



Rea & associates *a brighter way*

# City of Martins Ferry Belmont County, Ohio

## *Audited Financial Statements*

For the Year Ended  
December 31, 2012





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Martins Ferry, Belmont County, prepared by Rea & Associates, Inc., for the audit period January 1, 2012 through December 31, 2012. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

## **Finding for Recovery**

During testing of the City utility billing and collection function, it was noted that Holly Dalton, former Utility Clerk, was compiling a daily report of collections using an Excel spreadsheet and turning that into the City Auditor's office along with the pay-in, instead of using the daily report directly out of the computerized billing system. A Daily Fee Collections Report was printed; however, this report was only used to input information on the Excel spreadsheet. Testing further revealed that the utility collection amounts reported on the Excel spreadsheet did agree to the amounts deposited in the bank, however, there were various days these amounts were considerably less than collections posted into the utility billing system and the related payment stubs. Our examination was expanded back to review collection activity in 2010 and 2011, as well as, forward into 2013 and we found the same situation occurring in those three years.

For the period from January 1, 2010 through July 31, 2013, \$32,414 in collections per the utility billing system did not get deposited or paid into the City. The shortage in deposits totaled \$2,377 in 2010, \$13,823 in 2011, \$14,321 in 2012 and \$1,893 in 2013.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public property that has been converted or misappropriated may be issued against Holly Dalton, former Utility Clerk, in the amount of \$32,414, and in favor of the City of Martins Ferry Water Fund, in the amount of \$32,414.

As of September 4, 2014, Holly Dalton has been charged with one count of theft in office, a felony of the third degree, by the Belmont County Court of Common Pleas. A trial date of December 9, 2014 has been set.

Honorable Mayor and City Council  
City of Martins Ferry  
Page 2

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D" and a long, sweeping tail on the "y".

Dave Yost  
Auditor of State

September 8, 2014

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Table of Contents*  
*December 31, 2012*

	<i>Page</i>
Independent Auditor’s Report .....	1
Management’s Discussion and Analysis .....	4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	12
Statement of Activities .....	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	14
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund.....	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Fire and Ambulance Fund.....	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Fire Apparatus Levy Fund .....	20
Statement of Fund Net Position – Proprietary Funds.....	21
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds .....	22
Statement of Cash Flows – Proprietary Funds .....	23
Statement of Assets and Liabilities – Fiduciary Funds .....	25
Notes to the Basic Financial Statements .....	26
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 .....	60
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133 .....	62

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Table of Contents*  
*December 31, 2012*  
*(Continued)*

Schedule of Expenditures of Federal Awards .....	64
Notes to Schedule of Expenditures of Federal Awards .....	65
Schedule of Findings and Questioned Costs .....	66

July 16, 2014

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

## **Independent Auditor's Report**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Martins Ferry, Belmont County, Ohio, (the City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund, the fire apparatus levy fund and the fire and ambulance fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of a Matter***

As described in Note 3, the City restated the fund balances and net position balances to account for a long-term advance made in 2011.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the accompanying *Management's Discussion and Analysis* on pages 4-11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

*Hea & Associates, Inc.*

New Philadelphia, Ohio

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*(Unaudited)*

---

The discussion and analysis of the City of Martins Ferry's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2012. 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 2012 are as follows:

- In total, net position increased \$326,444, which represents a 2.6 percent increase from 2011. Net position of governmental activities increased \$22,418. Net position of business-type activities increased \$304,026.
- Total capital assets decreased \$290,679 in 2012. Capital assets of governmental activities decreased \$185,412 and capital assets of business-type activities decreased \$105,267.
- Outstanding debt increased from \$8,808,021 to \$8,924,288 due to issuance of general obligation bond for a new fire truck in the governmental funds. Business-type debt increased due to the final draw down for the water meter project which was placed in service at the end of 2012.

***Using this Annual Financial Report***

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

The Statement of Net Position and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2012 and how they affected the operations of the City as a whole.

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

***Statement of Net Position and the Statement of Activities***

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

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*(Unaudited)*

---

A question typically asked about the City's finances is "How did we do financially during 2012?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- **Governmental Activities** - Most of the City's programs and services are reported here, including general government, security of persons and property, public health, community and economic development, leisure time activities and transportation.
- **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water and sanitation funds are reported as business activities.

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

***Fund Financial Statements***

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

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

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

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*(Unaudited)*

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

**The City as a Whole**

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2012 compared to 2011:

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

	Governmental Activities		Business-Type Activities		Total	
	2012	Restated 2011	2012	Restated 2011	2012	Restated 2011
<b>Assets</b>						
Current and Other Assets	\$ 4,858,407	\$ 4,265,265	\$ 1,013,658	\$ 954,520	\$ 5,872,065	\$ 5,219,785
Capital Assets	2,925,273	3,110,685	14,294,937	14,400,204	17,220,210	17,510,889
<i>Total Assets</i>	<u>7,783,680</u>	<u>7,375,950</u>	<u>15,308,595</u>	<u>15,354,724</u>	<u>23,092,275</u>	<u>22,730,674</u>
<b>Liabilities</b>						
Current and Other Liabilities	628,359	627,104	174,092	270,226	802,451	897,330
Long-Term Liabilities	785,995	401,938	8,365,407	8,619,428	9,151,402	9,021,366
<i>Total Liabilities</i>	<u>1,414,354</u>	<u>1,029,042</u>	<u>8,539,499</u>	<u>8,889,654</u>	<u>9,953,853</u>	<u>9,918,696</u>
<b>Net Position</b>						
Net Investment in						
Capital Assets	2,372,302	2,936,546	6,037,543	5,899,412	8,409,845	8,835,958
Restricted	2,954,629	1,891,094	0	0	2,954,629	1,891,094
Unrestricted	1,042,395	1,519,268	731,553	565,658	1,773,948	2,084,926
<i>Total Net Position</i>	<u>\$ 6,369,326</u>	<u>\$ 6,346,908</u>	<u>\$ 6,769,096</u>	<u>\$ 6,465,070</u>	<u>\$ 13,138,422</u>	<u>\$ 12,811,978</u>

At year end, capital assets represented 75 percent of total assets. Capital assets include, land, buildings and building improvements, machinery and equipment, vehicles and infrastructure. The net investment in capital assets was \$8,409,845 at December 31, 2012, with \$2,372,302 in governmental activities and \$6,037,543 in business-type activities. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$2,954,629 or 22.5 percent, represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position of \$1,773,948 may be used to meet the government's ongoing obligations to citizens and creditors.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*(Unaudited)*

Table 2 shows the changes in net position for fiscal year 2012 and 2011.

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for Services	\$ 1,472,831	\$ 1,131,884	\$ 4,053,145	\$ 3,886,121	\$ 5,525,976	\$ 5,018,005
Operating Grants	541,212	649,360	0	0	541,212	649,360
Capital Grants	504,308	59,090	2,348	819,487	506,656	878,577
<i>General Revenues:</i>						
Property Taxes	230,985	333,571	0	0	230,985	333,571
Income Taxes	1,235,438	1,036,862	0	0	1,235,438	1,036,862
Grants and Entitlements	196,508	514,012	0	0	196,508	514,012
Gain on Sale of Capital Assets	264,556	0	0	0	264,556	0
Sale of Mineral Rights	729,435	0	0	0	729,435	0
Investment Earnings	9,548	9,318	0	0	9,548	9,318
Miscellaneous	82,042	75,744	30,592	23,784	112,634	99,528
<i>Total Revenues</i>	<u>5,266,863</u>	<u>3,809,841</u>	<u>4,086,085</u>	<u>4,729,392</u>	<u>9,352,948</u>	<u>8,539,233</u>
<b>Program Expenses</b>						
General Government	706,220	775,158	0	0	706,220	775,158
Security of Persons and Property	3,396,313	2,545,983	0	0	3,396,313	2,545,983
Public Health	80,688	76,143	0	0	80,688	76,143
Leisure Time Services	110,195	79,152	0	0	110,195	79,152
Community Development	267,786	130,450	0	0	267,786	130,450
Transportation	653,284	482,747	0	0	653,284	482,747
Debt Issuance Costs	17,341	0	0	0	17,341	0
Interest and Fiscal Charges	12,618	13,210	0	0	12,618	13,210
<i>Enterprise Operations:</i>						
Water	0	0	2,741,509	3,070,807	2,741,509	3,070,807
Sewer	0	0	291,254	314,154	291,254	314,154
Sanitation	0	0	690,400	731,609	690,400	731,609
Off Street Parking	0	0	838	1,783	838	1,783
Parking Meter	0	0	58,058	30,027	58,058	30,027
<i>Total Program Expenses</i>	<u>5,244,445</u>	<u>4,102,843</u>	<u>3,782,059</u>	<u>4,148,380</u>	<u>9,026,504</u>	<u>8,251,223</u>
<i>Increase (Decrease) in Net Position</i>	22,418	(293,002)	304,026	581,012	326,444	288,010
Transfers	0	(54,950)	0	54,950	0	0
<i>Change in Net Position</i>	<u>\$ 22,418</u>	<u>\$ (347,952)</u>	<u>\$ 304,026</u>	<u>\$ 635,962</u>	<u>\$ 326,444</u>	<u>\$ 288,010</u>

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*(Unaudited)*

---

**Governmental Activities**

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

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

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

Capital grant revenue increased in the governmental funds because the City received a grant to purchase a new fire truck.

The City received \$729,435 for the sale of mineral rights in 2012 and also sold land and other assets for a gain of \$264,556.

Police and fire represent the largest expense of the Governmental Activities. This expense of \$3,396,313 represents 64.8 percent of the total governmental activities expenses. The police department operates out of the General fund. Security of persons and property expense increased over 2011 levels by \$850,330 of which included the purchase of mobile radios in the amount of \$497,808 funded by a federal grant.

The City's Street Maintenance and Repair Department provides the City and its citizens many services that include public road salting, leaf and debris pickup, paint striping and alley profiling. These expenses totaled \$653,284, or 12.5 percent of total governmental activities expenses, during 2012.

The City also maintains a cemetery (public health services) and a park (leisure time activities) within the City. These areas had expenses of \$190,883 in 2012 equaling 3.6 percent of the total governmental services expenses.

**Business-Type Activities**

Business-type activities include water and sanitation and other business-type operations. The revenues are generated primarily from charges for services. In 2012, charges for services of \$4,053,145 accounted for 99.2 percent of the business type revenues. The total expenses for the utilities were \$3,782,059. The increase in net position was \$304,026 for the business-type activities.

Capital grants in the business-type activities decreased due to the completion of the water meter project in the water fund.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*(Unaudited)*

---

***The City's Funds***

***Governmental Funds***

Information about the City's governmental funds begins on page 14. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues (and other financing sources) of \$6,362,367 and expenditures (and other financing uses) of \$5,490,748, resulting in an increase in fund balance of \$871,619. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

The general fund's net change in fund balance for fiscal year 2012 was an increase of \$322,142. The City sold mineral rights in 2012 which resulted in revenue of \$729,435.

The fund balance of the fire apparatus levy fund decreased by \$9,648. This fund was not a major fund in 2011.

The fire and ambulance fund's net change in fund balance for fiscal year 2012 was an increase of \$15,232. Charges for services revenue was up over 2011 levels by 21.7 percent.

The City's permanent improvement fund saw an increase in fund balance of \$122,223 over 2011. The sale of capital assets provided \$456,405 of revenue.

***Proprietary Funds***

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

Unrestricted net assets of the water fund at the end of the year amounted to \$458,924 and the unrestricted net assets of the sanitation fund were \$129,276. All other enterprise funds had unrestricted net assets totaling \$143,353. The total growth in net assets for all funds was \$304,026, with the majority of this amount attributed to the water fund, which had an increase in net position of \$258,337.

***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 2012, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the general fund, the actual budget basis revenue was \$1,904,469, representing an increase of \$35,782 over the final budget estimate of \$1,868,687. Most of this difference was attributable to an increase in actual amount of income tax revenue over the amount in the final budget.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*(Unaudited)*

Final expenditure appropriations of \$2,370,391 were \$236,513 higher than the actual expenditures of \$2,133,878, as cost savings were recognized for general government, security of persons and property and public health throughout the year.

***Capital Assets and Debt Administration***

**Capital Assets**

At the end of year 2012, the City had \$17,220,210 invested in capital assets. A total of \$2,925,273 of this was for governmental activities and \$14,294,937 was attributable to business-type activities. Table 3 shows fiscal year 2012 balances compared with 2011.

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 760,330	\$ 890,342	\$ 194,141	\$ 194,141	\$ 954,471	\$ 1,084,483
Infrastructure	567,202	603,792	5,443,424	5,615,633	6,010,626	6,219,425
Buildings	693,734	730,589	3,433,565	3,580,308	4,127,299	4,310,897
Building Improvements	163,153	154,482	1,233,999	1,214,227	1,397,152	1,368,709
Machinery and Equipment	415,056	415,363	3,568,007	2,252,063	3,983,063	2,667,426
Vehicles	325,798	316,117	421,801	444,270	747,599	760,387
Construction in Progress	0	0	0	1,099,562	0	1,099,562
<i>Total</i>	<u>\$ 2,925,273</u>	<u>\$ 3,110,685</u>	<u>\$ 14,294,937</u>	<u>\$ 14,400,204</u>	<u>\$ 17,220,210</u>	<u>\$ 17,510,889</u>

The \$290,679 decrease in capital assets was attributable to current year depreciation exceeding additional purchases and disposals. Capital assets of business-type activities decreased by \$105,267 while capital assets of governmental activities decreased by \$185,412. See Note 10 for additional information about the capital assets of the City.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*(Unaudited)*

**Debt**

The outstanding debt for the City as of December 31, 2012 was \$8,924,288. See Note 16 for additional details. Table 4 summarizes outstanding debt.

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
OPWC Loan:						
State Route 647	\$ 5,515	\$ 6,017	\$ 0	\$ 0	\$ 5,515	\$ 6,017
Woodmont Street Pump Project	0	0	185,222	196,798	185,222	196,798
Woodmont Pump Station	0	0	11,000	12,000	11,000	12,000
Water Tank	0	0	200,429	211,782	200,429	211,782
Water Treatment Plant and Well Field	0	0	370,110	379,600	370,110	379,600
OWDA Loans:						
Ferryview/Sharon Road Waterlines	0	0	2,180,871	2,340,182	2,180,871	2,340,182
Water Treatment Plant	0	0	4,335,175	4,770,869	4,335,175	4,770,869
Water Meters	0	0	932,102	549,479	932,102	549,479
Robert Building Note	100,115	113,122	0	0	100,115	113,122
Long-Term Bond Anticipation						
Notes - Aerial Fire Truck	0	55,000	0	0	0	55,000
General Obligation Bonds						
Fire Truck Acquisition	435,000	0	0	0	435,000	0
Police and Fire Pension	168,749	173,172	0	0	168,749	173,172
<i>Total</i>	<u>\$ 709,379</u>	<u>\$ 347,311</u>	<u>\$ 8,214,909</u>	<u>\$ 8,460,710</u>	<u>\$ 8,924,288</u>	<u>\$ 8,808,021</u>

***Economic Factors***

The steel plant in town that was bought in 2011 ended up in bankruptcy, and then was sold at auction. It is unsure of how it will be used in the future. This will affect the City's income tax collection.

The City also sold mineral rights in 2012 which significantly helped fund operations. Future royalties are expected but cannot be estimated at this time.

A joint effort between the City and the Martins Ferry Lions Club brought about some major renovations to the City Park. There is now some new equipment for children to play on, as well as a new fence around the ball field along with a new set of bleachers. The City also installed new cameras to monitor the park as well as a number of other buildings within the City.

In 2012, the City began the process of planning to install new filter beds in the water plant. This project will begin in 2013. The water meter project was completed in 2012. The closing of the steel mill in Martins Ferry contributed to the revenue loss for the City Water Department.

A web site was created for the City showing all offices and information pertinent to the City. GIS mapping began for the City with the help of an ARC grant and will continue through 2013.

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

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

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Statement of Net Position*  
*December 31, 2012*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 1,774,048	\$ 655,143	\$ 2,429,191
Cash and Cash Equivalents in Segregated Accounts	500,406	0	500,406
Investments	697,552	0	697,552
Accounts Receivable	370,007	328,858	698,865
Intergovernmental Receivable	498,468	0	498,468
Taxes Receivable	937,847	0	937,847
Loans Receivable	22,632	0	22,632
Internal Balances	39,131	(39,131)	0
Materials and Supplies Inventory	18,316	60,488	78,804
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	0	8,300	8,300
Non-Depreciable Capital Assets	760,330	194,141	954,471
Depreciable Capital Assets, Net	2,164,943	14,100,796	16,265,739
<i>Total Assets</i>	<u>7,783,680</u>	<u>15,308,595</u>	<u>23,092,275</u>
<b>Liabilities</b>			
Accounts Payable	25,306	30,503	55,809
Accrued Wages	88,635	51,347	139,982
Intergovernmental Payable	168,923	81,938	250,861
Accrued Interest Payable	2,992	2,004	4,996
Deferred Revenue	342,503	0	342,503
Customer Deposits Payable	0	8,300	8,300
Long-Term Liabilities:			
Due Within One Year	153,296	696,925	850,221
Due in More Than One Year	632,699	7,668,482	8,301,181
<i>Total Liabilities</i>	<u>1,414,354</u>	<u>8,539,499</u>	<u>9,953,853</u>
<b>Net Position</b>			
Net Investment in Capital Assets	2,372,302	6,037,543	8,409,845
Restricted for Capital Outlay	1,343,745	0	1,343,745
Restricted for Other Purposes	1,610,884	0	1,610,884
Unrestricted	1,042,395	731,553	1,773,948
<i>Total Net Position</i>	<u>\$ 6,369,326</u>	<u>\$ 6,769,096</u>	<u>\$ 13,138,422</u>

See accompanying notes to the basic financial statements.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2012

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General Government	\$ 706,220	\$ 282,591	\$ 0	\$ 0	\$ (423,629)	\$ 0	\$ (423,629)
Security of Persons and Property	3,396,313	1,133,345	64,119	504,308	(1,694,541)	0	(1,694,541)
Public Health	80,688	56,895	1,648	0	(22,145)	0	(22,145)
Leisure Time Services	110,195	0	0	0	(110,195)	0	(110,195)
Community Development	267,786	0	256	0	(267,530)	0	(267,530)
Transportation	653,284	0	475,189	0	(178,095)	0	(178,095)
Debt Issuance Costs	17,341	0	0	0	(17,341)	0	(17,341)
Interest and Fiscal Charges	12,618	0	0	0	(12,618)	0	(12,618)
<i>Total Governmental Activities</i>	<u>5,244,445</u>	<u>1,472,831</u>	<u>541,212</u>	<u>504,308</u>	<u>(2,726,094)</u>	<u>0</u>	<u>(2,726,094)</u>
<b>Business-Type Activities</b>							
Water	2,741,509	2,983,596	0	0	0	242,087	242,087
Sewer	291,254	276,501	0	0	0	(14,753)	(14,753)
Sanitation	690,400	720,653	0	2,348	0	32,601	32,601
Off Street Parking	838	14,251	0	0	0	13,413	13,413
Parking Meter	58,058	58,144	0	0	0	86	86
<i>Total Business-Type Activities</i>	<u>3,782,059</u>	<u>4,053,145</u>	<u>0</u>	<u>2,348</u>	<u>0</u>	<u>273,434</u>	<u>273,434</u>
<i>Total Primary Government</i>	<u>\$ 9,026,504</u>	<u>\$ 5,525,976</u>	<u>\$ 541,212</u>	<u>\$ 506,656</u>	<u>(2,726,094)</u>	<u>273,434</u>	<u>(2,452,660)</u>
<b>General Revenues:</b>							
Property Taxes Levied for:							
General Purposes					95,593	0	95,593
Police and Fire					135,392	0	135,392
Income Taxes Levied for General Purposes					1,235,438	0	1,235,438
Grants and Entitlements not Restricted to							
Specific Programs					196,508	0	196,508
Gain on Sale of Capital Assets					264,556	0	264,556
Sale of Mineral Rights					729,435	0	729,435
Investment Earnings					9,548	0	9,548
Miscellaneous					82,042	30,592	112,634
<i>Total General Revenues</i>					<u>2,748,512</u>	<u>30,592</u>	<u>2,779,104</u>
<i>Change in Net Position</i>					22,418	304,026	326,444
<i>Net Position Beginning of Year</i> <i>(Restated, See Note 3)</i>					<u>6,346,908</u>	<u>6,465,070</u>	<u>12,811,978</u>
<i>Net Position End of Year</i>					<u>\$ 6,369,326</u>	<u>\$ 6,769,096</u>	<u>\$ 13,138,422</u>

See accompanying notes to the basic financial statements.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2012*

	General	Fire Apparatus Levy	Fire and Ambulance	Permanent Improvement	All Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$ 540,468	\$ 14,087	\$ 223,154	\$ 157,841	\$ 838,498	\$ 1,774,048
Cash and Cash Equivalents in Segregated Accounts	0	0	0	500,406	0	500,406
Investments	0	0	0	530,000	167,552	697,552
Accounts Receivable	69,203	0	300,804	0	0	370,007
Intergovernmental Receivable	144,511	3,642	0	0	350,315	498,468
Taxes Receivable	680,893	48,566	0	0	208,388	937,847
Loans Receivable	22,632	0	0	0	0	22,632
Materials and Supplies Inventory	326	0	0	0	17,990	18,316
Advances to Other Funds	0	0	0	121,240	0	121,240
<i>Total Assets</i>	<u>\$ 1,458,033</u>	<u>\$ 66,295</u>	<u>\$ 523,958</u>	<u>\$ 1,309,487</u>	<u>\$ 1,582,743</u>	<u>\$ 4,940,516</u>
<b>Liabilities</b>						
Accounts Payable	\$ 3,527	\$ 1,992	\$ 2,016	\$ 742	\$ 17,029	\$ 25,306
Accrued Wages	47,369	451	25,833	0	14,982	88,635
Intergovernmental Payable	111,934	223	36,097	0	20,669	168,923
Advances from Other Funds	0	0	70,853	0	11,256	82,109
Deferred Revenue	611,168	52,208	235,943	0	447,120	1,346,439
<i>Total Liabilities</i>	<u>773,998</u>	<u>54,874</u>	<u>370,742</u>	<u>742</u>	<u>511,056</u>	<u>1,711,412</u>
<b>Fund Balances</b>						
Nonspendable	22,958	0	0	0	189,817	212,775
Restricted	0	11,421	153,216	0	881,870	1,046,507
Committed	0	0	0	1,308,745	0	1,308,745
Assigned	657,192	0	0	0	0	657,192
Unassigned	3,885	0	0	0	0	3,885
<i>Total Fund Balances</i>	<u>684,035</u>	<u>11,421</u>	<u>153,216</u>	<u>1,308,745</u>	<u>1,071,687</u>	<u>3,229,104</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,458,033</u>	<u>\$ 66,295</u>	<u>\$ 523,958</u>	<u>\$ 1,309,487</u>	<u>\$ 1,582,743</u>	<u>\$ 4,940,516</u>

See accompanying notes to the basic financial statements.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Position of Governmental Activities*  
*December 31, 2012*

<b>Total Governmental Fund Balances</b>	\$	3,229,104
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		2,925,273
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	\$	107,849
Income Tax		300,383
Intergovernmental		359,761
Charges for Services		235,943
		1,003,936
Accrued interest payable is not due and payable in the current period and therefore not reported in the funds.		(2,992)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds		(435,000)
OPWC Loan		(5,515)
Roberts Building Note		(100,115)
Bond Premium		(12,341)
Police and Fire Pension		(168,749)
Compensated Absences		(64,275)
		(785,995)
 <i>Net Position of Governmental Activities</i>	 \$	 6,369,326

See accompanying notes to the basic financial statements.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2012*

	General	Fire Apparatus Levy	Fire and Ambulance	Permanent Improvement	All Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property Taxes	\$ 153,230	\$ 49,129	\$ 0	\$ 0	\$ 163,064	\$ 365,423
Income Taxes	1,123,940	0	0	0	0	1,123,940
Charges for Services	134,325	500	1,055,566	0	65,582	1,255,973
Licenses and Permits	69,898	0	0	0	7,870	77,768
Fines and Forfeitures	78,369	0	0	0	14,614	92,983
Intergovernmental	289,201	512,905	0	0	704,776	1,506,882
Interest	9,548	0	0	664	2,524	12,736
Rent	0	0	13,200	2,500	0	15,700
Contributions and Donations	6,000	0	6,500	5,022	1,842	19,364
Other	19,603	1,473	2,959	109	26,542	50,686
<i>Total Revenues</i>	<u>1,884,114</u>	<u>564,007</u>	<u>1,078,225</u>	<u>8,295</u>	<u>986,814</u>	<u>4,521,455</u>
<b>Expenditures</b>						
Current:						
General Government	640,055	0	0	0	0	640,055
Security of Persons and Property	1,471,051	567,293	964,738	0	179,670	3,182,752
Public Health	18,301	0	0	0	49,998	68,299
Leisure Time Services	0	0	0	0	47,209	47,209
Community Development	0	0	0	0	266,158	266,158
Transportation	0	0	0	0	574,283	574,283
Capital Outlay	0	6,362	81,369	342,313	11,218	441,262
Debt Service:						
Principal Retirement	0	0	13,007	0	59,925	72,932
Interest and Fiscal Charges	0	0	3,879	0	8,950	12,829
Bond Issuance Costs	0	0	0	0	17,341	17,341
<i>Total Expenditures</i>	<u>2,129,407</u>	<u>573,655</u>	<u>1,062,993</u>	<u>342,313</u>	<u>1,214,752</u>	<u>5,323,120</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(245,293)</u>	<u>(9,648)</u>	<u>15,232</u>	<u>(334,018)</u>	<u>(227,938)</u>	<u>(801,665)</u>
<b>Other Financing Sources (Uses)</b>						
Proceeds from Sale of Capital Assets	0	0	0	456,405	8,743	465,148
General Obligation Bonds Issued	0	0	0	0	435,000	435,000
Sale of Mineral Rights	729,435	0	0	0	0	729,435
Premium on Debt Issuance	0	0	0	0	12,341	12,341
Insurance Recoveries	0	0	0	5,464	25,896	31,360
Transfers In	0	0	0	0	167,628	167,628
Transfers Out	(162,000)	0	0	(5,628)	0	(167,628)
<i>Total Other Financing Sources (Uses)</i>	<u>567,435</u>	<u>0</u>	<u>0</u>	<u>456,241</u>	<u>649,608</u>	<u>1,673,284</u>
<i>Net Change in Fund Balance</i>	322,142	(9,648)	15,232	122,223	421,670	871,619
<i>Fund Balance Beginning of Year (Restated, See Note 3)</i>	<u>361,893</u>	<u>21,069</u>	<u>137,984</u>	<u>1,186,522</u>	<u>650,017</u>	<u>2,357,485</u>
<i>Fund Balance End of Year</i>	<u>\$ 684,035</u>	<u>\$ 11,421</u>	<u>\$ 153,216</u>	<u>\$ 1,308,745</u>	<u>\$ 1,071,687</u>	<u>\$ 3,229,104</u>

See accompanying notes to the basic financial statements.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2012*

---



---

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	871,619
---	----	---------

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

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

Capital Asset Additions	\$ 277,991	
Current Year Depreciation	<u>(262,811)</u>	15,180

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. (200,592)

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

Property Taxes	(134,440)	
Income Tax	111,498	
Intergovernmental	(287,409)	
Charges for Services	<u>30,408</u>	(279,943)

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

General Obligation Bonds	55,000	
Roberts Building	13,007	
OPWC Loans	502	
Police and Fire Pension	<u>4,423</u>	72,932

General obligation bond proceeds issued in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues. (435,000)

Premiums related to the issuance of bonds are amortized over the life of the issuance in the statement of activities. (12,341)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued. 211

Compensated absences, which are reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (9,648)

<i>Change in Net Position of Governmental Activities</i>	\$	<u><u>22,418</u></u>
--	----	----------------------

See accompanying notes to the basic financial statements.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 108,716	\$ 150,351	\$ 153,230	\$ 2,879
Income Taxes	794,516	1,098,787	1,119,827	21,040
Charges for Services	95,303	131,801	134,325	2,524
Licenses and Permits	49,478	68,426	69,736	1,310
Fines and Forfeitures	55,603	76,897	78,369	1,472
Intergovernmental	219,169	303,103	308,907	5,804
Interest	7,223	9,989	10,180	191
Contributions and Donations	4,257	5,887	6,000	113
Other	16,953	23,446	23,895	449
<i>Total Revenues</i>	<u>1,351,218</u>	<u>1,868,687</u>	<u>1,904,469</u>	<u>35,782</u>
<b>Expenditures</b>				
Current:				
General Government	578,955	718,856	647,130	71,726
Security of Persons and Property	1,313,745	1,631,206	1,468,447	162,759
Public Health	16,373	20,329	18,301	2,028
<i>Total Expenditures</i>	<u>1,909,073</u>	<u>2,370,391</u>	<u>2,133,878</u>	<u>236,513</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(557,855)</u>	<u>(501,704)</u>	<u>(229,409)</u>	<u>272,295</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Mineral Rights	517,533	715,730	729,435	13,705
Transfers Out	(144,933)	(179,956)	(162,000)	17,956
<i>Total Other Financing Sources (Uses)</i>	<u>372,600</u>	<u>535,774</u>	<u>567,435</u>	<u>31,661</u>
<i>Net Change in Fund Balance</i>	(185,255)	34,070	338,026	303,956
<i>Fund Balance Beginning of Year</i>	176,175	176,175	176,175	0
Prior Year Encumbrances Appropriated	17,767	17,767	17,767	0
<i>Fund Balance End of Year</i>	<u>\$ 8,687</u>	<u>\$ 228,012</u>	<u>\$ 531,968</u>	<u>\$ 303,956</u>

See accompanying notes to the basic financial statements.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Fire and Ambulance Fund*  
*For the Year Ended December 31, 2012*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Charges for Services	\$ 813,420	\$ 956,503	\$ 1,111,605	\$ 155,102
Rent	9,659	11,358	13,200	1,842
Contributions and Donations	4,756	5,593	6,500	907
Other	2,165	2,546	2,959	413
<i>Total Revenues</i>	<u>830,000</u>	<u>976,000</u>	<u>1,134,264</u>	<u>158,264</u>
<b>Expenditures</b>				
Current:				
Security of Persons and Property	873,180	1,014,636	965,900	48,736
Capital Outlay	28,630	33,267	31,669	1,598
Debt Service:				
Principal Retirement	20,667	24,016	13,007	11,009
Interest and Fiscal Charges	3,537	4,110	3,879	231
<i>Total Expenditures</i>	<u>926,014</u>	<u>1,076,029</u>	<u>1,014,455</u>	<u>61,574</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(96,014)</u>	<u>(100,029)</u>	<u>119,809</u>	<u>219,838</u>
<b>Other Financing Sources (Uses)</b>				
Advances Out	0	0	(9,889)	(9,889)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>(9,889)</u>	<u>(9,889)</u>
<i>Net Change in Fund Balance</i>	(96,014)	(100,029)	109,920	209,949
<i>Fund Balance Beginning of Year</i>	99,281	99,281	99,281	0
Prior Year Encumbrances Appropriated	1,102	1,102	1,102	0
<i>Fund Balance End of Year</i>	<u>\$ 4,369</u>	<u>\$ 354</u>	<u>\$ 210,303</u>	<u>\$ 209,949</u>

See accompanying notes to the basic financial statements.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Fire Apparatus Levy Fund*  
*For the Year Ended December 31, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 4,225	\$ 49,520	\$ 49,129	\$ (391)
Charges for Services	43	504	500	(4)
Intergovernmental	44,106	516,991	512,905	(4,086)
Other	127	1,485	1,473	(12)
<i>Total Revenues</i>	<u>48,501</u>	<u>568,500</u>	<u>564,007</u>	<u>(4,493)</u>
<b>Expenditures</b>				
Current:				
Security of Persons and Property	8,997	582,778	569,798	12,980
Capital Outlay	63,006	6,507	6,362	145
<i>Total Expenditures</i>	<u>72,003</u>	<u>589,285</u>	<u>576,160</u>	<u>13,125</u>
<i>Net Change in Fund Balance</i>	(23,502)	(20,785)	(12,153)	8,632
<i>Fund Balance Beginning of Year</i>	18,080	18,080	18,080	0
Prior Year Encumbrances Appropriated	5,653	5,653	5,653	0
<i>Fund Balance End of Year</i>	<u>\$ 231</u>	<u>\$ 2,948</u>	<u>\$ 11,580</u>	<u>\$ 8,632</u>

See accompanying notes to the basic financial statements.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Statement of Fund Net Position*  
*Proprietary Funds*  
*December 31, 2012*

	Enterprise Funds			Total
	Water	Sanitation	All Other Enterprise Funds	
<b>Assets</b>				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$ 348,202	\$ 144,434	\$ 162,507	\$ 655,143
Accounts Receivable	273,209	41,698	13,951	328,858
Materials and Supplies Inventory	58,292	1,098	1,098	60,488
<i>Total Current Assets</i>	<u>679,703</u>	<u>187,230</u>	<u>177,556</u>	<u>1,044,489</u>
<i>Non-Current Assets:</i>				
<i>Restricted Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	5,415	2,148	737	8,300
Non-Depreciable Capital Assets	166,440	5,000	22,701	194,141
Depreciable Capital Assets, Net	13,647,855	294,875	158,066	14,100,796
<i>Total Non-Current Assets</i>	<u>13,819,710</u>	<u>302,023</u>	<u>181,504</u>	<u>14,303,237</u>
<i>Total Assets</i>	<u>14,499,413</u>	<u>489,253</u>	<u>359,060</u>	<u>15,347,726</u>
<b>Liabilities</b>				
<i>Current Liabilities:</i>				
Accounts Payable	13,894	16,247	362	30,503
Accrued Wages	33,157	11,356	6,834	51,347
Intergovernmental Payable	53,765	17,605	10,568	81,938
Accrued Interest Payable	2,004	0	0	2,004
Compensated Absences Payable	6,121	1,919	646	8,686
Capital Leases Payable	6,520	0	6,520	13,040
OPWC Loans Payable	43,138	0	0	43,138
OWDA Loans Payable	632,061	0	0	632,061
<i>Total Current Liabilities</i>	<u>790,660</u>	<u>47,127</u>	<u>24,930</u>	<u>862,717</u>
<i>Long-Term Liabilities:</i>				
Compensated Absences Payable - Net of Current Portion	76,458	8,951	13,918	99,327
Capital Leases Payable - Net of Current Portion	14,722	0	14,723	29,445
OPWC Loans Payable - Net of Current Portion	723,623	0	0	723,623
OWDA Loans Payable - Net of Current Portion	6,816,087	0	0	6,816,087
Refundable Deposits	5,415	2,148	737	8,300
Advances from Other Funds	35,380	1,876	1,875	39,131
<i>Total Long-Term Liabilities</i>	<u>7,671,685</u>	<u>12,975</u>	<u>31,253</u>	<u>7,715,913</u>
<i>Total Liabilities</i>	<u>8,462,345</u>	<u>60,102</u>	<u>56,183</u>	<u>8,578,630</u>
<b>Net Position</b>				
Net Investment in Capital Assets	5,578,144	299,875	159,524	6,037,543
Unrestricted	458,924	129,276	143,353	731,553
<i>Total Net Position</i>	<u>\$ 6,037,068</u>	<u>\$ 429,151</u>	<u>\$ 302,877</u>	<u>6,769,096</u>

See accompanying notes to the basic financial statements.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Statement of Revenues, Expenses and Changes in Fund Net Position*  
*Proprietary Funds*  
*For the Year Ended December 31, 2012*

	Enterprise Funds			Totals
	Water	Sanitation	All Other Enterprise Funds	
<b>Operating Revenues</b>				
Charges for Services	\$ 2,983,596	\$ 720,653	\$ 348,896	\$ 4,053,145
Other	16,250	13,681	661	30,592
<i>Total Operating Revenues</i>	<u>2,999,846</u>	<u>734,334</u>	<u>349,557</u>	<u>4,083,737</u>
<b>Operating Expenses</b>				
Personal Services	1,280,348	368,015	238,553	1,886,916
Contractual Services	368,743	238,482	48,861	656,086
Materials and Supplies	310,632	54,459	37,553	402,644
Depreciation	618,296	29,444	23,993	671,733
<i>Total Operating Expenses</i>	<u>2,578,019</u>	<u>690,400</u>	<u>348,960</u>	<u>3,617,379</u>
<i>Operating Income</i>	<u>421,827</u>	<u>43,934</u>	<u>597</u>	<u>466,358</u>
<b>Non-Operating Revenues (Expense)</b>				
Capital Grants	0	2,348	0	2,348
Interest and Fiscal Charges	(163,490)	0	(1,190)	(164,680)
<i>Total Non-Operating Revenues (Expense)</i>	<u>(163,490)</u>	<u>2,348</u>	<u>(1,190)</u>	<u>(162,332)</u>
<i>Change in Net Position</i>	258,337	46,282	(593)	304,026
<i>Net Position Beginning of Year (Restated, See Note 3)</i>	<u>5,778,731</u>	<u>382,869</u>	<u>303,470</u>	<u>6,465,070</u>
<i>Net Position End of Year</i>	<u><u>\$ 6,037,068</u></u>	<u><u>\$ 429,151</u></u>	<u><u>\$ 302,877</u></u>	<u><u>\$ 6,769,096</u></u>

See accompanying notes to the basic financial statements.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2012

	Enterprise Funds			Totals
	Water	Sanitation	All Other Enterprise Funds	
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$ 2,856,752	\$ 717,278	\$ 347,513	\$ 3,921,543
Cash Received from Other Operating Receipts	16,250	13,681	661	30,592
Cash Payments to Suppliers for Goods and Services	(311,726)	(59,279)	(42,128)	(413,133)
Cash Payments to Employees for Services and Benefits	(1,274,594)	(384,533)	(236,755)	(1,895,882)
Cash Payments for Contractual Services	(368,743)	(238,481)	(48,861)	(656,085)
<i>Net Cash Provided by Operating Activities</i>	<u>917,939</u>	<u>48,666</u>	<u>20,430</u>	<u>987,035</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Advances Out	(21,380)	(1,876)	(1,877)	(25,133)
<i>Net Cash Used for Noncapital Financing Activities</i>	<u>(21,380)</u>	<u>(1,876)</u>	<u>(1,877)</u>	<u>(25,133)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Capital Grants	0	2,348	0	2,348
Proceeds of OWDA Loans	404,498	0	0	404,498
Acquisition of Capital Assets	(628,434)	0	0	(628,434)
Principal Payments on Debt	(656,519)	0	(6,220)	(662,739)
Interest Payments on Debt	(163,604)	0	(1,190)	(164,794)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(1,044,059)</u>	<u>2,348</u>	<u>(7,410)</u>	<u>(1,049,121)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(147,500)	49,138	11,143	(87,219)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>501,117</u>	<u>97,444</u>	<u>152,101</u>	<u>750,662</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 353,617</u>	<u>\$ 146,582</u>	<u>\$ 163,244</u>	<u>\$ 663,443</u>

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2012

	Enterprise Funds			Totals
	Water	Sanitation	All Other Enterprise Funds	
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>				
Operating Income	\$ 421,827	\$ 43,934	\$ 597	\$ 466,358
Adjustments:				
Depreciation	618,296	29,444	23,993	671,733
(Increase) Decrease in Assets:				
Accounts Receivable	(127,595)	(3,509)	(1,448)	(132,552)
Materials and Supplies Inventory	12,283	(478)	(478)	11,327
Increase (Decrease) in Liabilities:				
Accounts Payable	(13,378)	(4,342)	(4,097)	(21,817)
Customer Deposits	751	134	65	950
Accrued Wages	896	(880)	434	450
Compensated Absences Payable	10,372	(11,444)	5,293	4,221
Matured Compensated Absences Payable	(2,908)	(2,422)	(1,938)	(7,268)
Intergovernmental Payable	(2,605)	(1,771)	(1,991)	(6,367)
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 917,939</u>	<u>\$ 48,666</u>	<u>\$ 20,430</u>	<u>\$ 987,035</u>

See accompanying notes to the basic financial statements.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Statement of Assets and Liabilities*  
*Fiduciary Funds*  
*December 31, 2012*

---

---

	<u>Agency Funds</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 44,798
	<u>44,798</u>
<b>Liabilities</b>	
Undistributed Monies	\$ 44,798
	<u>44,798</u>

See accompanying notes to the basic financial statements.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

**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 18.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

**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 position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

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

The statement of net position presents the financial condition of the governmental and business-type activities at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

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

***B. Fund Accounting***

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

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

**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 Apparatus Levy** The fire apparatus levy special revenue fund is used to account for property taxes collected for the purpose of acquiring new fire equipment.

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

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

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

***D. Basis of Accounting***

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

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

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

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

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, 2012, but which were levied to finance fiscal year 2013 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.

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.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

***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 2012, 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 2012 amounted to \$9,548, which includes \$7,775 assigned from other City funds.

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

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

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

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

***H. Restricted Assets***

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

***I. Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and are updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. The City maintains a capitalization threshold of \$5,000 and \$10,000 for infrastructure.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

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.

***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.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

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

***M. Fund Balance***

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

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

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

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

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

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

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

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

***N. Net Position***

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

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

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

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are primarily for charges for services for water, sanitation and sewer services. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.

***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 2012.

***R. Estimates***

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

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

**S. Implementation of New Accounting Policies**

For the year ended December 31, 2012, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an Amendment of GASB Statement No. 53."

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the City.

GASB Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the City.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It also amends the net asset reporting requirements of GASB Statement No. 34 by incorporating deferred outflows and inflows into the definitions and renaming the residual measure as net position, rather than net assets.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the City.

**NOTE 3: RESTATEMENT OF FUND BALANCE AND NET POSITION**

A restatement of fund balance was required to report a long-term advance made in 2011 from the Permanent Improvement fund to the Water fund for the purchase of equipment. The long-term advance in the amount of \$50,000 had the following effect on the City's governmental fund balances and proprietary net position as previously reported:

	Permanent Improvement
Fund Balance Previously Reported at December 31, 2011	\$ 1,136,522
Long-term Advance to Water fund for purchase of equipment	50,000
Restated Fund Balance at January 1, 2012	\$ 1,186,522

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

	<u>Water Fund</u>
Net Position Previously Reported at December 31, 2011	\$ 5,828,731
Long-term Advance from Permanent Improvement for purchase of equipment	<u>(50,000)</u>
Restated Net Position at January 1, 2012	<u>\$ 5,778,731</u>

The correction to long-term advances had the following effect on the City's net position as previously reported:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Position Previously Reported at December 31, 2011	\$ 6,296,908	\$ 6,515,070
Long-term Advance to Water fund for purchase of equipment	<u>50,000</u>	<u>(50,000)</u>
Restated Net Position at January 1, 2012	<u>\$ 6,346,908</u>	<u>\$ 6,465,070</u>

**NOTE 4: BUDGETARY BASIS OF ACCOUNTING**

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

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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

**Net Change in Fund Balance**

	General	Fire Apparatus Levy	Fire and Ambulance
GAAP Basis	\$ 322,142	\$ (9,648)	\$ 15,232
Revenue Accruals	20,355	0	56,039
Expenditure Accruals	4,030	2	61,388
Advances Out	0	0	(9,889)
Encumbrances	(8,501)	(2,507)	(12,850)
	\$ 338,026	\$ (12,153)	\$ 109,920

**NOTE 5: DEPOSITS AND INVESTMENTS**

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

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (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.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

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 2012, the City and public depositories complied with the provisions of these statutes.

**Deposits with Financial Institutions**

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

At fiscal year-end, the carrying amount of the City's deposits was \$1,114,257. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of December 31, 2012, \$952,233 of the City's bank balance of \$1,450,250 was exposed to custodial risk as discussed above, while \$498,017 was covered by Federal Deposit Insurance Corporation.

Deposits in interest-bearing accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a coverage limit of \$250,000 per financial institution through December 31, 2012. Insurance on deposits in noninterest-bearing accounts is unlimited through December 31, 2012. The City has both interest-bearing and noninterest-bearing accounts.

**Investments**

As of December 31, 2012, the City had the following investment and maturity:

<u>Investment Type</u>	<u>Fair Value</u>	<u>6 Months or Less</u>
Repurchase Agreement	<u>\$ 2,565,990</u>	<u>\$ 2,565,990</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.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

**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, 2012:

Investment Type	Fair Value	Percent of Total
Repurchase Agreement	\$ 2,565,990	100.00%

**NOTE 6: INTERFUND ACTIVITY**

**A. Interfund Transfers**

Interfund transfers for the year ended December 31, 2012, consisted of the following:

Fund	Transfers Out	Transfers In
Governmental:		
General	\$ 162,000	\$ 0
Permanent Improvement	5,628	0
Nonmajor Governmental Funds:		
Street	0	85,628
Recreation	0	47,000
Safety Service	0	35,000
	\$ 167,628	\$ 167,628

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 6 B for additional information regarding long-term advances.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

***B. Interfund Balances***

Interfund balances at December 31, 2012 consisted of the following:

	Advances to Other Funds	Advances from Other Funds
Permanent Improvement	\$ 121,240	\$ 0
Street	0	11,256
Fire and EMS	0	70,853
Water	0	35,380
Sanitation	0	1,876
Sewer	0	1,875
Total	\$ 121,240	\$ 121,240

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 and 2012. The advance to the Fire and EMS fund during 2012 was for the purchase of a Chevy Cruze and an EMS transport van. The Fire and EMS fund will be repaying the advance over 5 years and the payments will be \$1,000 per month including interest. The advances to the business-type funds were made for the purpose of purchasing various capital assets. During 2012, the Water, Sanitation and Sewer funds repaid \$21,380, \$1,876 and \$1,877 respectfully, to the Permanent Improvement fund. A portion of these outstanding advances are expected to be repaid within one year.

**NOTE 7: PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2012 for real and public utility property taxes represents collections of the 2011 taxes.

2012 real property taxes were levied after October 1, 2012 on the assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2012 real property taxes are collected in and intended to finance 2013.

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. 2012 public utility property taxes which became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

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, 2012, was \$8.10 per \$1,000 of assessed valuation. The assessed values of real personal property upon which 2012 property tax receipts were based are as follows:

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

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, 2012, 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 2012 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 8: RECEIVABLES**

Receivables at December 31, 2012 consisted of taxes, accounts (billings for user charged services), mortgage loans, advances to other funds and intergovernmental receivables arising from entitlements and shared revenues. All receivables are deemed collectible in full.

The general fund reflects mortgage loans receivable of \$22,632. These mortgage loans receivable are for financing of the sale of City property to individuals as a home mortgage. The mortgages bear interest at annual rates between five and seven percent. The mortgages are to be repaid over periods ranging from five to thirty years.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

**NOTE 9: 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 2012, the proceeds were allocated to the General Fund.

*This space intentionally left blank.*

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

**NOTE 10: CAPITAL ASSETS**

A summary of changes in capital assets during 2012 follows:

	Balance 12/31/2011	Additions	Reductions	Balance 12/31/2012
<b>Governmental Activities:</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 890,342	\$ 70,580	\$ (200,592)	\$ 760,330
<i>Total Capital Assets Not Being Depreciated</i>	<u>890,342</u>	<u>70,580</u>	<u>(200,592)</u>	<u>760,330</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings	1,936,392	0	0	1,936,392
Building Improvements	918,725	19,800	0	938,525
Equipment and Machinery	884,178	50,643	0	934,821
Infrastructure	777,325	0	0	777,325
Vehicles	3,203,391	136,968	(54,757)	3,285,602
<i>Total Capital Assets, Being Depreciated</i>	<u>7,720,011</u>	<u>207,411</u>	<u>(54,757)</u>	<u>7,872,665</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(1,205,803)	(36,855)	0	(1,242,658)
Building Improvements	(764,243)	(11,129)	0	(775,372)
Equipment and Machinery	(468,815)	(50,950)	0	(519,765)
Infrastructure	(173,533)	(36,590)	0	(210,123)
Vehicles	(2,887,274)	(127,287)	54,757	(2,959,804)
<i>Total Accumulated Depreciation</i>	<u>(5,499,668)</u>	<u>(262,811)</u>	<u>54,757</u>	<u>(5,707,722)</u>
<i>Total Capital Assets, Being Depreciated, Net</i>	<u>2,220,343</u>	<u>(55,400)</u>	<u>0</u>	<u>2,164,943</u>
<i>Total Governmental Activities</i> <i>Capital Assets, Net</i>	<u>\$ 3,110,685</u>	<u>\$ 15,180</u>	<u>\$ (200,592)</u>	<u>\$ 2,925,273</u>

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 37,741
Leisure Time Activities	38,548
Security of Persons and Property	129,818
Transportation	48,261
Community and Economic Development	1,220
Public Health	<u>7,223</u>
 Total	 <u>\$ 262,811</u>

	<u>Balance</u> <u>12/31/2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2012</u>
<b>Business-Type Activities</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 194,141	\$ 0	\$ 0	\$ 194,141
Construction in Progress	<u>1,099,562</u>	<u>393,556</u>	<u>(1,493,118)</u>	<u>0</u>
<i>Total Capital Assets Not Being Depreciated</i>	<u>1,293,703</u>	<u>393,556</u>	<u>(1,493,118)</u>	<u>194,141</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings	5,892,172	0	0	5,892,172
Building Improvements	1,911,094	113,000	0	2,024,094
Equipment and Machinery	7,011,704	1,520,490	0	8,532,194
Infrastructure	6,922,464	0	0	6,922,464
Vehicles	<u>1,143,804</u>	<u>32,538</u>	<u>0</u>	<u>1,176,342</u>
<i>Total Capital Assets, Being Depreciated</i>	<u>22,881,238</u>	<u>1,666,028</u>	<u>0</u>	<u>24,547,266</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(2,311,864)	(146,743)	0	(2,458,607)
Building Improvements	(696,867)	(93,228)	0	(790,095)
Equipment and Machinery	(4,759,641)	(204,546)	0	(4,964,187)
Infrastructure	(1,306,831)	(172,209)	0	(1,479,040)
Vehicles	<u>(699,534)</u>	<u>(55,007)</u>	<u>0</u>	<u>(754,541)</u>
<i>Total Accumulated Depreciation</i>	<u>(9,774,737)</u>	<u>(671,733)</u>	<u>0</u>	<u>(10,446,470)</u>
<i>Total Capital Assets, Being Depreciated, Net</i>	<u>13,106,501</u>	<u>994,295</u>	<u>0</u>	<u>14,100,796</u>
<i>Total Business-Type Capital Assets, Net</i>	<u>\$ 14,400,204</u>	<u>\$ 1,387,851</u>	<u>\$(1,493,118)</u>	<u>\$ 14,294,937</u>

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

**NOTE 11: RISK MANAGEMENT**

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

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2012, 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.

***Financial Position***

PEP's financial statements (audited by other accountants) conform to accounting principles generally accepted in the United States of America, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011:

	2012	2011
<u>Casualty and Property Coverage</u>		
Assets	\$ 34,389,569	\$ 33,362,404
Liabilities	(14,208,353)	(14,187,273)
Net Assets	\$ 20,181,216	\$ 19,175,131

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 member governments in the future, as of December 31, 2012 and 2011, 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 \$85,643.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

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>	
2010	\$ 79,057
2011	92,438
2012	91,110

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 12: 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**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

For the year ended December 31, 2012, members in state and local classifications contributed 10.0 percent of covered payroll while public safety and law enforcement members contributed 11.5 percent and 12.1 percent, respectively.

The City's 2012 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 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2012.

The City's required contributions for pension obligations to the Traditional and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$248,924, \$255,146 and \$151,776, respectively; 88.1 percent has been contributed for 2012 and 100 percent for 2011 and 2010. Contributions to the member-directed plan for 2012 were \$1,092 made by the City and \$780 made by the plan members.

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

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

Funding Policy - Plan members are required to contribute 10 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 2012, 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 2011, this allocation was also 6.75 percent. The City's contributions to OP&F for police were \$122,405, \$103,552 and \$100,756 for the years ended December 31, 2012, 2011 and 2010, respectively. The full amount has been contributed for 2011 and 2010. 72.5 percent has been contributed for police for 2012. 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, 2012, the unfunded liability of the City was \$168,749 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**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

**NOTE 13: 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 2012, 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 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2012.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

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

The City's contributions allocated to fund post-employment health care benefits for the traditional and combined plans for the years ended December 31, 2012, 2011, and 2010 were \$150,599, \$127,573 and \$109,488, respectively. Contributions to fund post-employment health care benefits for the member-directed plan for 2012 were \$1,092. For 2012 88.1 percent has been contributed and 100 percent has been contributed for 2011 and 2010.

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**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2012, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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 \$42,371, \$35,845 and \$34,877 for the years ended December 31, 2012, 2011 and 2010, respectively. The full amount has been contributed for 2011 and 2010. For 2012 72.5 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, 2012, no City employees have elected social security.

**NOTE 14: OTHER EMPLOYEE BENEFITS**

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

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

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

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

**NOTE 15: COMPENSATED ABSENCES**

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn vacation and sick leave at different rates depending upon length of service and type of employment. Vacation leave benefits are lost at year end if employees do not use these balances during the year unless prior approval has been obtained from the department head. Upon retirement or death, employees are paid to a maximum of 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, 2012, the liability for unpaid long-term compensated absences was \$172,288.

**NOTE 16: LONG-TERM OBLIGATIONS**

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

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
<b>Governmental Activities:</b>			
St. Route 647 OPWC Loan - 2003	0.00	\$ 10,029	July 1, 2023
Roberts Building Note - 2009	3.00	140,000	November 1, 2019
Long-Term Bond Anticipation Notes:			
Aerial Fire Truck - 2011	3.00	55,000	May 6, 2012
Long-Term General Obligation Bond:			
Fire Truck Acquisition - 2012	3.00	435,000	December 1, 2017
<b>Business-Type Activities:</b>			
Ferryview/Sharon Road Waterlines OWDA Loan - 2004	2.00	3,370,848	January 1, 2025
Water Treatment Plant OWDA Loan - 1995	2.00	10,369,124	January 1, 2022
Woodmont Pump Station OPWC Loan - 2004	0.00	20,000	July 1, 2023
Water Tank OPWC Loan - 2007	2.00	255,000	July 1, 2027
Woodmont Street Pump Project OPWC Loan - 2007	0.00	231,526	July 1, 2028
Water Treatment Plant and Well Field Project OPWC Loan - 2009	0.00	379,600	January 1, 2030
Water Meters OWDA Loan - 2011	2.00	1,299,083	January 1, 2042

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

A schedule of changes in long-term obligations of the City during 2012 follows:

	Outstanding 12/31/2011	Additions	Deletions	Outstanding 12/31/2012	Due in One Year
<b>Governmental Activities:</b>					
General Obligation Bonds:					
Fire Truck	\$ 0	\$ 435,000	\$ 0	\$ 435,000	\$ 125,000
Unamortized Premium	0	12,341	0	12,341	0
Long-Term Bond Anticipation Notes:					
Aerial Fire Truck	55,000	0	(55,000)	0	0
OPWC Loan:					
State Route 647	6,017	0	(502)	5,515	502
Roberts Building Note	113,122	0	(13,007)	100,115	13,402
Police and Fire Pension	173,172	0	(4,423)	168,749	4,613
Compensated Absences	54,627	18,055	(8,407)	64,275	9,779
<i>Total Governmental Activities</i>	<u>401,938</u>	<u>465,396</u>	<u>(81,339)</u>	<u>785,995</u>	<u>153,296</u>
<b>Business-Type Activities:</b>					
OWDA Loans:					
Ferryview/Sharon Road Waterlines	2,340,182	0	(159,311)	2,180,871	162,513
Water Treatment Plant	4,770,869	0	(435,694)	4,335,175	444,407
Water Meters	549,479	404,498	(21,875)	932,102	25,141
<i>Total OWDA Loans</i>	<u>7,660,530</u>	<u>404,498</u>	<u>(616,880)</u>	<u>7,448,148</u>	<u>632,061</u>
OPWC Loans:					
Woodmont Street Pump Project	196,798	0	(11,576)	185,222	11,576
Woodmont Pump Station	12,000	0	(1,000)	11,000	1,000
Water Tank	211,782	0	(11,353)	200,429	11,582
Water Treatment Plant and Well Field	379,600	0	(9,490)	370,110	18,980
<i>Total OPWC Loans</i>	<u>800,180</u>	<u>0</u>	<u>(33,419)</u>	<u>766,761</u>	<u>43,138</u>
Capital Leases	54,925	0	(12,440)	42,485	13,040
Compensated Absences	103,793	12,400	(8,180)	108,013	8,686
<i>Total Business-Type Activities</i>	<u>\$ 8,619,428</u>	<u>\$ 416,898</u>	<u>\$ (670,919)</u>	<u>\$ 8,365,407</u>	<u>\$ 696,925</u>

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 were paid from general fund local government revenues. The police and fire pension liability will be paid from general property tax revenues. The capital lease is paid from the water and sewer funds. Compensated absences will be paid from the fund from which the employee's salaries are paid. These funds include general, street, water, sewer and sanitation.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

The City has pledged future water revenue and sewer revenue, net of specified operating expenses to repay \$8,214,909 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 \$9,240,700. Principal and interest paid for the current year and total net revenues were \$827,419 and \$1,011,689, respectively.

Principal and interest requirements to retire governmental activities debt at December 31, 2012 are as follows:

Year	General Obligation Bonds		Police and Fire Pension		OPWC Loan
	Principal	Interest	Principal	Interest	Principal
2013	\$ 125,000	\$ 14,384	\$ 4,613	\$ 7,123	\$ 502
2014	80,000	9,610	4,811	6,924	501
2015	80,000	7,130	5,018	6,719	501
2016	75,000	4,650	5,233	6,503	502
2017	75,000	2,325	5,459	6,278	501
2018-2022	0	0	31,019	27,666	2,507
2023-2027	0	0	38,276	20,407	501
2028-2032	0	0	47,233	11,450	0
2033-2035	0	0	27,087	1,739	0
Totals	<u>\$ 435,000</u>	<u>\$ 38,099</u>	<u>\$ 168,749</u>	<u>\$ 94,809</u>	<u>\$ 5,515</u>

Roberts Building Note		Total	
Principal	Interest	Principal	Interest
\$ 13,402	\$ 2,820	\$ 143,517	\$ 24,327
13,810	2,413	99,122	18,947
14,230	1,992	99,749	15,841
14,663	1,560	95,398	12,713
15,108	1,114	96,068	9,717
28,902	838	62,428	28,504
0	0	38,777	20,407
0	0	47,233	11,450
0	0	27,087	1,739
<u>\$ 100,115</u>	<u>\$ 10,737</u>	<u>\$ 709,379</u>	<u>\$ 143,645</u>

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

Principal and interest requirements to retire business-type activities debt at December 31, 2012 are as follows:

Year	OWDA Loans		OPWC Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 632,061	\$ 148,030	\$ 43,138	\$ 3,951	\$ 675,199	\$ 151,981
2014	644,619	135,370	43,371	3,718	687,990	139,088
2015	657,531	122,458	43,608	3,480	701,139	125,938
2016	670,701	109,288	43,850	3,239	714,551	112,527
2017	684,135	70,820	44,097	2,991	728,232	73,811
2018-2022	3,100,828	268,006	224,369	11,073	3,325,197	279,079
2023-2027	559,613	68,807	227,341	4,106	786,954	72,913
2027-2031	175,674	42,105	96,987	0	272,661	42,105
2033-2037	194,051	23,725	0	0	194,051	23,725
2038-2042	128,935	4,622	0	0	128,935	4,622
Totals	\$ 7,448,148	\$ 993,231	\$ 766,761	\$ 32,558	\$ 8,214,909	\$ 1,025,789

**NOTE 17: CAPITALIZED LEASES - LESSEE DISCLOSURE**

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

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

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2012:

	Business-Type Activities
2013	\$ 14,818
2014	14,818
2015	14,818
2016	1,458
	<u>45,912</u>
Less amount representing interest	<u>3,427</u>
Present value of minimum lease payments	<u>\$ 42,485</u>

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

**NOTE 18: JOINTLY GOVERNED ORGANIZATIONS**

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

Belmont Metropolitan Housing Authority is a non-profit organization established to provide adequate public housing for low income individuals and is statutorily created as a separate and distinct political subdivision of the State. The Authority is operated by a five member board of commissioners. Two members are appointed by the Mayor of Martins Ferry, one member is appointed by the Belmont County Commissioners, one member is appointed by the judge of the probate court, and one member is appointed by the judge of the court of common pleas. The City did not contribute any amounts to the Authority during 2012. 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 2012. 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 2012, 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**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

***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 2012, Bel-O-Mar Regional Council received \$2,385 from the City of Martins Ferry for annual fees and grant administration services.

**NOTE 19: SIGNIFICANT COMMITMENTS**

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

<u>Fund</u>	<u>Amount</u>
General	\$ 5,490
Fire Apparatus Levy	703
Fire and Ambulance	11,603
Permanent Improvement	176,983
Other Governmental Funds	<u>497,145</u>
Totals	<u>\$ 691,924</u>

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

**NOTE 20: 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 Apparatus Levy	Fire and Ambulance	Permanent Improvement	Other Governmental Funds	Total
Nonspendable for:						
Long Term Receivable	\$ 22,632	\$ 0	\$ 0	\$ 0	\$ 0	\$ 22,632
Inventory	326	0	0	0	17,990	18,316
Endowment	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>171,827</u>	<u>171,827</u>
Total Nonspendable	22,958	0	0	0	189,817	212,775
Restricted for:						
Capital Outlay Street, Highway, City Improvement	0	0	0	0	35,000	35,000
Public Safety/Law Enforcement	0	11,421	153,216	0	617,831	782,468
General Government	0	0	0	0	10,082	10,082
CHIP and CDBG	0	0	0	0	34,614	34,614
Recreation	0	0	0	0	3,994	3,994
Other Purposes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>47,830</u>	<u>47,830</u>
Total Restricted	0	11,421	153,216	0	881,870	1,046,507
Committed for:						
Permanent Improvement	0	0	0	1,308,745	0	1,308,745
Assigned for:						
Encumbrances:						
General Government	1,153	0	0	0	0	1,153
Security of Persons and Property	4,337	0	0	0	0	4,337
Subsequent Year Appropriations	<u>651,702</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>651,702</u>
Total Assigned	657,192	0	0	0	0	657,192
Unassigned	3,885	0	0	0	0	3,885
Total Fund Balance	<u>\$ 684,035</u>	<u>\$ 11,421</u>	<u>\$ 153,216</u>	<u>\$ 1,308,745</u>	<u>\$ 1,071,687</u>	<u>\$ 3,229,104</u>

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

**NOTE 21: CONTINGENCIES**

***A. Grants***

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2012.

***B. Litigation***

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

July 16, 2014

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Martins Ferry, Belmont County, Ohio (the City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 16, 2014 in which we noted the City restated fund balances and net positions to report a long-term advance made in 2011.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider finding 2012-001 described in the accompanying schedule of findings and questioned costs to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2012-002 and 2012-003 described in the accompanying schedule of findings and questioned costs to be significant deficiencies.

### **Compliance and Other Matters**

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

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

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

### **Purpose of this Report**

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

*Rea & Associates, Inc.*

New Philadelphia, Ohio

July 16, 2014

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

**Independent Auditor's Report on Compliance for Each Major Federal  
Program and Report on Internal Control over Compliance  
Required by OMB Circular A-133**

**Report on Compliance for Each Major Federal Program**

We have audited the City of Martins Ferry's, Belmont County, Ohio (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

**Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Rea & Associates, Inc.*

New Philadelphia, Ohio

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

<b>FEDERAL GRANTOR Pass-Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Number</b>	<b>Disbursements</b>
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>			
<i>Direct Grant:</i>			
FEMA - Assistance to Firefighter's Grant	97.044	EMW-2011-FR-00292	\$497,808
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
<i>Passed Through Ohio Department of Development:</i>			
Small City Community Development Block Grants			
Community Development Block Grant	14.228	A-C-10-2CJ-1	45,885
HOME Program		A-C-10-2CJ-2	257,703
Total Community Development Block Grants			303,588
Total United States Department of Housing and Urban Development			303,588
<b>Total Expenditures of Federal Awards</b>			\$801,396

*The accompanying notes to this schedule are an integral part of this schedule.*

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Notes to the Schedule of Expenditures of Federal Awards*  
*For the Fiscal Year Ended June 30, 2012*

---

**Note A – Significant Accounting Policies**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) reports the federal award programs' disbursements. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred.

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133, Section .505*  
*For The Year Ended December 31, 2012*

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

(d) (1) (i)	Type of Financial Statement Opinion	Unmodified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d) (1) (ii)	Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)?	Yes
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Was there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unmodified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list): Assistance to Firefighters Grant	CFDA #97.044
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133, Section .505*  
*For The Year Ended December 31, 2012*  
(Continued)

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

**Material Weakness**

<b>Finding Number</b>	<b>2012-001</b>
-----------------------	-----------------

**Criteria: *Internal Controls Over Financial Reporting*** - The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 122 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client’s internal control over financial reporting. This new standard requires the audit to report in writing to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses. To this end, SAS No. 122 lists specific examples of control deficiencies that are strong indicators of a material weakness in internal control.

**Condition:** A material restatement of fund balance was required to report a long-term advance made in 2011 from the Permanent Improvement fund to the Water fund for the purchase of equipment.

**Effect:** As a result, the City’s Permanent Improvement fund balance was understated by \$50,000 and the Water fund net position was overstated by \$50,000. In addition, the City’s Governmental Activities net position was understated by \$50,000 and the Business-Type Activities net position was overstated by \$50,000.

**Recommendation:** To ensure the City’s financial statements and notes to the financial statements are complete and accurate, the city should adopt policies and procedures, including a final review of the statements and notes by the appropriate levels of management, to identify and correct errors and omissions.

**Management’s Response:** The City Auditor will review the results of system-derived reports prior to formal submission and will implement policies and procedures for formal review of journal entry postings to the general ledger.

**Significant Deficiencies**

<b>Finding Number</b>	<b>2012-002</b>
-----------------------	-----------------

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

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

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

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133, Section .505*  
*For The Year Ended December 31, 2012*  
*(Continued)*

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)</b>
---

**Significant Deficiencies (continued)**

<b>Finding Number</b>	<b>2012-002 (continued)</b>
-----------------------	-----------------------------

**Effect:** Approximately \$35,000 of utility revenues collected from January 1, 2010 through July 31, 2013 per the utility billing system did not get deposited or paid into the City.

**Recommendation:** We recommend the City utility billing office generate daily/monthly collection reports directly out of their computerized system and reconcile daily deposits to that report. In addition, a collections report should be run by the software vendor monthly and sent directly to the City Auditor’s office for them to reconcile with the pay-ins. Discrepancies should be investigated immediately.

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

**Management’s Response:** The City will follow these recommendations. The utility billing department is undergoing restructuring.

<b>Finding Number</b>	<b>2012-003</b>
-----------------------	-----------------

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

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

**Effect:** The City utility billing department is not able to balance at the end of the day on the days an old transaction was looked into. Also, the City utility billing department staff does not know how to completely utilize the computerized system and do not know all the daily processes required to perform their duties as effective as they could. These internal control weaknesses along with those identified in Finding 2012-002 contributed to certain amounts of City utility collections which have not been deposited in the bank or paid into the City Auditor’s office and went undetected by management of the City in a timely manner.

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

**City of Martins Ferry**  
**Belmont County, Ohio**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133, Section .505*  
*For The Year Ended December 31, 2012*  
*(Continued)*

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

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
--

NONE

**This page intentionally left blank.**



# Dave Yost • Auditor of State

**CITY OF MARTINS FERRY**

**BELMONT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 25, 2014**