

City of Martins Ferry
Belmont County, Ohio

Audited Financial Statements

December 31, 2011



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, 2011 through December 31, 2011. 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 cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

July 31, 2012

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**CITY OF MARTINS FERRY
BELMONT COUNTY**

DECEMBER 31, 2011

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**CITY OF MARTINS FERRY
BELMONT COUNTY**

DECEMBER 31, 2011

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June 27, 2012

To The Honorable Mayor and City Council
City of Martins Ferry
Fifth & Walnut Streets
Martins Ferry, Ohio 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, Ohio, (the City) as of and for the year ended December 31, 2011, 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison 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 have also issued our report dated June 27, 2012, 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.

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

Rea & Associates, Inc.

City of Martins Ferry
Management's Discussion and Analysis
For the Year Ended December 31, 2011

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, 2011. 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 2011 are as follows:

- General revenues accounted for \$1,993,291 in revenue or 23.3 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$6,545,942 or 76.7 percent of total revenues of \$8,539,233.
- Total program expenses were \$8,251,223; \$4,102,843 in governmental activities and \$4,148,380 in business-type activities.
- In total, net assets increased \$288,010. Net assets of governmental activities decreased \$347,952, which represents a 5.2 percent decrease from 2010. Net assets of business-type activities increased \$635,962 or 10.8 percent over 2010.
- Outstanding debt decreased from \$8,943,809 to \$8,808,021 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 2011 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, 2011

A question typically asked about the City's finances is "How did we do financially during 2011?" 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, 2011

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 2011 compared to 2010:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Current and Other Assets	\$ 4,215,265	\$ 4,565,497	\$ 1,004,520	\$ 909,505	\$ 5,219,785	\$ 5,475,002
Capital Assets	3,110,685	3,131,092	14,400,204	13,723,005	17,510,889	16,854,097
Total Assets	7,325,950	7,696,589	15,404,724	14,632,510	22,730,674	22,329,099
Liabilities						
Long-Term Liabilities	401,938	526,948	8,619,428	8,586,133	9,021,366	9,113,081
Other Liabilities	627,104	524,781	270,226	167,269	897,330	692,050
Total Liabilities	1,029,042	1,051,729	8,889,654	8,753,402	9,918,696	9,805,131
Net Assets						
Invested in Capital						
Assets Net of Debt	2,936,546	2,861,080	5,899,412	5,226,619	8,835,958	8,087,699
Restricted	1,891,094	2,864,034	0	0	1,891,094	2,864,034
Unrestricted	1,469,268	919,746	615,658	652,489	2,084,926	1,572,235
Total Net Assets	\$ 6,296,908	\$ 6,644,860	\$ 6,515,070	\$ 5,879,108	\$ 12,811,978	\$ 12,523,968

City of Martins Ferry
Management's Discussion and Analysis
For the Year Ended December 31, 2011

Total assets increased by \$401,575 with governmental assets decreasing \$370,639 and business-type assets increasing \$772,214. An increase of \$656,792 in total capital assets reflects additional purchases exceeding depreciation expense. The City completed the water treatment plant and well field project during 2011 and began a water meter project at the end of the year. Total liabilities increased by \$113,565 with governmental liabilities decreasing \$22,687. Business-type liabilities increased \$136,252, primarily due to an increase in contracts payable related to construction in progress.

Total net assets increased by \$288,010. This increase reflects a decrease of \$347,952 in governmental activities and an increase of \$635,962 in the net assets of the business-type activities.

Program revenues increased \$257,025 from \$6,288,917 in 2010 to \$6,545,942 in 2011. Program expenses increased \$804,371 from \$7,446,852 in 2010 to \$8,251,223 in 2011.

Table 2 shows the changes in net assets for fiscal years 2011 and 2010. 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.

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City of Martins Ferry
Management's Discussion and Analysis
For the Year Ended December 31, 2011

(Table 2)
Changes in Net Assets

	Governmental Activities 2011	Business-Type Activities 2011	Total 2011	Governmental Activities 2010	Business-Type Activities 2010	Total 2010
Revenues						
<i>Program Revenues:</i>						
Charges for Services and Sales	\$ 1,131,884	\$ 3,886,121	\$ 5,018,005	\$ 1,127,931	\$ 3,913,727	\$ 5,041,658
Operating Grants and Contributions	649,360	0	649,360	1,116,372	0	1,116,372
Capital Grants and Contributions	59,090	819,487	878,577	16,000	114,887	130,887
<i>General Revenue:</i>						
Property Taxes	333,571	0	333,571	309,025	0	309,025
Income Taxes	1,036,862	0	1,036,862	1,291,073	0	1,291,073
Grants and Entitlements	514,012	0	514,012	478,111	0	478,111
Investment Earnings	9,318	0	9,318	8,847	0	8,847
Insurance Recoveries	0	0	0	63,977	0	63,977
Miscellaneous	75,744	23,784	99,528	51,994	36,403	88,397
Total Revenues	3,809,841	4,729,392	8,539,233	4,463,330	4,065,017	8,528,347
Program Expenses						
General Government	775,158	0	775,158	726,087	0	726,087
Security of Persons and Property	2,545,983	0	2,545,983	2,473,080	0	2,473,080
Transportation	482,747	0	482,747	423,862	0	423,862
Public Health Services	76,143	0	76,143	68,940	0	68,940
Community and Economic Development	130,450	0	130,450	179,944	0	179,944
Leisure Time Activities	79,152	0	79,152	61,961	0	61,961
Interest and Fiscal Charges	13,210	0	13,210	16,677	0	16,677
<i>Enterprise Operations:</i>						
Off Street Parking	0	1,783	1,783	0	1,307	1,307
Parking Meter	0	30,027	30,027	0	46,107	46,107
Water	0	3,070,807	3,070,807	0	2,523,705	2,523,705
Sewer	0	314,154	314,154	0	264,348	264,348
Sanitation	0	731,609	731,609	0	660,834	660,834
Total Program Expenses	4,102,843	4,148,380	8,251,223	3,950,551	3,496,301	7,446,852
Change in Net Assets Before Transfers	(293,002)	581,012	288,010	512,779	568,716	1,081,495
Transfers In (Out)	(54,950)	54,950	0	(60,422)	60,422	0
Change in Net Assets	(347,952)	635,962	288,010	452,357	629,138	1,081,495
Net Assets, Beginning of Year	6,644,860	5,879,108	12,523,968	6,192,503	5,249,970	11,442,473
Net Assets, End of Year	\$ 6,296,908	\$ 6,515,070	\$ 12,811,978	\$ 6,644,860	\$ 5,879,108	\$ 12,523,968

City of Martins Ferry
Management's Discussion and Analysis
For the Year Ended December 31, 2011

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. Grants were awarded by the Ohio Department of Development in 2008 and 2010. This accounts for the decrease of \$467,012 in operating grant revenue for the City.

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 \$2,545,983 represents 62.1 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 2011, charges for services of \$3,886,121 accounted for 82.2 percent of the business-type revenues. Capital grant revenue increased from \$114,887 in 2010 to \$819,487 in 2011. During 2011, the City continued to draw on an OPWC grant to finish the water treatment plan and well field project. The City also began a new OWDA project for water meters and recorded ARRA debt forgiveness as grant revenue. The total expenses for business-type activities were \$4,148,380.

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 \$4,222,269 (exclusive of other financing sources) and expenditures of \$4,368,417 (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 \$3,811,572 which was less than operating revenues of \$3,909,905 by \$98,333 or 2.5 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 2011, 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.

City of Martins Ferry
Management's Discussion and Analysis
For the Year Ended December 31, 2011

For the general fund, actual receipts were more than the final budgeted revenues by \$48,450. Final budget revenues of \$2,166,000 were more than the amount of \$1,945,000 in the original budget by \$221,000.

Actual disbursements and other financing uses of \$2,195,192 in the general fund were less than final budgeted amount of \$2,311,346 by \$116,154. The primary factor contributing to this was disbursements for general government and security of persons and property being below final budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

At the end of year 2011, the City had \$17,510,889 invested in land, buildings, construction in progress, improvements, machinery and equipment, infrastructure and vehicles. A total of \$3,110,685 of this was for governmental activities with the remainder attributable to business-type activities. Table 3 shows fiscal year 2011 balances compared with 2010.

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 890,342	\$ 968,795	\$ 194,141	\$ 194,141	\$ 1,084,483	\$ 1,162,936
Buildings	730,589	768,242	3,580,308	3,727,051	4,310,897	4,495,293
Buildings Improvements	154,482	168,212	1,214,227	1,307,581	1,368,709	1,475,793
Machinery and Equipment	415,363	279,394	2,252,063	1,800,298	2,667,426	2,079,692
Vehicles	316,117	374,164	444,270	395,100	760,387	769,264
Infrastructure	603,792	572,285	5,615,633	5,528,566	6,219,425	6,100,851
Construction in Progress	0	0	1,099,562	770,267	1,099,562	770,267
Totals	\$ 3,110,685	\$ 3,131,092	\$ 14,400,204	\$ 13,723,004	\$ 17,510,889	\$ 16,854,096

The \$656,793 increase in capital assets was attributable to additional purchases exceeding depreciation expense. The City completed the water treatment plant and well field OPWC project during 2011 and a water meter project was underway at the end of 2011. Note 9 provides more information regarding capital asset activity during 2011.

City of Martins Ferry
Management's Discussion and Analysis
For the Year Ended December 31, 2011

Debt

The outstanding debt for the City as of December 31, 2011 was \$8,801,021 with \$716,765 due within one year. Table 4 summarizes outstanding debt.

(Table 4)
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
OPWC Loans	\$ 6,017	\$ 6,268	\$ 800,180	\$ 802,010	\$ 806,197	\$ 808,278
OWDA Loans	0	0	7,660,530	7,694,374	7,660,530	7,694,374
Police and Fire Pension	173,172	177,413	0	0	173,172	177,413
Notes Payable	168,122	263,744	0	0	168,122	263,744
<i>Total</i>	\$ 347,311	\$ 447,425	\$ 8,460,710	\$ 8,496,384	\$ 8,808,021	\$ 8,943,809

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

Current Issues

2011 was a year that still had economic uncertainty. The nationwide economic downturn has had a ripple effect on the City's economy. One major industry reopened in the second quarter and continued at a normal level until October when the factory was sold to another steel maker. A slow down continued until the year end without any idea if there would be any growth for the near future. The drop in income tax revenue from this plant slowdown was not as big a factor as expected in 2011.

2011 also saw the completion of the upgrade to the water plant and the beginning of the water meter project for the City's residents. At the close of the year the project had approximately 200 meters yet to be installed. This will be the first time in the history of the City of Martins Ferry that the residents will have meters. City officials believe that this project will result in capturing revenue that has been unrealized due to unmetered water usage. It will also give the officials a clearer picture of usage and costs by the different areas inside and outside Martins Ferry city limits.

The seventeenth CHIP grant has been awarded to the City and the sixteenth continues until 2011.

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, 2011

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 853,085	\$ 743,312	\$ 1,596,397
Cash and Cash Equivalents in Segregated Accounts	436,579	0	436,579
Investments	695,182	0	695,182
Taxes Receivable	957,893	0	957,893
Accounts Receivable	395,476	196,306	591,782
Accrued Interest Receivable	735	0	735
Intergovernmental Receivable	812,769	0	812,769
Internal Balances	14,263	(14,263)	0
Loans Receivable	26,924	0	26,924
Materials and Supplies Inventory	22,359	71,815	94,174
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	0	7,350	7,350
Non-Depreciable Capital Assets	890,342	1,293,703	2,184,045
Depreciable Capital Assets, Net	2,220,343	13,106,501	15,326,844
<i>Total Assets</i>	<u>7,325,950</u>	<u>15,404,724</u>	<u>22,730,674</u>
Liabilities			
Accounts Payable	51,011	52,320	103,331
Accrued Wages	68,562	50,897	119,459
Contracts Payable	0	61,967	61,967
Intergovernmental Payable	158,185	88,305	246,490
Matured Compensated Absences	2,423	7,269	9,692
Customer Deposits Payable	0	7,350	7,350
Accrued Interest Payable	3,203	2,118	5,321
Deferred Revenue	343,720	0	343,720
Long-Term Liabilities:			
Due Within One Year	72,931	656,208	729,139
Due in More Than One Year	329,007	7,963,220	8,292,227
<i>Total Liabilities</i>	<u>1,029,042</u>	<u>8,889,654</u>	<u>9,918,696</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	2,936,546	5,899,412	8,835,958
Restricted for Capital Outlay	1,171,522	0	1,171,522
Restricted for Endowment	165,802	0	165,802
Restricted for Other Purposes	553,770	0	553,770
Unrestricted	1,469,268	615,658	2,084,926
<i>Total Net Assets</i>	<u>\$ 6,296,908</u>	<u>\$ 6,515,070</u>	<u>\$ 12,811,978</u>

See accompanying notes to the basic financial statements.

City of Martins Ferry
Statement of Activities
For the Year Ended December 31, 2011

	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	\$ 775,158	\$ 299,194	\$ 0	\$ 0	\$ (475,964)	\$ 0	\$ (475,964)
Security of Persons and Property	2,545,983	796,795	193,732	0	(1,555,456)	0	(1,555,456)
Public Health Services	76,143	35,895	2,846	0	(37,402)	0	(37,402)
Leisure Time Activities	79,152	0	0	59,090	(20,062)	0	(20,062)
Community and Economic Development	130,450	0	432	0	(130,018)	0	(130,018)
Transportation	482,747	0	452,350	0	(30,397)	0	(30,397)
Interest and Fiscal Charges	13,210	0	0	0	(13,210)	0	(13,210)
<i>Total Governmental Activities</i>	<u>4,102,843</u>	<u>1,131,884</u>	<u>649,360</u>	<u>59,090</u>	<u>(2,262,509)</u>	<u>0</u>	<u>(2,262,509)</u>
Business-Type Activities:							
Water	3,070,807	2,834,676	0	814,487	0	578,356	578,356
Sanitation	731,609	723,311	0	5,000	0	(3,298)	(3,298)
Sewer	314,154	271,820	0	0	0	(42,334)	(42,334)
Parking Meter	30,027	44,840	0	0	0	14,813	14,813
Off Street Parking	1,783	11,474	0	0	0	9,691	9,691
<i>Total Business-Type Activities</i>	<u>4,148,380</u>	<u>3,886,121</u>	<u>0</u>	<u>819,487</u>	<u>0</u>	<u>557,228</u>	<u>557,228</u>
<i>Total - Primary Government</i>	<u>\$ 8,251,223</u>	<u>\$ 5,018,005</u>	<u>\$ 649,360</u>	<u>\$ 878,577</u>	<u>(2,262,509)</u>	<u>557,228</u>	<u>(1,705,281)</u>
General Revenues:							
Property Taxes Levied for:							
General Purposes					147,224	0	147,224
Police and Fire					186,347	0	186,347
Income Taxes Levied for General Purposes					1,036,862	0	1,036,862
Grants and Entitlements not Restricted to Specific Programs					514,012	0	514,012
Investment Earnings					9,318	0	9,318
Miscellaneous					75,744	23,784	99,528
<i>Total General Revenues</i>					<u>1,969,507</u>	<u>23,784</u>	<u>1,993,291</u>
Transfers					<u>(54,950)</u>	<u>54,950</u>	<u>0</u>
<i>Total General Revenues and Transfers</i>					<u>1,914,557</u>	<u>78,734</u>	<u>1,993,291</u>
<i>Change in Net Assets</i>					<u>(347,952)</u>	<u>635,962</u>	<u>288,010</u>
<i>Net Assets Beginning of Year</i>					<u>6,644,860</u>	<u>5,879,108</u>	<u>12,523,968</u>
<i>Net Assets End of Year</i>					<u>\$ 6,296,908</u>	<u>\$ 6,515,070</u>	<u>\$ 12,811,978</u>

See accompanying notes to the basic financial statements.

City of Martins Ferry
Balance Sheet
Governmental Funds
December 31, 2011

	General	Fire & Ambulance	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 193,942	\$ 100,383	\$ 107,754	\$ 451,006	\$ 853,085
Cash and Cash Equivalents in Segregated Accounts	0	0	436,579	0	436,579
Investments	0	0	530,000	165,182	695,182
Taxes Receivable	625,392	0	0	332,501	957,893
Accounts Receivable	69,041	326,435	0	0	395,476
Accrued Interest Receivable	632	0	0	103	735
Intergovernmental Receivable	256,911	0	0	555,858	812,769
Loans Receivable	26,924	0	0	0	26,924
Materials and Supplies Inventory	914	0	0	21,445	22,359
Advances to Other Funds	0	0	62,189	0	62,189
<i>Total Assets</i>	<u>\$ 1,173,756</u>	<u>\$ 426,818</u>	<u>\$ 1,136,522</u>	<u>\$ 1,526,095</u>	<u>\$ 4,263,191</u>
Liabilities					
Accounts Payable	\$ 7,534	\$ 4,901	\$ 0	\$ 38,576	\$ 51,011
Accrued Wages	42,714	15,241	0	10,607	68,562
Intergovernmental Payable	107,687	32,115	0	18,383	158,185
Matured Compensated Absences	1,454	0	0	969	2,423
Deferred Revenue	652,474	205,535	0	769,590	1,627,599
Advances from Other Funds	0	31,042	0	16,884	47,926
<i>Total Liabilities</i>	<u>811,863</u>	<u>288,834</u>	<u>0</u>	<u>855,009</u>	<u>1,955,706</u>
Fund Balances					
Nonspendable	38,627	0	62,189	187,247	288,063
Restricted	0	137,984	0	483,839	621,823
Committed	0	0	1,074,333	0	1,074,333
Assigned	13,558	0	0	0	13,558
Unassigned	309,708	0	0	0	309,708
<i>Total Fund Balances</i>	<u>361,893</u>	<u>137,984</u>	<u>1,136,522</u>	<u>671,086</u>	<u>2,307,485</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,173,756</u>	<u>\$ 426,818</u>	<u>\$ 1,136,522</u>	<u>\$ 1,526,095</u>	<u>\$ 4,263,191</u>

See accompanying notes to the basic financial statements.

City of Martins Ferry
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2011*

Total Governmental Fund Balances		\$ 2,307,485
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,110,685
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	\$ 242,289	
Income Taxes	188,885	
Intergovernmental	647,170	
Charges for Services	<u>205,535</u>	
Total		1,283,879
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(3,203)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
OPWC Loan	(6,017)	
Long - Term Bond Anticipation Note	(55,000)	
Robert Building Note	(113,122)	
Police and Fire Pension	(173,172)	
Compensated Absences	<u>(54,627)</u>	
Total		<u>(401,938)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$ 6,296,908</u></u>

See accompanying notes to 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, 2011

	General	Fire & Ambulance	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$ 153,206	\$ 0	\$ 0	\$ 162,517	\$ 315,723
Income Taxes	1,128,282	0	0	0	1,128,282
Charges for Services	135,482	867,139	0	47,341	1,049,962
Licenses and Permits	69,695	0	0	12,724	82,419
Fines and Forfeitures	94,016	0	0	978	94,994
Intergovernmental	558,070	0	19,855	799,627	1,377,552
Interest	9,318	0	39	3,823	13,180
Contributions and Donations	900	24,423	0	59,090	84,413
Other	22,316	8,384	0	45,044	75,744
<i>Total Revenues</i>	<u>2,171,285</u>	<u>899,946</u>	<u>19,894</u>	<u>1,131,144</u>	<u>4,222,269</u>
Expenditures					
Current:					
General Government	719,743	0	0	9,870	729,613
Security of Persons and Property	1,325,592	855,682	0	244,799	2,426,073
Public Health Services	19,878	0	0	50,578	70,456
Leisure Time Activities	0	0	0	43,827	43,827
Community and Economic Development	0	0	0	136,549	136,549
Transportation	0	0	0	439,406	439,406
Capital Outlay	0	97,564	105,273	150,311	353,148
Debt Service:					
Principal Retirement	0	12,622	0	142,492	155,114
Interest and Fiscal Charges	0	3,639	0	10,592	14,231
<i>Total Expenditures</i>	<u>2,065,213</u>	<u>969,507</u>	<u>105,273</u>	<u>1,228,424</u>	<u>4,368,417</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>106,072</u>	<u>(69,561)</u>	<u>(85,379)</u>	<u>(97,280)</u>	<u>(146,148)</u>
Other Financing Sources (Uses)					
Proceeds of Bond Anticipation Notes	0	0	0	55,000	55,000
Proceeds from Sale of Capital Assets	0	0	50,000	0	50,000
Transfers In	0	0	0	140,128	140,128
Transfers Out	(134,500)	0	(5,628)	0	(140,128)
<i>Total Other Financing Sources (Uses)</i>	<u>(134,500)</u>	<u>0</u>	<u>44,372</u>	<u>195,128</u>	<u>105,000</u>
<i>Net Change in Fund Balance</i>	(28,428)	(69,561)	(41,007)	97,848	(41,148)
<i>Fund Balance Beginning of Year</i>	<u>390,321</u>	<u>207,545</u>	<u>1,177,529</u>	<u>573,238</u>	<u>2,348,633</u>
<i>Fund Balance End of Year</i>	<u>\$ 361,893</u>	<u>\$ 137,984</u>	<u>\$ 1,136,522</u>	<u>\$ 671,086</u>	<u>\$ 2,307,485</u>

See accompanying notes to 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, 2011*

Net Change in Fund Balances - Total Governmental Funds	\$	(41,148)
 <i>Amounts reported for governmental activities in the statement of activities are different because</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital Asset Additions	\$ 305,246	
Current Year Depreciation	<u>(247,200)</u>	
Total		58,046
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.		
		(78,453)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes	17,847	
Deferred Income Taxes	(91,420)	
Charges for Services	(95,493)	
Intergovernmental	<u>(243,362)</u>	
Total		(412,428)
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	138,000	
OPWC Loan Principal	251	
Roberts Building Note Principal	12,622	
Police and Fire Pension Principal	<u>4,241</u>	
Total		155,114
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		1,021
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.		
		(55,000)
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.		
		<u>24,896</u>
 <i>Change in Net Assets of Governmental Activities</i>	 \$	 <u><u>(347,952)</u></u>
See accompanying notes to 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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Property Taxes	\$ 154,114	\$ 154,114	\$ 153,206	\$ (908)
Income Taxes	1,146,261	1,146,261	1,160,338	14,077
Charges for Services	96,941	130,176	135,482	5,306
Licenses and Permits	49,353	66,273	68,974	2,701
Fines and Forfeitures	67,271	90,334	94,016	3,682
Intergovernmental	404,624	543,343	565,489	22,146
Interest	6,518	8,752	9,109	357
Contributions and Donations	644	865	900	35
Other	19,274	25,882	26,936	1,054
<i>Total Revenues</i>	<u>1,945,000</u>	<u>2,166,000</u>	<u>2,214,450</u>	<u>48,450</u>
Expenditures				
Current:				
General Government	703,720	781,287	739,598	41,689
Security of Persons and Property	1,238,093	1,374,561	1,301,216	73,345
Public Health Services	18,914	20,998	19,878	1,120
<i>Total Expenditures</i>	<u>1,960,727</u>	<u>2,176,846</u>	<u>2,060,692</u>	<u>116,154</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(15,727)</u>	<u>(10,846)</u>	<u>153,758</u>	<u>164,604</u>
Other Financing Sources (Uses)				
Transfers Out	(134,500)	(134,500)	(134,500)	0
<i>Net Change in Fund Balance</i>	(150,227)	(145,346)	19,258	164,604
<i>Fund Balance Beginning of Year</i>	142,463	142,463	142,463	0
Prior Year Encumbrances Appropriated	14,454	14,454	14,454	0
<i>Fund Balance End of Year</i>	<u>\$ 6,690</u>	<u>\$ 11,571</u>	<u>\$ 176,175</u>	<u>\$ 164,604</u>

See accompanying notes to 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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Charges for Services	\$ 816,694	\$ 816,694	\$ 824,348	\$ 7,654
Other	8,306	8,306	8,384	78
<i>Total Revenues</i>	<u>825,000</u>	<u>825,000</u>	<u>832,732</u>	<u>7,732</u>
Expenditures				
Current:				
Security of Persons and Property	813,717	893,039	853,807	39,232
Capital Outlay	39,639	43,503	41,592	1,911
Debt Service:				
Principal Retirement	12,029	13,202	12,622	580
Interest and Fiscal Charges	3,468	3,806	3,639	167
<i>Total Expenditures</i>	<u>868,853</u>	<u>953,550</u>	<u>911,660</u>	<u>41,890</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(43,853)</u>	<u>(128,550)</u>	<u>(78,928)</u>	<u>49,622</u>
Other Financing Sources (Uses)				
Advances Out	(507)	(507)	(507)	0
Total Other Financing Sources and Uses	(507)	(507)	(507)	0
<i>Net Change in Fund Balance</i>	(44,360)	(129,057)	(79,435)	49,622
<i>Fund Balance Beginning of Year</i>	167,168	167,168	167,168	0
Prior Year Encumbrances Appropriated	11,548	11,548	11,548	0
<i>Fund Balance End of Year</i>	<u>\$ 134,356</u>	<u>\$ 49,659</u>	<u>\$ 99,281</u>	<u>\$ 49,622</u>

See accompanying notes to the basic financial statements.

City of Martins Ferry
Statement of Fund Net Assets
Proprietary Funds
December 31, 2011

	Water	Sanitation	Other Enterprise Funds	Totals
Assets:				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$ 496,453	\$ 95,430	\$ 151,429	\$ 743,312
Accounts Receivable	145,614	38,189	12,503	196,306
Materials and Supplies Inventory	70,575	620	620	71,815
<i>Total Current Assets</i>	<u>712,642</u>	<u>134,239</u>	<u>164,552</u>	<u>1,011,433</u>
<i>Non-Current Assets:</i>				
<i>Restricted Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	4,664	2,014	672	7,350
Non-Depreciable Capital Assets	1,266,002	5,000	22,701	1,293,703
Depreciable Capital Assets, Net	12,600,123	324,319	182,059	13,106,501
<i>Total Non-Current Assets</i>	<u>13,870,789</u>	<u>331,333</u>	<u>205,432</u>	<u>14,407,554</u>
<i>Total Assets</i>	<u>14,583,431</u>	<u>465,572</u>	<u>369,984</u>	<u>15,418,987</u>
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	27,272	20,589	4,459	52,320
Accrued Wages	32,261	12,236	6,400	50,897
Accrued Interest Payable	2,118	0	0	2,118
Contracts Payable	61,967	0	0	61,967
Customer Deposits Payable	4,664	2,014	672	7,350
Intergovernmental Payable	56,370	19,376	12,559	88,305
Matured Compensated Absences	2,908	2,423	1,938	7,269
Capital Lease Payable	6,244	0	6,244	12,488
OPWC Loans Payable	42,909	0	0	42,909
OWDA Loans Payable	600,811	0	0	600,811
<i>Total Current Liabilities</i>	<u>837,524</u>	<u>56,638</u>	<u>32,272</u>	<u>926,434</u>
<i>Long-Term Liabilities:</i>				
Advances From Other Funds	6,760	3,751	3,752	14,263
Compensated Absences Payable - Net of Current Portion	72,208	22,314	9,271	103,793
Capital Lease Payable - Net of Current Portion	21,218	0	21,219	42,437
OPWC Loans Payable - Net of Current Portion	757,271	0	0	757,271
OWDA Loans Payable - Net of Current Portion	7,059,719	0	0	7,059,719
<i>Total Long-Term Liabilities</i>	<u>7,917,176</u>	<u>26,065</u>	<u>34,242</u>	<u>7,977,483</u>
<i>Total Liabilities</i>	<u>8,754,700</u>	<u>82,703</u>	<u>66,514</u>	<u>8,903,917</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	5,392,795	329,319	177,298	5,899,412
Unrestricted	435,936	53,550	126,172	615,658
<i>Total Net Assets</i>	<u>\$ 5,828,731</u>	<u>\$ 382,869</u>	<u>\$ 303,470</u>	<u>\$ 6,515,070</u>

See accompanying notes to 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, 2011

	Enterprise Funds			Totals
	Water	Sanitation	Other Enterprise Funds	
Operating Revenues				
Charges for Services	\$ 2,834,676	\$ 723,311	\$ 328,134	\$ 3,886,121
Other	14,317	9,447	20	23,784
<i>Total Operating Revenues</i>	<u>2,848,993</u>	<u>732,758</u>	<u>328,154</u>	<u>3,909,905</u>
Operating Expenses				
Personal Services	1,188,671	367,513	248,327	1,804,511
Contractual Services	562,506	263,965	38,093	864,564
Materials and Supplies	416,426	70,102	32,689	519,217
Depreciation	567,479	30,029	25,534	623,042
Other	238	0	0	238
<i>Total Operating Expenses</i>	<u>2,735,320</u>	<u>731,609</u>	<u>344,643</u>	<u>3,811,572</u>
<i>Operating Income</i>	<u>113,673</u>	<u>1,149</u>	<u>(16,489)</u>	<u>98,333</u>
Non-Operating Revenues (Expenses)				
Capital Grants and Contributions	814,487	5,000	0	819,487
Interest and Fiscal Charges	(173,567)	0	(1,321)	(174,888)
Loss on Sale of Capital Assets	(161,920)	0	0	(161,920)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>479,000</u>	<u>5,000</u>	<u>(1,321)</u>	<u>482,679</u>
<i>Income Before Contributions</i>	592,673	6,149	(17,810)	581,012
Capital Contributions	54,950	0	0	54,950
<i>Change in Net Assets</i>	647,623	6,149	(17,810)	635,962
<i>Net Assets Beginning of Year</i>	<u>5,181,108</u>	<u>376,720</u>	<u>321,280</u>	<u>5,879,108</u>
<i>Net Assets End of Year</i>	<u>\$ 5,828,731</u>	<u>\$ 382,869</u>	<u>\$ 303,470</u>	<u>\$ 6,515,070</u>

See accompanying notes to the basic financial statements.

City of Martins Ferry
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2011

	Enterprise Funds			Totals
	Water	Sanitation	Other Enterprise Funds	
Increase in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 2,888,624	\$ 731,613	\$ 330,406	\$ 3,950,643
Other Operating Receipts	14,317	10,974	20	25,311
Cash Payments to Suppliers for Goods and Services	(437,805)	(68,666)	(29,954)	(536,425)
Cash Payments for Employees Services and Benefits	(1,165,701)	(355,526)	(239,805)	(1,761,032)
Cash Payments for Contractual Services	(562,506)	(263,966)	(38,092)	(864,564)
Cash Payments for Other Operating Expenses	(238)	0	0	(238)
<i>Net Cash Provided by Operating Activities</i>	<u>736,691</u>	<u>54,429</u>	<u>22,575</u>	<u>813,695</u>
Cash Flows from Capital and Related Financing Activities				
Intergovernmental Receipts	814,487	5,000	0	819,487
Proceeds from OPWC Loans	10,050	0	0	10,050
Proceeds from OWDA Loans	1,091,301	0	0	1,091,301
Acquisition of Capital Assets	(1,265,505)	(7,597)	(6,276)	(1,279,378)
Principal Payments on Capital Lease	(5,471)	0	(5,471)	(10,942)
Principal Payments on OWDA Loans	(1,125,145)	0	0	(1,125,145)
Principal Payments on OPWC Loans	(11,880)	0	0	(11,880)
Interest Payments on All Debt	(171,449)	0	(1,321)	(172,770)
Advances Out	(21,380)	(8,948)	(1,876)	(32,204)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(684,992)</u>	<u>(11,545)</u>	<u>(14,944)</u>	<u>(711,481)</u>
<i>Net Increase in Cash and Cash Equivalents</i>	51,699	42,884	7,631	102,214
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>449,418</u>	<u>54,560</u>	<u>144,470</u>	<u>648,448</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 501,117</u>	<u>\$ 97,444</u>	<u>\$ 152,101</u>	<u>\$ 750,662</u>
Reconciliation of Operating Income (Loss) To Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ 113,673	\$ 1,149	\$ (16,489)	\$ 98,333
Adjustments:				
Depreciation	567,479	30,029	25,534	623,042
(Increase) Decrease in Assets:				
Accounts Receivable	54,274	8,008	2,173	64,455
Materials and Supplies Inventory	(26,189)	569	569	(25,051)
Increase (Decrease) in Liabilities:				
Accounts Payable	4,810	2,394	2,166	9,370
Customer Deposits	(326)	294	99	67
Accrued Wages	2,850	2,390	2,665	7,905
Matured Compensated Absences Payable	2,908	2,423	1,938	7,269
Compensated Absences Payable	7,966	4,378	1,700	14,044
Intergovernmental Payable	9,246	2,795	2,220	14,261
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 736,691</u>	<u>\$ 54,429</u>	<u>\$ 22,575</u>	<u>\$ 813,695</u>

Noncash Capital Financing Activities:

During 2011, capital contributions were made by the permanent improvement fund to the water enterprise fund in the amount of \$54,950.

See accompanying notes to the basic financial statements.

City of Martins Ferry
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
December 31, 2011

	<u>Agency</u>
Assets	
Cash and Cash Equivalents in Segregated Accounts	<u>\$ 16,262</u>
Liabilities	
Undistributed Monies	<u>\$ 16,262</u>

See accompanying notes to the basic financial statements.

City of Martins Ferry
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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 17.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

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, 2011

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 to which the City is bound to observe constraints imposed upon the use of the resources.

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

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

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

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

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

Fiduciary Funds Fiduciary fund reporting focuses on net 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 to 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, 2011

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

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

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, 2011, but which were levied to finance fiscal year 2012 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, 2011

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 2011, 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 2011 amounted to \$9,318, which includes \$8,389 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 held for consumption.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

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 that are associated and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net 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 and \$10,000 for infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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

Description	Governmental 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, 2011

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

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

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

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the City.

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

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

N. Net 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, 2011, 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.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2011.

R. Estimates

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

S. Implementation of New Accounting Policies

For the year ended December 31, 2011, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*" and GASB Statement No. 59, "*Financial Instruments Omnibus*."

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement 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. Advances in and advances out are operating transactions (budget) as opposed to Balance Sheet transactions (GAAP).
4. Outstanding year end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance (GAAP basis).

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

Net Change in Fund Balance		
	<u>General</u>	<u>Fire and Ambulance</u>
GAAP Basis	\$ (28,428)	\$ (69,561)
Revenue Accruals	43,165	(67,214)
Expenditure Accruals	22,288	58,949
Advances Out	0	(507)
Encumbrances	<u>(17,767)</u>	<u>(1,102)</u>
	<u>\$ 19,258</u>	<u>\$ (79,435)</u>

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

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" or "Investments."

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

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

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

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 2011, the City and public depositories complied with the provisions of these statutes.

Deposits with Financial Institutions

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

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

At fiscal year-end, the carrying amount of the City's deposits was \$1,279,638. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of December 31, 2011, \$882,361 of the City's bank balance of \$1,337,203 was exposed to custodial risk as discussed above, while \$454,842 was covered by Federal Deposit Insurance Corporation.

Investments

As of December 31, 2011, the City had the following investment and maturity:

Investment Type	Fair Value	6 Months or Less
Repurchase Agreement	<u>\$ 1,472,132</u>	<u>\$ 1,472,132</u>

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

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

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

Concentration of Credit Risk The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage total of each investment type held by the City as of December 31, 2011:

Investment Type	Fair Value	Percent of Total
Repurchase Agreement	<u>\$ 1,472,132</u>	<u>100.00%</u>

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 5: INTERFUND ACTIVITY

A. Interfund Transfers

Interfund transfers for the year ended December 31, 2011, consisted of the following:

<u>Fund</u>	<u>Transfer From</u>	<u>Transfer To</u>
Governmental:		
General	\$ 134,500	\$ 0
Permanent Improvement	5,628	0
Nonmajor Governmental Funds:		
General Capital Projects	0	35,000
Street	0	25,628
Recreation	0	42,500
Cemetery Operating	0	22,000
Safety Service	0	15,000
	<u>\$ 140,128</u>	<u>\$ 140,128</u>

Interfund transfers made from the general fund were done to provide additional resources for current operations. Interfund transfers from the Permanent Improvement fund to the Street fund were to forgive one quarter of the balance remaining on the long-term advance. See Note 5 B for additional information regarding long-term advances.

During 2011, the permanent improvement fund made capital contributions to the water fund in the amount of \$54,950. This represents the City's share of the Water Treatment Plant and Well Field OPWC project and other equipment.

B. Interfund Balances

Interfund balances at December 31, 2011 consisted of the following:

	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
Permanent Improvement	\$ 62,189	\$ 0
Street	0	16,884
Fire and EMS	0	31,042
Water	0	6,760
Sanitation	0	3,751
Sewer	0	3,752
Total	<u>\$ 62,189</u>	<u>\$ 62,189</u>

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 5: INTERFUND ACTIVITY (Continued)

In 2008, the Permanent Improvement fund advanced \$28,140 to the Street fund for the purpose of purchasing assets. The Street fund repaid \$5,628 of this advance during 2009 and \$5,628 was forgiven during 2011. The balance of this advance is \$16,884. The advance to the Fire and EMS fund during 2011 was for the purchase of a handicap-accessible van. The Fire and EMS fund will be repaying the advance over 5 years and the payments will be \$525 per month plus interest. The advances to the business-type funds were made for the purpose of purchasing various capital assets. During 2011, the Water, Sanitation and Sewer funds repaid \$21,380, \$8,949 and \$1,876 respectfully, to the Permanent Improvement fund. The balances remaining on the long-term advances at December 31, 2011 were \$6,760 in the Water fund, \$3,751 in the Sanitation fund and \$3,752 in the Sewer fund. Some of these outstanding advances are expected to be repaid within one year.

NOTE 6: PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2011 for real and public utility property taxes represents collections of the 2010 taxes.

2011 real property taxes were levied after October 1, 2011 on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes which became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

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

The full tax rate for all City operations for the year ended December 31, 2011, was \$7.10 per \$1,000 of assessed valuation. The assessed values of real personal property upon which 2011 property tax receipts were based are as follows:

Real Property	\$	60,325,380
Public Utility Real Property and Minerals		60,470
Public Utility Tangible Personal Property		3,596,030
Total	\$	63,981,880

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 6: PROPERTY TAXES (Continued)

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

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

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Martins Ferry. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility real and tangible personal property taxes, and outstanding delinquencies which became measurable as of December 31, 2011, 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 2011 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

NOTE 7: RECEIVABLES

Receivables at December 31, 2011 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 \$26,924. 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 2011, 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, 2011

NOTE 9: CAPITAL ASSETS

A summary of changes in capital assets during 2011 follows:

	Balance 12/31/2010	Additions	Reductions	Balance 12/31/2011
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 968,795	\$ 0	\$ (78,453)	\$ 890,342
<i>Total Capital Assets Not Being Depreciated</i>	<u>968,795</u>	<u>0</u>	<u>(78,453)</u>	<u>890,342</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings	1,936,392	0	0	1,936,392
Building Improvements	918,725	0	0	918,725
Equipment and Machinery	704,142	180,036	0	884,178
Infrastructure	711,425	65,900	0	777,325
Vehicles	3,152,081	59,310	(8,000)	3,203,391
<i>Total Capital Assets, Being Depreciated</i>	<u>7,422,765</u>	<u>305,246</u>	<u>(8,000)</u>	<u>7,720,011</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(1,168,150)	(37,653)	0	(1,205,803)
Building Improvements	(750,513)	(13,730)	0	(764,243)
Equipment and Machinery	(424,748)	(44,067)	0	(468,815)
Infrastructure	(139,140)	(34,393)	0	(173,533)
Vehicles	(2,777,917)	(117,357)	8,000	(2,887,274)
<i>Total Accumulated Depreciation</i>	<u>(5,260,468)</u>	<u>(247,200)</u>	<u>8,000</u>	<u>(5,499,668)</u>
<i>Total Capital Assets, Being Depreciated, Net</i>	<u>2,162,297</u>	<u>58,046</u>	<u>0</u>	<u>2,220,343</u>
<i>Total Governmental Activities Capital Assets, Net</i>	<u>\$ 3,131,092</u>	<u>\$ 58,046</u>	<u>\$ (78,453)</u>	<u>\$ 3,110,685</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 41,310
Security of Persons and Property	118,573
Public Health Services	5,234
Transportation	48,353
Community and Economic Development	1,220
Leisure Time Activities	32,510
Total	<u>\$ 247,200</u>

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 9: CAPITAL ASSETS (Continued)

	Balance 12/31/2010	Additions	Reductions	Balance 12/31/2011
Business-Type Activities				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 194,141	\$ 0	\$ 0	\$ 194,141
Construction in Progress	770,267	1,163,503	(834,208)	1,099,562
<i>Total Capital Assets Not Being Depreciated</i>	<u>964,408</u>	<u>1,163,503</u>	<u>(834,208)</u>	<u>1,293,703</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	6,601,465	778,239	(368,000)	7,011,704
Infrastructure	6,667,857	254,607	0	6,922,464
Vehicles	1,171,079	100,020	(127,295)	1,143,804
<i>Total Capital Assets, Being Depreciated</i>	<u>22,243,667</u>	<u>1,132,866</u>	<u>(495,295)</u>	<u>22,881,238</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(2,165,121)	(146,743)	0	(2,311,864)
Building Improvements	(603,513)	(93,354)	0	(696,867)
Equipment and Machinery	(4,801,167)	(164,554)	206,080	(4,759,641)
Infrastructure	(1,139,291)	(167,540)	0	(1,306,831)
Vehicles	(775,978)	(50,851)	127,295	(699,534)
<i>Total Accumulated Depreciation</i>	<u>(9,485,070)</u>	<u>(623,042)</u>	<u>333,375</u>	<u>(9,774,737)</u>
<i>Total Capital Assets, Being Depreciated, Net</i>	<u>12,758,597</u>	<u>509,824</u>	<u>(161,920)</u>	<u>13,106,501</u>
<i>Total Business-Type Capital Assets, Net</i>	<u>\$ 13,723,005</u>	<u>\$ 1,673,327</u>	<u>\$ (996,128)</u>	<u>\$ 14,400,204</u>

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

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, 2010 (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, 2010 and 2009 (the latest information available):

	2010	2009
<u>Casualty and Property Coverage</u>		
Assets	\$34,952,010	\$36,374,898
Liabilities	(14,320,812)	(15,256,862)
Net Assets	\$20,631,198	\$21,118,036

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$12.91 million and \$14.1 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010 and 2009, 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 \$86,892.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

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>	
2009	\$ 60,789
2010	79,057
2011	92,438

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

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

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

NOTE 11: DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

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

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

The City's 2011 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 18.1 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4.0 percent during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2011.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2011, 2010, and 2009 were \$255,146, \$151,776 and \$155,501, respectively; 89.6 percent has been contributed for 2011 and 100 percent for 2010 and 2009. Contributions to the member-directed plan for 2011 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 pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - Plan members are required to contribute 10 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 2011, 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 2010, this allocation was also 6.75 percent. The City's contributions to OP&F for police were \$103,552, \$100,756 and \$118,754 for the years ended December 31, 2011, 2010 and 2009, respectively. The full amount has been contributed for 2010 and 2009. 72.3 percent has been contributed for police for 2011. 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, 2011, the unfunded liability of the City was \$173,172 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, 2011

NOTE 12: POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan, which includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45.

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2011.

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

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 12: POSTEMPLOYMENT BENEFITS (Continued)

The City's contributions allocated to fund post-employment health care benefits for the traditional and combined plans for the years ended December 31, 2011, 2010, and 2009 were \$127,573, \$109,488 and \$138,847, respectively. Contributions to fund post-employment health care benefits for the member-directed plan for 2011 were \$127,573. For 2011 89.6 percent has been contributed and 100 percent has been contributed for 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases 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 Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium reimbursement and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45.

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

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

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

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

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 12: POSTEMPLOYMENT BENEFITS (Continued)

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police were \$35,845, \$34,877 and \$41,107 for the years ended December 31, 2011, 2010 and 2009, respectively. The full amount has been contributed for 2010 and 2009. For 2011 72.3 percent has been contributed for police.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by a State Retirement System have an option to choose social security or the appropriate state system. As of December 31, 2011, 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.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

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, 2011, the liability for unpaid long-term compensated absences was \$158,420.

NOTE 15: LONG-TERM OBLIGATIONS

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

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
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 - 2011	3.00	55,000	May 6, 2012
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
Water Meters OWDA Loan - 2011	2.00	1,299,083	January 1, 2042

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City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 15: LONG-TERM OBLIGATIONS (Continued)

A schedule of changes in long-term obligations of the City during 2011 follows:

	Outstanding 12/31/2010	Additions	Deletions	Outstanding 12/31/2011	Due in One Year
Governmental Activities:					
OPWC Loan:					
State Route 647	\$ 6,268	\$ 0	\$ (251)	\$ 6,017	\$ 502
Roberts Building Note	125,744	0	(12,622)	113,122	13,006
Long-Term Bond Anticipation Notes:					
Aerial Fire Truck	138,000	55,000	(138,000)	55,000	55,000
Police and Fire Pension	177,413	0	(4,241)	173,172	4,423
Compensated Absences	79,523	1,313	(26,209)	54,627	0
<i>Total Governmental Activities</i>	<u>\$ 526,948</u>	<u>\$ 56,313</u>	<u>\$ (181,323)</u>	<u>\$ 401,938</u>	<u>\$ 72,931</u>
Business-Type Activities:					
OWDA Loans:					
Ferryview/Sharon Road Waterlines	2,496,355	0	(156,173)	2,340,182	159,311
Water Treatment Plant	5,198,019	0	(427,150)	4,770,869	435,694
Water Meters	0	1,091,301	(541,822)	549,479	5,806
<i>Total OWDA Loans</i>	<u>7,694,374</u>	<u>1,091,301</u>	<u>(1,125,145)</u>	<u>7,660,530</u>	<u>600,811</u>
OPWC Loans:					
Woodmont Street Pump Project	202,586	0	(5,788)	196,798	11,576
Woodmont Pump Station	12,500	0	(500)	12,000	1,000
Water Tank	217,374	0	(5,592)	211,782	11,353
Water Treatment Plant and Well Field	369,550	10,050	0	379,600	18,980
<i>Total OPWC Loans</i>	<u>802,010</u>	<u>10,050</u>	<u>(11,880)</u>	<u>800,180</u>	<u>42,909</u>
Capital Leases	0	65,866	(10,941)	54,925	12,488
Compensated Absences	89,749	21,673	(7,629)	103,793	0
<i>Total Business-Type Activities</i>	<u>\$ 8,586,133</u>	<u>\$ 1,188,890</u>	<u>\$ (1,155,595)</u>	<u>\$ 8,619,428</u>	<u>\$ 656,208</u>

The long-term bond anticipation note issued on May 6, 2011 for \$55,000 was used to partially retire the balance of bond anticipation notes which were issued for the purpose of purchasing fire equipment. The note is set to mature May 3, 2012, 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 maturity date of the note is November 1, 2019. The balance remaining on this loan at December 31, 2011 is \$113,122.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 15: LONG-TERM OBLIGATIONS (Continued)

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, 2011, 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, 2011 is \$4,770,869.

The City has pledged future water revenue and sewer revenue, net of specified operating expenses to repay \$8,460,710 of Ohio Public Works Commission (OPWC) loans and the Ohio Water Development Authority (OWDA) loans. Annual principal and interest payments, as a percentage of net customer revenues, on the loans are expected to be similar over the term of the loans as in the current year, which were 33.6 percent. The total principal and interest remaining to be paid on the loans is \$9,551,834. Principal and interest paid for the current year and total net revenues were \$1,305,893 and \$1,540,862, 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, 2011. The loan repayment period is twenty years with a maturity date of January 1, 2025. The interest rate is 2 percent. As of December 31, 2011, the balance remaining on this loan is \$2,340,182.

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, 2011, the balance on the loan was \$12,000. 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, 2011, the balance on the loan was \$196,798. 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, 2011, the balance remaining on the loan was \$211,782. 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 were used for improvements to the water treatment plant and well field. As of December 31, 2011, the City had drawn down \$379,600. The loan was closed at that amount by OPWC.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 15: LONG-TERM OBLIGATIONS (Continued)

During 2011, the City entered into a contractual agreement with the Ohio Water Development Authority (OWDA) for a loan to begin a water meter installation project. The total award as of December 31, 2011 was \$1,299,083. As of December 31, 2011 \$549,479 had been disbursed, including capitalized interest of \$2,681. Within this loan, the City was awarded proceeds and principal forgiveness in the amount of \$541,822 as part of the American Recovery and Reinvestment Act (ARRA). This loan has an interest rate of 2 percent and the first payment is due in July of 2012. Because the loan is not fully disbursed, there is no amortization schedule available.

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.

Principal and interest requirements to retire governmental activities debt at December 31, 2011 are as follows:

Year	Police and Fire Pension		OPWC Loan	Roberts Building Note		Total	
	Principal	Interest	Principal	Principal	Interest	Principal	Interest
2012	4,423	7,314	502	13,006	3,216	17,931	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	5,233	6,503	502	14,230	1,992	19,965	8,495
2017-2021	29,241	28,944	2,510	44,444	1,520	76,195	30,464
2022-2026	36,701	21,981	1,000	0	0	37,701	21,981
2027-2031	45,287	13,394	0	0	0	45,287	13,394
2032-2035	37,845	3,218	0	0	0	37,845	3,218
Totals	\$ 173,172	\$ 102,120	\$ 6,017	\$ 113,122	\$ 13,953	\$ 292,311	\$ 116,073

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 15: LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire business-type activities debt at December 31, 2011 are as follows:

Year	OWDA Loans		OPWC Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	600,811	147,865	42,909	4,179	643,720	152,044
2013	620,603	140,317	43,138	3,951	663,741	144,268
2014	633,033	127,888	43,371	3,718	676,404	131,606
2015	645,711	115,209	43,608	3,480	689,319	118,689
2016	658,644	102,277	43,850	3,239	702,494	105,516
2017-2021	3,496,603	308,002	223,057	12,385	3,719,660	320,387
2022-2026	680,154	58,249	226,891	5,555	907,045	63,804
2027-2031	94,096	28,341	133,356	230	227,452	28,571
2032-2036	103,942	18,496	0	0	103,942	18,496
2037-2041	114,814	7,622	0	0	114,814	7,622
2042	12,119	121	0	0	12,119	121
Totals	<u>\$ 7,660,530</u>	<u>\$ 1,054,387</u>	<u>\$ 800,180</u>	<u>\$ 36,737</u>	<u>\$ 8,460,710</u>	<u>\$ 1,091,124</u>

NOTE 16: CAPITALIZED LEASES - LESSEE DISCLOSURE

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

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

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2011:

	Business-Type Activities
2012	\$ 14,818
2013	14,818
2014	14,819
2015	14,818
2016	1,235
	<u>60,508</u>
Less amount representing interest	<u>5,583</u>
Present value of minimum lease payments	<u>\$ 54,925</u>

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 17: JOINTLY GOVERNED ORGANIZATIONS

A. Belmont Metropolitan Housing Authority

Belmont Metropolitan Housing Authority is a non-profit organization established to provide adequate public housing for low income individuals and is statutorily created as a separate and distinct political subdivision of the State. The Authority is operated by a five member board of commissioners. Two members are appointed by the Mayor of Martins Ferry, one member is appointed by the Belmont County Commissioners, one member is appointed by the judge of the probate court, and one member is appointed by the judge of the court of common pleas. The City did not contribute any amounts to the Authority during 2011. 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 2011. 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 2011, OMEGA received \$1,037 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, 2011

NOTE 17: 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 2011, Bel-O-Mar Regional Council received \$2,385 from the City of Martins Ferry for annual fees and grant administration services.

NOTE 18: CONTRACTUAL COMMITMENTS

As of December 31, 2011, the City had contractual commitments related to the OWDA Water Meter project:

	Contractual Commitment	Expended	Balance Remaining 12/31/2011
Newman Plumbing, Inc.	\$ 318,806	\$ 170,962	\$ 147,844
ISCO Industries, LLC	188,114	158,747	29,367
Utility Service and Supply Inc.	677,834	649,781	28,053
	<u>\$ 1,184,754</u>	<u>\$ 979,490</u>	<u>\$ 205,264</u>

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 19: FUND BALANCE

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

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

	General	Fire and Ambulance	Permanent Improvement	Other Governmental Funds	Total
Nonspendable for:					
Long Term Receivable	\$ 26,924	\$ 0	\$ 0	\$ 0	\$ 26,924
Advances	0		62,189		62,189
Inventory	914		0	21,445	22,359
Unclaimed Monies	10,789	0	0	0	10,789
Endowment	0	0	0	165,802	165,802
Total Nonspendable	<u>38,627</u>	<u>0</u>	<u>62,189</u>	<u>187,247</u>	<u>288,063</u>
Restricted for:					
Capital Outlay	0	0	0	35,000	35,000
Street, Highway, City Improvement	0	0	0	159,446	159,446
Public Safety/Law Enforcement	0	137,984	0	164,516	302,500
General Government	0	0	0	4,662	4,662
CHIP and CDBG	0	0	0	72,488	72,488
Recreation	0	0	0	4,203	4,203
Other Purposes	0	0	0	43,524	43,524
Total Restricted	<u>0</u>	<u>137,984</u>	<u>0</u>	<u>483,839</u>	<u>621,823</u>
Committed for:					
Permanent Improvement	0	0	1,074,333	0	1,074,333
Assigned for:					
Encumbrances	13,558	0	0	0	13,558
Unassigned	309,708	0	0	0	309,708
Total Fund Balance	<u>\$ 361,893</u>	<u>\$ 137,984</u>	<u>\$ 1,136,522</u>	<u>\$ 671,086</u>	<u>\$ 2,307,485</u>

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 20: CONTINGENCIES

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2011.

B. Litigation

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

June 27, 2012

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Martins Ferry, Ohio (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 27, 2012. 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

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

A *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 entity'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 to be 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 reported to management of the City in a separate letter dated June 27, 2012.

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

Rea & Associates, Inc.

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

SCHEDULE OF FINDINGS
DECEMBER 31, 2011

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.

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Dave Yost • Auditor of State

CITY OF MARTINS FERRY

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 14, 2012**