes to the Basic Financial Statements	23-54
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	55-56
Schedule of Findings	57
Schedule of Prior Audit Findings	58

This Page is Intentionally Left Blank.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

June 22, 2011

Mayor and Members of Council
City of Martins Ferry
Fifth & Walnut Streets
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"), Ohio as of and for the year ended December 31, 2010, 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, 2010, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparisons for the General 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 22, 2011 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 an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

City of Martins Ferry
Independent Auditor's Report
June 22, 2011

Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hea & Associates, Inc.

City of Martins Ferry
Management's Discussion and Analysis
For the Year Ended December 31, 2010

The discussion and analysis of the City of Martins Ferry's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2010. 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 2010 are as follows:

- General Revenues accounted for \$2,239,430 in revenue or 26.3 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$6,288,917 or 73.7 percent of total revenues of \$8,528,347.
- Total program expenses were \$7,446,852; \$3,950,551 in governmental activities and \$3,496,301 in business-type activities.
- In total, net assets increased \$1,081,495. Net assets of governmental activities increased \$452,357, which represents a 7.3 percent increase over 2009. Net assets of business-type activities increased \$629,138 or 12 percent over 2009.
- Outstanding debt decreased from \$9,585,098 to \$8,943,809 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 Activities provide information from a summary perspective showing the effects of the operations for the year 2010 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, fire and 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, 2010

A question typically asked about the City's finances is "How did we do financially during 2010?" 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 if, 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:

- ✓ **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.
- ✓ **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, fire and ambulance, and permanent improvement fund.

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

City of Martins Ferry
Management's Discussion and Analysis
For the Year Ended December 31, 2010

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.

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 2010 compared to 2009:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets						
Current and Other Assets	\$ 4,565,497	\$ 4,073,824	\$ 909,505	\$ 665,686	\$ 5,475,002	\$ 4,739,510
Capital Assets	3,131,092	3,225,709	13,723,005	13,904,107	16,854,097	17,129,816
Total Assets	7,696,589	7,299,533	14,632,510	14,569,793	22,329,099	21,869,326
Liabilities						
Long-Term Liabilities	526,948	595,178	8,586,133	9,172,608	9,113,081	9,767,786
Other Liabilities	524,781	511,852	167,269	147,215	692,050	659,067
Total Liabilities	1,051,729	1,107,030	8,753,402	9,319,823	9,805,131	10,426,853
Net Assets						
Invested in Capital Assets Net of Debt	2,861,080	2,895,942	5,226,619	4,830,256	8,087,699	7,726,198
Restricted	2,864,034	2,581,830	0	0	2,864,034	2,581,830
Unrestricted	919,746	714,731	652,489	419,714	1,572,235	1,134,445
Total Net Assets	\$ 6,644,860	\$ 6,192,503	\$ 5,879,108	\$ 5,249,970	\$12,523,968	\$11,442,473

City of Martins Ferry
Management's Discussion and Analysis
For the Year Ended December 31, 2010

Total assets increased by \$459,773 with governmental assets increasing \$397,056 and business-type assets increasing \$62,717. A decrease of \$275,719 in total capital assets reflects depreciation expense exceeding additional purchases. Total liabilities decreased by \$621,722 with governmental liabilities decreasing \$55,301 and business-type liabilities decreasing \$566,421, primarily due to principal payments on long-term debt.

Total net assets increased by \$1,081,495. This increase reflects an increase of \$452,357 in governmental activities and an increase of \$629,138 in the net assets of the business-type activities. Program revenues increased \$731,456 from \$5,557,461 in 2009 to \$6,288,917 in 2010. Program expenses decreased \$37,321 from \$7,484,173 in 2009 to \$7,446,852 in 2010.

Table 2 shows the changes in net assets for fiscal years 2010 and 2009. 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, 2010

(Table 2)
Changes in Net Assets

	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
	2010	2010	2010	2009	2009	2009
Revenues						
<i>Program Revenues:</i>						
Charges for Services and Sales	\$ 1,127,931	\$ 3,913,727	\$ 5,041,658	\$ 1,001,310	\$ 3,857,657	\$ 4,858,967
Operating Grants and Contributions	1,116,372	0	1,116,372	537,344	0	537,344
Capital Grants and Contributions	16,000	114,887	130,887	11,150	150,000	161,150
<i>General Revenue:</i>						
Property Taxes	309,025	0	309,025	333,848	0	333,848
Income Taxes	1,291,073	0	1,291,073	1,147,412	0	1,147,412
Grants and Entitlements	478,111	0	478,111	419,090	0	419,090
Investment Earnings	8,847	0	8,847	25,635	0	25,635
Insurance Recoveries	63,977	0	63,977	0	0	0
Miscellaneous	51,994	36,403	88,397	77,631	34,583	112,214
Total Revenues	4,463,330	4,065,017	8,528,347	3,553,420	4,042,240	7,595,660
Program Expenses						
General Government	726,087	0	726,087	628,919	0	628,919
Security of Persons and Property	2,473,080	0	2,473,080	2,329,276	0	2,329,276
Transportation	423,862	0	423,862	510,586	0	510,586
Public Health Services	68,940	0	68,940	65,413	0	65,413
Community and Economic Development	179,944	0	179,944	310,868	0	310,868
Leisure Time Activities	61,961	0	61,961	51,323	0	51,323
Interest and Fiscal Charges	16,677	0	16,677	16,804	0	16,804
<i>Enterprise Operations:</i>						
Off Street Parking	0	1,307	1,307	0	5,045	5,045
Parking Meter	0	46,107	46,107	0	25,502	25,502
Water	0	2,523,705	2,523,705	0	2,646,210	2,646,210
Sewer	0	264,348	264,348	0	238,163	238,163
Sanitation	0	660,834	660,834	0	656,064	656,064
Total Program Expenses	3,950,551	3,496,301	7,446,852	3,913,189	3,570,984	7,484,173
Change in Net Assets Before Transfers	512,779	568,716	1,081,495	(359,769)	471,256	111,487
Transfers In (Out)	(60,422)	60,422	0	(132,777)	132,777	0
Change in Net Assets	452,357	629,138	1,081,495	(492,546)	604,033	111,487
Net Assets, Beginning of Year	6,192,503	5,249,970	11,442,473	6,685,049	4,645,937	11,330,986
Net Assets, End of Year	\$ 6,644,860	\$ 5,879,108	\$ 12,523,968	\$ 6,192,503	\$ 5,249,970	\$ 11,442,473

City of Martins Ferry
Management's Discussion and Analysis
For the Year Ended December 31, 2010

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.

Security of persons and property represents the largest expense of the governmental activities. This expense of \$2,473,080 represents 62.6 percent of the total governmental activities expenses. This department operates out of the general 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 2010, charges for services of \$3,913,727 accounted for 96.3 percent of the business-type revenues. The total expenses for business-type activities were \$3,496,301.

The City's Funds

Information about the City's governmental funds begins on page 13. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$3,938,709 (exclusive of other financing sources) and expenditures of \$4,207,388 (exclusive of other financing uses). 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 19. These funds are accounted for on an accrual basis. All business type funds had operating expenses of \$3,327,109 which was less than operating revenues of \$3,950,130 by \$623,021 or 15.8 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 2010, 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 more than the final budgeted revenues by \$43,017.

Actual disbursements and other financing uses of the general fund were less than final budgeted amount of \$2,128,374 by \$86,850. The primary factor contributing to this was disbursements for security of persons and property, general government and capital outlay being below budgeted amounts.

City of Martins Ferry
Management's Discussion and Analysis
For the Year Ended December 31, 2010

Capital Assets and Debt Administration

Capital Assets

At the end of year 2010, the City had \$16,854,096 invested in land, buildings, construction in progress, improvements, machinery and equipment, infrastructure and vehicles. A total of \$3,131,092 of this was for governmental activities with the remainder attributable to business-type activities. Table 3 shows fiscal year 2010 balances compared with 2009.

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

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 968,795	\$ 1,051,873	\$ 194,141	\$ 194,141	\$ 1,162,936	\$ 1,246,014
Buildings	768,242	805,895	3,727,051	3,873,929	4,495,293	4,679,824
Buildings Improvements	168,212	155,280	1,307,581	1,400,936	1,475,793	1,556,216
Machinery and Equipment	279,394	169,032	1,800,298	1,898,670	2,079,692	2,067,702
Vehicles	374,164	438,047	395,100	380,546	769,264	818,593
Infrastructure	572,285	605,582	5,528,566	5,695,680	6,100,851	6,301,262
Construction in Progress	0	0	770,267	460,205	770,267	460,205
Totals	\$ 3,131,092	\$ 3,225,709	\$ 13,723,004	\$ 13,904,107	\$ 16,854,096	\$ 17,129,816

The \$275,720 decrease in capital assets was attributable to depreciation expense exceeding additional purchases. The City has a water treatment plant and well field OPWC project underway at the end of 2010. Note 9 provides more information regarding capital asset activity during 2010.

Debt

The outstanding debt for the City as of December 31, 2010 was \$8,943,809 with \$770,115 due within one year. Table 4 summarizes outstanding debt.

(Table 4)
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
OPWC Loans	\$ 6,268	\$ 6,769	\$ 802,010	\$ 767,607	\$ 808,278	\$ 774,376
OWDA Loans	0	0	7,694,374	8,266,244	7,694,374	8,266,244
Police and Fire Pension	177,413	181,480	0	0	177,413	181,480
Notes Payable	263,744	322,998	0	40,000	263,744	362,998
Total	\$ 447,425	\$ 511,247	\$ 8,496,384	\$ 9,073,851	\$ 8,943,809	\$ 9,585,098

Additional information concerning the City's debt can be found in Note 15 to the basic financial statements.

City of Martins Ferry
Management's Discussion and Analysis
For the Year Ended December 31, 2010

Current Issues

The City's financial picture improved in 2010. One of the major industrial businesses that operated for a partial year in 2009 reopened shortly after the beginning of 2010 and continued in operation with no plans for shut down. The business operated in a lesser capacity, but it has continued operations.

The City sold land for \$89,000 in 2010 which helped the City to continue governing without a reduction in workforce.

Water plant improvements continued throughout the year and a grant for water meters has been obtained and the work will go out for bid during the first part of 2011.

The seventh CHIP grant has been awarded and will assist with ongoing projects for local homeowners.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Rita Randall, Auditor of Martins Ferry, Ohio, City Building, Martins Ferry, or mfauditor@yahoo.com.

City of Martins Ferry
Statement of Net Assets
December 31, 2010

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 859,104	\$ 641,165	\$ 1,500,269
Cash and Cash Equivalents in Segregated Accounts	435,802	0	435,802
Investments	689,222	0	689,222
Taxes Receivable	1,020,130	0	1,020,130
Accounts Receivable	447,457	260,761	708,218
Accrued Interest Receivable	590	0	590
Intergovernmental Receivable	1,026,907	0	1,026,907
Internal Balances	46,468	(46,468)	0
Loans Receivable	31,544	0	31,544
Materials and Supplies Inventory	8,273	46,764	55,037
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	0	7,283	7,283
Non-Depreciable Capital Assets	968,795	964,408	1,933,203
Depreciable Capital Assets, Net	2,162,297	12,758,597	14,920,894
Total Assets	7,696,589	14,632,510	22,329,099
Liabilities			
Accounts Payable	27,705	42,950	70,655
Accrued Wages	60,282	42,992	103,274
Intergovernmental Payable	132,242	74,044	206,286
Customer Deposits Payable	0	7,283	7,283
Accrued Interest Payable	4,224	0	4,224
Deferred Revenue	300,328	0	300,328
Long-Term Liabilities:			
Due Within One Year	162,977	607,138	770,115
Due in More Than One Year	363,971	7,978,995	8,342,966
Total Liabilities	1,051,729	8,753,402	9,805,131
Net Assets			
Invested in Capital Assets, Net of Related Debt	2,861,080	5,226,619	8,087,699
Restricted for Capital Outlay	1,177,529	0	1,177,529
Restricted for Other Purposes	1,686,505	0	1,686,505
Unrestricted	919,746	652,489	1,572,235
Total Net Assets	\$ 6,644,860	\$ 5,879,108	\$ 12,523,968

The accompanying notes are an integral part of the basic financial statements.

City of Martins Ferry
Statement of Activities
For the Year Ended December 31, 2010

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 726,087	\$ 162,524	\$ 0	\$ 0	\$ (563,563)	\$ 0	\$ (563,563)
Security of Persons and Property	2,473,080	935,697	233,297	16,000	(1,288,086)	0	(1,288,086)
Public Health Services	68,940	29,710	3,404	0	(35,826)	0	(35,826)
Leisure Time Activities	61,961	0	0	0	(61,961)	0	(61,961)
Community and Economic Development	179,944	0	499,245	0	319,301	0	319,301
Transportation	423,862	0	380,426	0	(43,436)	0	(43,436)
Interest and Fiscal Charges	16,677	0	0	0	(16,677)	0	(16,677)
Total Governmental Activities	<u>3,950,551</u>	<u>1,127,931</u>	<u>1,116,372</u>	<u>16,000</u>	<u>(1,690,248)</u>	<u>0</u>	<u>(1,690,248)</u>
Business-Type Activities:							
Water	2,523,705	2,860,885	0	114,887	0	452,067	452,067
Sanitation	660,834	721,912	0	0	0	61,078	61,078
Sewer	264,348	275,983	0	0	0	11,635	11,635
Parking Meter	46,107	44,305	0	0	0	(1,802)	(1,802)
Off Street Parking	1,307	10,642	0	0	0	9,335	9,335
Total Business-Type Activities	<u>3,496,301</u>	<u>3,913,727</u>	<u>0</u>	<u>114,887</u>	<u>0</u>	<u>532,313</u>	<u>532,313</u>
Total - Primary Government	<u>\$ 7,446,852</u>	<u>\$ 5,041,658</u>	<u>\$ 1,116,372</u>	<u>\$ 130,887</u>	<u>(1,690,248)</u>	<u>532,313</u>	<u>(1,157,935)</u>
General Revenues:							
Property Taxes Levied for:							
General Purposes					148,246	0	148,246
Police and Fire					160,779	0	160,779
Income Taxes Levied for General Purposes					1,291,073	0	1,291,073
Grants and Entitlements not Restricted to Specific Programs					478,111	0	478,111
Investment Earnings					8,847	0	8,847
Insurance Recoveries					63,977	0	63,977
Miscellaneous					51,994	36,403	88,397
Total General Revenues					<u>2,203,027</u>	<u>36,403</u>	<u>2,239,430</u>
Transfers					(60,422)	60,422	0
Total General Revenues and Transfers					<u>2,142,605</u>	<u>96,825</u>	<u>2,239,430</u>
Change in Net Assets					<u>452,357</u>	<u>629,138</u>	<u>1,081,495</u>
Net Assets Beginning of Year					<u>6,192,503</u>	<u>5,249,970</u>	<u>11,442,473</u>
Net Assets End of Year					<u>\$ 6,644,860</u>	<u>\$ 5,879,108</u>	<u>\$ 12,523,968</u>

The accompanying notes are an integral part of the basic financial statements.

City of Martins Ferry
Balance Sheet
Governmental Funds
December 31, 2010

	General	Fire & Ambulance	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 156,917	\$ 178,716	\$ 142,747	\$ 380,724	\$ 859,104
Cash and Cash Equivalents in Segregated Accounts	0	0	435,802	0	435,802
Investments	0	0	530,000	159,222	689,222
Taxes Receivable	754,416	0	0	265,714	1,020,130
Accounts Receivable	68,320	379,137	0	0	447,457
Accrued Interest Receivable	423	0	0	167	590
Intergovernmental Receivable	283,933	0	0	742,974	1,026,907
Loans Receivable	31,544	0	0	0	31,544
Materials and Supplies Inventory	2,042	0	0	6,231	8,273
Advances to Other Funds	0	0	68,980	0	68,980
Total Assets	<u>\$ 1,297,595</u>	<u>\$ 557,853</u>	<u>\$ 1,177,529</u>	<u>\$ 1,555,032</u>	<u>\$ 4,588,009</u>
Liabilities					
Accounts Payable	\$ 12,577	\$ 5,153	\$ 0	\$ 9,975	\$ 27,705
Accrued Wages	35,863	15,366	0	9,053	60,282
Intergovernmental Payable	89,789	28,761	0	13,692	132,242
Deferred Revenue	769,045	301,028	0	926,562	1,996,635
Advances from Other Funds	0	0	0	22,512	22,512
Total Liabilities	<u>907,274</u>	<u>350,308</u>	<u>0</u>	<u>981,794</u>	<u>2,239,376</u>
Fund Balances					
Reserved for Encumbrances	6,802	11,211	50,739	6,556	75,308
Reserved for Advances	0	0	68,980	0	68,980
Reserved for Loans Receivable	31,544	0	0	0	31,544
Unreserved, Undesignated, Reported in:					
General Fund	351,975	0	0	0	351,975
Special Revenue Funds	0	196,334	0	566,682	763,016
Capital Projects Funds	0	0	1,057,810	0	1,057,810
Total Fund Balances	<u>390,321</u>	<u>207,545</u>	<u>1,177,529</u>	<u>573,238</u>	<u>2,348,633</u>
Total Liabilities and Fund Balances	<u>\$ 1,297,595</u>	<u>\$ 557,853</u>	<u>\$ 1,177,529</u>	<u>\$ 1,555,032</u>	<u>\$ 4,588,009</u>

The accompanying notes are an integral part of the basic financial statements.

City of Martins Ferry
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2010*

Total Governmental Fund Balances \$ 2,348,633

*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. 3,131,092

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

Property Taxes	\$ 224,442
Income Taxes	280,305
Intergovernmental	890,532
Charges for Services	<u>301,028</u>

Total 1,696,307

Accrued interest payable is not due and payable in the current
 period and therefore is not reported in the funds. (4,224)

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

OPWC Loan	(6,268)
Long - Term Bond Anticipation Note	(138,000)
Robert Building Note	(125,744)
Police and Fire Pension	(177,413)
Compensated Absences	<u>(79,523)</u>

Total (526,948)

Net Assets of Governmental Activities \$ 6,644,860

The accompanying notes are an integral part of the basic financial statements.

City of Martins Ferry
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2010

	General	Fire & Ambulance	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$ 149,379	\$ 0	\$ 0	\$ 158,105	\$ 307,484
Income Taxes	1,241,164	0	0	0	1,241,164
Charges for Services	26,000	847,030	0	37,471	910,501
Licenses and Permits	69,003	0	0	38,273	107,276
Fines and Forfeitures	93,521	0	0	678	94,199
Intergovernmental	431,743	3,000	16,000	768,384	1,219,127
Interest	8,846	0	0	4,040	12,886
Other	11,203	7,797	0	27,072	46,072
Total Revenues	2,030,859	857,827	16,000	1,034,023	3,938,709
Expenditures					
Current:					
General Government	663,170	0	0	0	663,170
Security of Persons and Property	1,289,036	820,060	0	207,896	2,316,992
Public Health Services	20,167	0	0	43,539	63,706
Lesiure Time Activities	0	0	0	30,108	30,108
Community and Economic Development	0	0	0	178,720	178,720
Transportation	0	0	0	375,093	375,093
Capital Outlay	7,000	73,667	117,019	161,690	359,376
Debt Service:					
Principal Retirement	0	13,254	0	188,568	201,822
Interest and Fiscal Charges	0	4,320	0	14,081	18,401
Total Expenditures	1,979,373	911,301	117,019	1,199,695	4,207,388
Excess of Revenues Over (Under) Expenditures	51,486	(53,474)	(101,019)	(165,672)	(268,679)
Other Financing Sources (Uses)					
Proceeds of Bond Anticipation Notes	0	0	0	138,000	138,000
Proceeds from Sale of Capital Assets	89,000	0	0	0	89,000
Insurance Recoveries	0	49,116	0	14,861	63,977
Transfers In	0	0	0	61,015	61,015
Transfers Out	(61,015)	0	0	0	(61,015)
Total Other Financing Sources (Uses)	27,985	49,116	0	213,876	290,977
Net Change in Fund Balance	79,471	(4,358)	(101,019)	48,204	22,298
Fund Balance Beginning of Year	310,850	211,903	1,278,548	525,034	2,326,335
Fund Balance End of Year	\$ 390,321	\$ 207,545	\$ 1,177,529	\$ 573,238	\$ 2,348,633

The accompanying notes are an integral part of the basic 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, 2010*

Net Change in Fund Balances - Total Governmental Funds \$ 22,298

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

Governmental funds report capital outlays as expenditures.

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

Capital Asset Additions	\$ 272,246	
Current Year Depreciation	<u>(283,785)</u>	
Total		(11,539)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (83,078)

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

Delinquent Property Taxes	1,541	
Deferred Income Taxes	49,909	
Charges for Services	15,955	
Intergovernmental	<u>387,317</u>	
Total		454,722

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

General Obligation Bond Anticipation Notes Principal	184,000	
OPWC Loan Principal	501	
Roberts Building Note Principal	13,254	
Police and Fire Pension Principal	<u>4,067</u>	
Total		201,822

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 1,724

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. (138,000)

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. 4,408

Change in Net Assets of Governmental Activities \$ 452,357

The accompanying notes are an integral part of the basic 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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$ 174,000	\$ 174,000	\$ 149,379	\$ (24,621)
Income Taxes	1,170,000	1,170,000	1,206,261	36,261
Charges for Services	26,000	26,000	26,000	0
Licenses and Permits	37,362	65,120	68,048	2,928
Fines and Forfeitures	51,348	89,497	93,521	4,024
Intergovernmental	234,714	409,093	427,487	18,394
Interest	4,803	8,372	8,748	376
Other	46,157	10,765	16,420	5,655
<i>Total Revenues</i>	<u>1,744,384</u>	<u>1,952,847</u>	<u>1,995,864</u>	<u>43,017</u>
Expenditures				
Current:				
General Government	616,146	680,841	659,763	21,078
Security of Persons and Property	1,186,941	1,311,569	1,293,579	17,990
Public Health Services	18,834	20,811	20,167	644
Capital Outlay	48,994	54,138	7,000	47,138
<i>Total Expenditures</i>	<u>1,870,915</u>	<u>2,067,359</u>	<u>1,980,509</u>	<u>86,850</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(126,531)</u>	<u>(114,512)</u>	<u>15,355</u>	<u>129,867</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Assets	0	89,000	89,000	0
Advances In	52,462	0	0	0
Transfers Out	(18,000)	(61,015)	(61,015)	0
Advances Out	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>34,462</u>	<u>27,985</u>	<u>27,985</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(92,069)</u>	<u>(86,527)</u>	<u>43,340</u>	<u>129,867</u>
<i>Fund Balance Beginning of Year</i>	91,242	91,242	91,242	0
Prior Year Encumbrances Appropriated	<u>7,881</u>	<u>7,881</u>	<u>7,881</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 7,054</u>	<u>\$ 12,596</u>	<u>\$ 142,463</u>	<u>\$ 129,867</u>

The accompanying notes are an integral part of the basic 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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for Services	\$ 658,556	\$ 733,193	\$ 833,682	\$ 100,489
Intergovernmental	2,370	2,638	3,000	362
Other	44,958	50,053	7,797	(42,256)
<i>Total Revenues</i>	<u>705,884</u>	<u>785,884</u>	<u>844,479</u>	<u>58,595</u>
Expenditures				
Current:				
Security of Persons and Property	786,843	878,679	829,169	49,510
Capital Outlay	69,907	78,066	73,667	4,399
Debt Service:				
Principal Retirement	12,577	14,045	13,254	791
Interest and Fiscal Charges	4,099	4,578	4,320	258
<i>Total Expenditures</i>	<u>873,426</u>	<u>975,368</u>	<u>920,410</u>	<u>54,958</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(167,542)</u>	<u>(189,484)</u>	<u>(75,931)</u>	<u>113,553</u>
Other Financing Sources (Uses)				
Insurance Recoveries	49,116	49,116	49,116	0
<i>Total Other Financing Sources and Uses</i>	<u>49,116</u>	<u>49,116</u>	<u>49,116</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(118,426)</u>	<u>(140,368)</u>	<u>(26,815)</u>	<u>113,553</u>
<i>Fund Balance Beginning of Year</i>	178,370	178,370	178,370	0
Prior Year Encumbrances Appropriated	15,613	15,613	15,613	0
<i>Fund Balance End of Year</i>	<u>\$ 75,557</u>	<u>\$ 53,615</u>	<u>\$ 167,168</u>	<u>\$ 113,553</u>

The accompanying notes are an integral part of the basic financial statements.

City of Martins Ferry
Statement of Fund Net Assets
Proprietary Funds
December 31, 2010

	Water	Sanitation	Other Enterprise Funds	Totals
Assets:				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$ 444,428	\$ 52,840	\$ 143,897	\$ 641,165
Accounts Receivable	199,888	46,197	14,676	260,761
Materials and Supplies Inventory	44,386	1,189	1,189	46,764
Total Current Assets	688,702	100,226	159,762	948,690
<i>Non-Current Assets:</i>				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	4,990	1,720	573	7,283
Non-Depreciable Capital Assets	936,707	5,000	22,701	964,408
Depreciable Capital Assets, Net	12,243,462	346,751	168,384	12,758,597
Total Non-Current Assets	13,185,159	353,471	191,658	13,730,288
Total Assets	13,873,861	453,697	351,420	14,678,978
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	22,462	18,195	2,293	42,950
Accrued Wages	29,411	9,846	3,735	42,992
Customer Deposits Payable	4,990	1,720	573	7,283
Intergovernmental Payable	47,124	16,581	10,339	74,044
OPWC Loans Payable	23,816	0	0	23,816
OWDA Loans Payable	583,322	0	0	583,322
Total Current Liabilities	711,125	46,342	16,940	774,407
<i>Long-Term Liabilities:</i>				
Advances From Other Funds	28,140	12,700	5,628	46,468
Compensated Absences Payable - Net of Current Portion	64,242	17,935	7,572	89,749
OPWC Loans Payable - Net of Current Portion	778,194	0	0	778,194
OWDA Loans Payable - Net of Current Portion	7,111,052	0	0	7,111,052
Total Long-Term Liabilities	7,981,628	30,635	13,200	8,025,463
Total Liabilities	8,692,753	76,977	30,140	8,799,870
Net Assets				
Invested in Capital Assets, Net of Related Debt	4,683,785	351,751	191,083	5,226,619
Unrestricted	497,323	24,969	130,197	652,489
Total Net Assets	\$ 5,181,108	\$ 376,720	\$ 321,280	\$ 5,879,108

The accompanying notes are an integral part of the basic financial statements.

City of Martins Ferry
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2010

	Enterprise Funds			Totals
	Water	Sanitation	Other Enterprise Funds	
Operating Revenues				
Charges for Services	\$ 2,860,885	\$ 721,912	\$ 330,930	\$ 3,913,727
Other	20,543	13,348	2,512	36,403
<i>Total Operating Revenues</i>	<u>2,881,428</u>	<u>735,260</u>	<u>333,442</u>	<u>3,950,130</u>
Operating Expenses				
Personal Services	1,018,067	358,913	226,570	1,603,550
Contractual Services	533,236	212,298	18,148	763,682
Materials and Supplies	236,061	60,832	49,461	346,354
Depreciation	567,149	28,791	17,583	613,523
<i>Total Operating Expenses</i>	<u>2,354,513</u>	<u>660,834</u>	<u>311,762</u>	<u>3,327,109</u>
<i>Operating Income</i>	<u>526,915</u>	<u>74,426</u>	<u>21,680</u>	<u>623,021</u>
Non-Operating Revenues (Expenses)				
Intergovernmental	114,887	0	0	114,887
Interest and Fiscal Charges	(169,192)	0	0	(169,192)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(54,305)</u>	<u>0</u>	<u>0</u>	<u>(54,305)</u>
<i>Income Before Contributions</i>	472,610	74,426	21,680	568,716
Capital Contributions	60,422	0	0	60,422
<i>Change in Net Assets</i>	533,032	74,426	21,680	629,138
<i>Net Assets Beginning of Year</i>	<u>4,648,076</u>	<u>302,294</u>	<u>299,600</u>	<u>5,249,970</u>
<i>Net Assets End of Year</i>	<u>\$ 5,181,108</u>	<u>\$ 376,720</u>	<u>\$ 321,280</u>	<u>\$ 5,879,108</u>

The accompanying notes are an integral part of the basic financial statements.

City of Martins Ferry
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2010

	Enterprise Funds			
	Water	Sanitation	Other Enterprise Funds	Totals
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 2,841,103	\$ 720,289	\$ 330,048	\$ 3,891,440
Other Operating Receipts	20,543	13,348	2,512	36,403
Cash Payments to Suppliers for Goods and Services	(227,755)	(45,840)	(48,263)	(321,858)
Cash Payments for Employees Services and Benefits	(1,012,578)	(358,298)	(218,116)	(1,588,992)
Cash Payments for Contractual Services	(533,236)	(212,298)	(18,148)	(763,682)
<i>Net Cash Provided by Operating Activities</i>	<u>1,088,077</u>	<u>117,201</u>	<u>48,033</u>	<u>1,253,311</u>
Cash Flows from Capital and Related Financing Activities				
Intergovernmental Receipts	214,887	0	0	214,887
Proceeds from OPWC Loans	57,998	0	0	57,998
Acquisition of Capital Assets	(341,363)	(6,233)	(40,778)	(388,374)
Principal Payments on OWDA Loans	(571,870)	0	0	(571,870)
Principal Payments on OPWC Loans	(23,595)	0	0	(23,595)
Principal Payments on Note	(40,000)	0	0	(40,000)
Advances Out	(9,380)	(121,876)	(1,876)	(133,132)
Interest Payments on All Debt	(170,484)	0	0	(170,484)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(883,807)</u>	<u>(128,109)</u>	<u>(42,654)</u>	<u>(1,054,570)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	204,270	(10,908)	5,379	198,741
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>245,148</u>	<u>65,468</u>	<u>139,091</u>	<u>449,707</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 449,418</u>	<u>\$ 54,560</u>	<u>\$ 144,470</u>	<u>\$ 648,448</u>
Reconciliation of Operating Income To Net Cash Provided by Operating Activities:				
Operating Income	\$ 526,915	\$ 74,426	\$ 21,680	\$ 623,021
Adjustments:				
Depreciation	567,149	28,791	17,583	613,523
(Increase) Decrease in Assets:				
Accounts Receivable	(20,571)	(1,864)	(945)	(23,380)
Materials and Supplies Inventory	12,475	(972)	(69)	11,434
Increase (Decrease) in Liabilities:				
Accounts Payable	(4,169)	15,964	1,268	13,063
Customers Deposits	789	241	63	1,093
Accrued Wages	7,041	(34)	1,502	8,509
Compensated Absences Payable	(10,960)	(1,161)	3,113	(9,008)
Intergovernmental Payable	9,408	1,810	3,838	15,056
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 1,088,077</u>	<u>\$ 117,201</u>	<u>\$ 48,033</u>	<u>\$ 1,253,311</u>

Noncash Capital Financing Activities:

During 2010, capital contributions were made by the permanent improvement fund to the water enterprise fund in the amount of \$60,422.

The accompanying notes are an integral part of the basic financial statements.

City of Martins Ferry
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
December 31, 2010

Agency

Assets

Cash and Cash Equivalents in Segregated Accounts

\$ 4,213

Liabilities

Undistributed Monies

\$ 4,213

The accompanying notes are an integral part of the basic financial statements.

City of Martins Ferry
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

NOTE 1: REPORTING ENTITY AND BASIS OF PRESENTATION

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

The City is located in Belmont County, in Eastern Ohio, on the Ohio River and is the largest city in Belmont County. The City became a settlement in 1835 and was chartered as a city in 1865. Martins Ferry has a land area of 4,352 square acres and a 2010 census population of 6,915.

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 16.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

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 applies generally accepted accounting principles that were issued prior to November 30, 1989 by the Financial Accounting Standards Board (FASB) to its governmental and business-type activities and proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has elected not to follow FASB guidance for business-type activities and enterprise funds issued after November 30, 1989. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. 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)
For the Year Ended December 31, 2010

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 are the City's major governmental funds:

General Fund The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Fire 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 Funds 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 funds of the City account for the sewer, off street parking and parking meter operations.

Fiduciary Funds Fiduciary fund 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 fund accounts for monies set aside be used in the reclamation of properties destroyed by fire where insurance proceeds are not sufficient.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the City are included on the statement of net assets. The statement of activities presents increases (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.

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.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Budgetary Data

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

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

F. Cash and Investments

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

During fiscal year 2010, the City's investments were limited to certificates of deposit, a money market, and a repurchase agreement.

Investment procedures are restricted by the provisions of the Ohio Revised Code and the City's investment policy. Interest revenue credited to the general fund during 2010 amounted to \$8,846, which includes \$8,079 assigned from other City funds.

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

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

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Restricted Assets

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

I. Capital Assets

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

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

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

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

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

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Interfund Balances

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Compensated Absences

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

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

M. Fund Balance 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, loans receivable and advances.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. 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. At December 31, 2010, none of the City's net assets were restricted by enabling legislation.

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.

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are primarily for charges for services for water 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.

P. Interfund Activity

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

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2010.

R. Estimates

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

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Implementation of New Accounting Policies

For the year ended December 31, 2010, the City has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets," GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments," and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies."

GASB Statement No. 51 establishes standards of accounting and financial reporting for intangible assets for all state and local governments. Inconsistencies in the accounting and financial reporting for intangible assets, particularly in the areas of recognition, initial measurement, and amortization, have occurred in practice due to the absence of sufficiently specific authoritative guidance that addresses these questions. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code.

Implementation of these GASB Statements did not affect the presentation of 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 fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are:

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

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 3: BUDGETARY BASIS OF ACCOUNTING (Continued)

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

Net Change in Fund Balance

	General	Fire and Ambulance
GAAP Basis	\$ 79,471	\$ (4,358)
Revenue Accruals	(34,995)	(13,348)
Expenditure Accruals	13,318	2,439
Encumbrances	(14,454)	(11,548)
Budget Basis	\$ 43,340	\$ (26,815)

NOTE 4: DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

According to State law, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for uninsured public deposits and investments to be maintained in the City's name. During 2010, the City and public depositories complied with the provisions of these statutes.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

Deposits with Financial Institutions

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

At fiscal year-end, the carrying amount of the City's deposits was \$1,236,713. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of December 31, 2010, \$878,124 of the City's bank balance of \$1,300,085 was exposed to custodial risk as discussed above, while \$421,961 was covered by Federal Deposit Insurance Corporation.

Investments

As of December 31, 2010, the City had the following investment and maturity:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity 6 Months or Less</u>
Repurchase Agreement	<u>\$ 1,400,076</u>	<u>\$ 1,400,076</u>

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

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

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

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage total of each investment type held by the City as of December 31, 2010:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Repurchase Agreement	\$ 1,400,076	100.00%

NOTE 5: INTERFUND ACTIVITY

A. Interfund Transfers

Interfund transfers for the year ended December 31, 2010, consisted of the following:

<u>Fund</u>	<u>Transfer To</u>	<u>Transfer From</u>
Governmental:		
General	\$ 0	\$ 61,015
Nonmajor Governmental Funds:		
Street	15,000	0
Recreation	20,300	0
Fire Apparatus Levy	10,000	0
Safety Service	15,715	0
	\$ 61,015	\$ 61,015

All interfund transfers were made from the general fund to provide additional resources for current operations.

During 2010, the permanent improvement fund made capital contributions to the water fund in the amount of \$60,422. This represents the City's share of the Water Treatment Plant and Well Field OPWC project.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 5: INTERFUND ACTIVITY (Continued)

B. Interfund Balances

Interfund balances at December 31, 2010 consisted of the following:

	Advances to Other Funds	Advances from Other Funds
Permanent Improvement	\$ 68,980	\$ 0
Street	0	22,512
Water	0	28,140
Sanitation	0	12,700
Sewer	0	5,628
Total	\$ 68,980	\$ 68,980

During 2008, the Permanent Improvement fund advanced \$12,500 to the Fire Apparatus Levy IV fund and \$12,500 to the Fire and Ambulance fund for the purpose of bond anticipation note payments. Each of those funds repaid \$6,250 to the permanent improvement fund during 2009 and 2010. The entire balance is now paid off. In 2008, the Permanent Improvement fund advanced \$28,140 to the Street fund for the purpose of purchasing assets. The Street fund repaid \$5,628 of this advance during 2009 and there were no payments during 2010. The balance of this advance remains at \$22,512. The advances to the business-type funds were made for the purpose of purchasing various capital assets. During 2010, the Water, Sanitation and Sewer funds repaid \$9,380, \$121,876 and \$1,876 respectfully, to the Permanent Improvement fund. The balances remaining on the long-term advances at December 31, 2010 were \$28,140 in the Water fund, \$12,700 in the Sanitation fund and \$5,628 in the Sewer fund. These outstanding advances are not expected to be repaid within one year.

NOTE 6: PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2010 for real and public utility property taxes represent collections of 2009 taxes. Property tax payments received during 2010 for tangible personal property (other than public utility property) are for 2010 taxes.

2010 real property taxes are levied after October 1, 2010 on the assessed value as of January 1, 2010, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. 2010 real property taxes are collected in and intended to finance 2010.

Real property taxes are payable annually or semi-annually. If paid annually, the 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 established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2010 public utility property taxes which became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2010 with real property taxes.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 6: PROPERTY TAXES (Continued)

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2010 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by taxing districts due to the phasing out of the tax. In calendar years 2006-2010, taxing districts were fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The full tax rate for all City operations for the year ended December 31, 2010, was \$7.10 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

Real Property	\$ 60,371,740
Public Utilities	<u>3,407,730</u>
Total	<u><u>\$ 63,779,470</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Martins Ferry. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which became measurable as of December 31, 2010, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2010 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 7: RECEIVABLES

Receivables at December 31, 2010 consisted of taxes, accounts (billings for user charged services), mortgage loans, accrued interest, advances to other funds and intergovernmental receivables arising from entitlements and shared revenues. All receivables are deemed collectible in full.

The general fund reflects mortgage loans receivable of \$31,544. These mortgage loans receivable are for financing of the sale of City property to individuals as a home mortgage. The mortgages bear interest at annual rates between five and seven percent. The mortgages are to be repaid over periods ranging from five to thirty years.

NOTE 8: INCOME TAXES

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

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

Income tax proceeds are to be used for the purpose of general municipal operations, maintenance, new equipment, extension and enlargement of municipal services, facilities and capital improvements of the City as determined by City Council. In 2010, the proceeds were allocated to the General Fund.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 9: CAPITAL ASSETS

A summary of changes in capital assets during 2010 follows:

	Balance 12/31/2009	Additions	Reductions	Balance 12/31/2010
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 1,051,873	\$ 0	\$ (83,078)	\$ 968,795
<i>Total Capital Assets Not Being Depreciated</i>	1,051,873	0	(83,078)	968,795
<i>Capital Assets, Being Depreciated:</i>				
Buildings	1,936,392	0	0	1,936,392
Building Improvements	893,894	24,831	0	918,725
Equipment and Machinery	564,940	139,202	0	704,142
Infrastructure	711,425	0	0	711,425
Vehicles	3,167,311	108,213	(123,443)	3,152,081
<i>Total Capital Assets, Being Depreciated</i>	7,273,962	272,246	(123,443)	7,422,765
<i>Less Accumulated Depreciation:</i>				
Buildings	(1,130,497)	(37,653)	0	(1,168,150)
Building Improvements	(738,614)	(11,899)	0	(750,513)
Equipment and Machinery	(395,908)	(28,840)	0	(424,748)
Infrastructure	(105,843)	(33,297)	0	(139,140)
Vehicles	(2,729,264)	(172,096)	123,443	(2,777,917)
<i>Total Accumulated Depreciation</i>	(5,100,126)	(283,785)	123,443	(5,260,468)
<i>Total Capital Assets, Being Depreciated, Net</i>	2,173,836	(11,539)	0	2,162,297
<i>Total Governmental Activities Capital Assets, Net</i>	\$ 3,225,709	\$ (11,539)	\$ (83,078)	\$ 3,131,092

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 38,187
Security of Persons and Property	157,238
Public Health Services	5,234
Transportation	50,053
Community and Economic Development	1,220
Leisure Time Activities	31,853
Total	\$ 283,785

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 9: CAPITAL ASSETS (Continued)

	<u>Balance 12/31/2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2010</u>
Business-Type Activities				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 194,141	\$ 0	\$ 0	\$ 194,141
Construction in Progress	460,205	310,062	0	770,267
<i>Total Capital Assets Not Being Depreciated</i>	<u>654,346</u>	<u>310,062</u>	<u>0</u>	<u>964,408</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings	5,892,172	0	0	5,892,172
Building Improvements	1,911,094	0	0	1,911,094
Equipment and Machinery	6,535,451	66,014	0	6,601,465
Infrastructure	6,667,857	0	0	6,667,857
Vehicles	1,114,734	56,345	0	1,171,079
<i>Total Capital Assets, Being Depreciated</i>	<u>22,121,308</u>	<u>122,359</u>	<u>0</u>	<u>22,243,667</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(2,018,243)	(146,878)	0	(2,165,121)
Building Improvements	(510,158)	(93,355)	0	(603,513)
Equipment and Machinery	(4,636,781)	(164,386)	0	(4,801,167)
Infrastructure	(972,177)	(167,114)	0	(1,139,291)
Vehicles	(734,188)	(41,790)	0	(775,978)
<i>Total Accumulated Depreciation</i>	<u>(8,871,547)</u>	<u>(613,523)</u>	<u>0</u>	<u>(9,485,070)</u>
<i>Total Capital Assets, Being Depreciated, Net</i>	<u>13,249,761</u>	<u>(491,164)</u>	<u>0</u>	<u>12,758,597</u>
<i>Total Business-Type Capital Assets, Net</i>	<u>\$ 13,904,107</u>	<u>\$ (181,102)</u>	<u>\$ 0</u>	<u>\$ 13,723,005</u>

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 10: RISK MANAGEMENT

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

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2009 (the latest information available), PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

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

Financial Position

PEP's financial statements (audited by other accountants) conform with accounting principles generally accepted in the United States of America, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available):

	<u>2009</u>	<u>2008</u>
<u>Casualty and Property Coverage</u>		
Assets	\$36,374,898	\$35,769,535
Liabilities	<u>(15,256,862)</u>	<u>(15,310,206)</u>
Net Assets	<u>\$21,118,036</u>	<u>\$20,459,329</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The City's share of these unpaid claims collectible in future years is approximately \$59,000.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 10: RISK MANAGEMENT (Continued)

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

<u>Contributions to PEP</u>	
2008	\$ 57,614
2009	60,789
2010	79,057

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

Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

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

NOTE 11: DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan 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. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2010, members in state and local classifications contributed 10 percent of covered payroll and public safety members and law enforcement members contributed 10.5 percent and 11.1 percent, respectively. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14.0 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The City's contribution rate for 2010 was 14 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.87 percent of covered payroll. For 2010, a portion of the City's contribution of covered payroll was allocated to fund the post-employment health care plan. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010 and 5.0 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010 and 4.23 percent from March 1 through December 31, 2010.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2010, 2009, and 2008 were \$151,776, \$155,501 and \$141,860, respectively; 92.2 percent has been contributed for 2010 and 100 percent for 2009 and 2008. Contributions to the member-directed plan for 2010 were \$420 made by the City and \$300 made by the plan members.

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability 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.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24.0 percent for firefighters. Contributions are authorized by State statute. For 2010, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. For 2009, this allocation was also 6.75 percent. The City's contributions to OP&F for police were \$100,756, \$118,754 and \$110,238 for the years ended December 31, 2010, 2009 and 2008, respectively. The full amount has been contributed for 2009 and 2008. 77.3 percent has been contributed for police for 2010. The City's firefighters are volunteers.

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, 2010, the unfunded liability of the City was \$177,413, payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 12: POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2010, local government employers contributed 14.0 percent of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010 and 5.0 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010 and 4.23 percent from March 1 through December 31, 2010.

The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and coverage selected. Active members do not make contributions to the post-employment health care plan.

The City's contributions allocated to fund post-employment health care benefits for the traditional and combined plans for the years ended December 31, 2010, 2009, and 2008 were \$109,488, \$138,847 and \$141,860, respectively. Contributions to fund post-employment health care benefits for the member-directed plan for 2010 were \$109,488. 92.2 percent has been contributed for 2010 and 100 percent for 2009 and 2008.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 12: POSTEMPLOYMENT BENEFITS (Continued)

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2009, which allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

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

OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability or survivor benefit or is a spouse or eligible dependent child of such person.

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – OP&F's post-employment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the years ended December 31, 2010 and 2009, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 12: POSTEMPLOYMENT BENEFITS (Continued)

The number of participants eligible to receive health care benefits as of December 31, 2009 (the latest information available) was 14,797 for Police and 10,915 for Firefighters. The total health care expense for the years ending December 31, 2009 was \$168,744,032, which was net of member contributions of \$59,148,831.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police were \$34,877, \$41,107 and \$38,142 for the years ended December 31, 2010, 2009 and 2008, respectively. The full amount has been contributed for 2009 and 2008. 77.3 percent has been contributed for police for 2010.

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, 2010, no City employees have elected social security.

NOTE 13: OTHER EMPLOYEE BENEFITS

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

The City contracts with a local Health Management Organization, Health Plan of the Upper Ohio Valley, for hospitalization insurance for all employees. The City pays \$972.57 of the total monthly premiums of \$1,080.63 for family coverage and \$374.25 of the monthly premiums of \$415.83 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries. City AFSCME Union employees and full-time police pay \$108.06 for family coverage and \$41.58 for single coverage.

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

NOTE 14: COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn vacation and sick leave at different rates depending upon length of service and type of employment. Vacation leave benefits are lost at year end if employees do not use these balances during the year unless prior approval has been obtained from the department head. Upon retirement or death, employees are paid to a maximum of 720 hours for accumulated unused sick leave. Police are paid upon retirement and completion of twenty-five years of service. Police receive payment for a maximum of 600 hours. As of December 31, 2010, the liability for unpaid compensated absences was \$169,272.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 15: LONG-TERM OBLIGATIONS

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

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Date of Maturity</u>
Governmental Activities:			
St. Route 647 OPWC Loan - 2003	0.00	\$ 10,029	July 1, 2023
Roberts Building Note - 2009	3.00	140,000	November 1, 2019
Long-Term Bond Anticipation Notes:			
Aerial Fire Truck Note - 2010	7.00	138,000	May 6, 2011
Business-Type Activities:			
Ferryview/Sharon Road Waterlines OWDA Loan - 2004	2.00	3,370,848	January 1, 2025
Water Treatment Plant OWDA Loan - 1995	2.00	10,369,124	January 1, 2022
Woodmont Pump Station OPWC Loan - 2004	0.00	20,000	July 1, 2023
Water Tank OPWC Loan - 2007	2.00	255,000	July 1, 2027
Woodmont Street Pump Project OPWC Loan - 2007	0.00	231,526	July 1, 2028
Water Treatment Plant and Well Field Project OPWC Loan - 2009	0.00	450,000	January 1, 2030

This space intentionally left blank.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 15: LONG-TERM OBLIGATIONS (Continued)

A schedule of changes in long-term obligations of the City during 2010 follows:

	Outstanding 12/31/2009	Additions	Deletions	Outstanding 12/31/2010	Due in One Year
Governmental Activities:					
OPWC Loan:					
State Route 647	\$ 6,769	\$ 0	\$ (501)	\$ 6,268	\$ 501
Roberts Building Note	138,998	0	(13,254)	125,744	12,622
Long-Term Bond Anticipation Notes:					
Aerial Fire Truck	184,000	138,000	(184,000)	138,000	138,000
Police and Fire Pension	181,480	0	(4,067)	177,413	4,241
Compensated Absences	83,931	2,112	(6,520)	79,523	7,613
<i>Total Governmental Activities</i>	<u>\$ 595,178</u>	<u>\$ 140,112</u>	<u>\$ (208,342)</u>	<u>\$ 526,948</u>	<u>\$ 162,977</u>
Business-Type Activities:					
OWDA Loans:					
Ferryview/Sharon Road Waterlines	\$ 2,649,450	\$ 0	\$ (153,095)	\$ 2,496,355	\$ 156,172
Water Treatment Plant	5,616,794	0	(418,775)	5,198,019	427,150
<i>Total OWDA Loans</i>	<u>8,266,244</u>	<u>0</u>	<u>(571,870)</u>	<u>7,694,374</u>	<u>583,322</u>
OPWC Loans:					
Woodmont Street Pump Project	214,162	0	(11,576)	202,586	11,576
Woodmont Pump Station	13,500	0	(1,000)	12,500	1,000
Water Tank	228,393	0	(11,019)	217,374	11,240
Water Treatment Plant and Well Field	311,552	57,998	0	369,550	0
<i>Total OPWC Loans</i>	<u>767,607</u>	<u>57,998</u>	<u>(23,595)</u>	<u>802,010</u>	<u>23,816</u>
Long-Term Bond Anticipation Note:					
Water System Improvement	40,000	0	(40,000)	0	0
Compensated Absences	98,757	6,446	(15,454)	89,749	0
<i>Total Business-Type Activities</i>	<u>\$ 9,172,608</u>	<u>\$ 64,444</u>	<u>\$ (650,919)</u>	<u>\$ 8,586,133</u>	<u>\$ 607,138</u>

The long-term bond anticipation note issued on May 7, 2010 for \$138,000 was used to partially retire the \$224,000 bond anticipation notes issued May 6, 2009. These notes were issued for the purpose of purchasing fire equipment. The note is set to mature May 6, 2011, and it is not included in the amortization schedules.

In 2009, the City purchased real estate and personal property from H.E. Roberts at a total cost of \$190,000. A promissory note was issued for \$140,000 with an interest rate of 3 percent. The first payment on the note was in November of 2009. The maturity date of the note is November 1, 2019.

In 1995, the City was awarded a loan from the Ohio Water Development Authority (OWDA) in the amount of \$10,369,124. The proceeds of this loan were used for water treatment plant improvements. As of December 31, 2010, the City had drawn down the entire amount of the loan. The length of the loan agreement is twenty-five years with a maturity date of January 1, 2022. The interest rate is 2 percent. The balance remaining on this loan at December 31, 2010 is \$5,198,019.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 15: LONG-TERM OBLIGATIONS (Continued)

The City has pledged future water revenue and sewer revenue, net of specified operating expenses to repay \$8,438,386 of Ohio Public Works Commission (OPWC) loans and the Ohio Water Development Authority (OWDA) loans. Annual principal and interest payments, as a percentage of net customer revenues, on the loans are expected to be similar over the term of the loans as in the current year, which were 16.4 percent. The total principal and interest remaining to be paid on the loans is \$9,153,027. Principal and interest paid for the current year and total net revenues were \$595,465 and \$46,726, respectively.

The Ohio Water Development Authority (OWDA) approved a \$3,370,848 loan to the City on January 1, 2004 for improvements to the City's waterlines. The entire loan amount has been drawn down by the City as of December 31, 2010. The loan repayment period is twenty years with a maturity date of January 1, 2025. The interest rate is 2 percent. The City began to repay this loan in July 2005. As of December 31, 2010, the balance remaining on this loan is \$2,496,355.

In 2004, the City was awarded a loan from the Ohio Public Works Commission (OPWC) in the amount of \$20,000. The proceeds of this loan were used to upgrade a pump station. As of December 31, 2010, the balance on the loan was \$12,500. There is no interest on the loan and the maturity date is January 1, 2023.

In 2007, the City was awarded a loan from the Ohio Public Works Commission (OPWC) in the amount of \$240,000. The proceeds of this loan were used for a waterline and pump station project. The final amount of this project which was financed by OPWC was \$231,526. As of December 31, 2010, the balance on the loan was \$202,586. There is no interest on the loan and the maturity date is July 1, 2028.

In 2007, the City was awarded a loan from the Ohio Public Works Commission (OPWC) in the amount of \$255,000. The proceeds of this loan were used for a water tank rehabilitation project. The interest rate on this loan is 2 percent. As of December 31, 2010, the balance remaining on the loan was \$217,374. The maturity date of the loan is July 1, 2027.

In 2009, the City was awarded a loan from the Ohio Public Works Commission (OPWC) in the amount of \$450,000. The proceeds of this loan are being used for improvements to the water treatment plant and well field. As of December 31, 2010, the City had drawn down \$369,550, which is also the loan balance at that date. Until the loan is fully disbursed, a final amortization is not available and the loan is not included in the following amortization schedule.

The OWDA loans will be repaid with water fund revenues. The OPWC loans for Woodmont Pump Station, water tank and the water treatment plant and well field project will be paid from water fund revenues. The OPWC loan for the repair of State Route 647 road slippage will be repaid from general fund local government revenues. The bond anticipation notes were issued to purchase equipment 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. These funds include general, street, water, sewer and sanitation.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 15: LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire governmental activities debt at December 31, 2010 are as follows:

Year	Police and Fire Pension		OPWC Loan	Roberts Building Note		Total	
	Principal	Interest	Principal	Principal	Interest	Principal	Interest
2011	\$ 4,241	\$ 7,495	\$ 501	\$ 12,622	\$ 3,600	\$ 17,364	\$ 11,095
2012	4,423	7,314	501	13,006	3,216	17,930	10,530
2013	4,613	7,123	501	13,402	2,820	18,516	9,943
2014	4,811	6,924	501	13,810	2,413	19,122	9,337
2015	5,018	6,719	501	14,230	1,992	19,749	8,711
2016-2020	28,518	30,168	2,508	58,674	3,512	89,700	33,680
2021-2025	35,191	23,495	1,255	0	0	36,446	23,495
2026-2030	43,425	15,361	0	0	0	43,425	15,361
2031-2035	47,173	5,120	0	0	0	47,173	5,120
Totals	\$ 177,413	\$ 109,719	\$ 6,268	\$ 125,744	\$ 17,553	\$ 309,425	\$ 127,272

Principal and interest requirements to retire business-type activities debt at December 31, 2010 are as follows:

Year	OWDA Loans		OPWC Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 583,322	\$ 164,564	\$ 23,816	\$ 4,292	\$ 607,138	\$ 168,856
2012	595,005	153,111	24,043	4,065	619,048	157,176
2013	606,921	141,428	24,274	3,835	631,195	145,263
2014	619,076	126,247	24,509	3,600	643,585	129,847
2015	631,474	237,494	28,748	3,360	660,222	240,854
2016-2020	3,352,206	128,678	126,011	13,032	3,478,217	141,710
2021-2025	1,306,370	35,758	129,276	6,269	1,435,646	42,027
2026-2028	0	0	51,783	458	51,783	458
Totals	\$ 7,694,374	\$ 987,280	\$ 432,460	\$ 38,911	\$ 8,126,834	\$ 1,026,191

The loan from the Ohio Public Works Commission (OPWC) in the amount of \$450,000 is not fully disbursed, therefore a final amortization is not available and the loan is not included in the preceding amortization schedule.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 16: 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 2010. 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 2010. 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 2010, 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.

D. Jefferson-Belmont Joint Solid Waste Authority

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

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 16: JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 2010, Bel-O-Mar Regional Council received \$2,349 from the City of Martins Ferry for annual fees and grant administration services.

NOTE 17: CONTRACTUAL COMMITMENTS

As of December 31, 2010, the City had contractual commitments related to the Water Treatment Plant and Well Field OPWC project:

	<u>Contractual Commitment</u>	<u>Expended</u>	<u>Balance 12/31/2010</u>
Ozonix North America, LLC	\$ 461,000	\$ 461,000	\$ 0
Vaughn, Coast & Vaughn, Inc.	75,000	59,500	15,500
Air Technologies	16,610	16,610	0
Davison Electric	21,251	21,251	0
Flickinger Piping Company, Inc.	58,036	58,036	0
Moody's of Dayton	7,750	7,750	0
Mueller	4,560	4,560	0
Central Painting and Sanblasting	<u>144,356</u>	<u>72,371</u>	<u>71,985</u>
Total	<u>\$ 788,563</u>	<u>\$ 701,078</u>	<u>\$ 87,485</u>

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 18: 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, 2010.

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.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

June 22, 2011

Mayor and Members of Council
City of Martins Ferry
Fifth & Walnut Streets
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 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"), Ohio as of and for the year ended December 31, 2010, and have issued our report thereon dated June 22, 2011. 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 opinion on the financial statements, but not for the purpose of expressing an opinion on 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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*.

We noted certain matters that we have reported to management of the City in a separate letter dated June 22, 2011.

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.

Kea & Associates, Inc.

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other internal control deficiencies reported at the financial statement level (GAGAS)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No

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

None reported.

**CITY OF MARTINS FERRY
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2009-001	Process notifying Safety Director and Auditor when monies are removed from the police department evidence room.	Yes	N/A
2009-002	Police Department Supervisor, Street Supervisor and Service Director are not approving time cards.	No	Partially corrected – moved to Management Letter



Dave Yost • Auditor of State

CITY OF MARTINS FERRY

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 18, 2011**