



City of Martins Ferry Belmont County, Ohio

Audited Financial Statements

For the Year Ended
December 31, 2015



Dave Yost • Auditor of State

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, 2015 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

October 5, 2016

This page intentionally left blank.

**City of Martins Ferry
Belmont County, Ohio**

*Table of Contents
December 31, 2015*

	<i>Page</i>
Independent Auditor's Report	1
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	17
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund.....	21
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Fire and Ambulance Fund.....	22
Statement of Fund Net Position – Proprietary Funds.....	23
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	24
Statement of Cash Flows – Proprietary Funds	25
Statement of Assets and Liabilities – Fiduciary Funds	26
Notes to the Basic Financial Statements	27
Required Supplementary Information:	
Schedule of the City's Proportionate Share of the Net Pension Asset/Liability	67
Schedule of the City's Contributions	68

**City of Martins Ferry
Belmont County, Ohio**
Table of Contents (Continued)
December 31, 2015

	<i>Page</i>
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 <i>Government Auditing Standards</i>	70
Schedule of Findings and Responses	72
Schedule of Prior Audit Findings.....	77

August 4, 2016

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, 2015, 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.

City of Martins Ferry
Independent Auditor's Report
Page 2

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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general 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 2, the City restated the net position balance to account for the implementation of Governmental Accounting Standard Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*", and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*." Our opinion is not modified with respect to this matter.

The accompanying financial statements have been prepared assuming the City will continue as a going concern. As disclosed in Note 22 to the financial statements, the City has been experiencing financial difficulties in recent years and has not reduced expenses to sustainable levels. This raises substantial doubt about the City's ability to continue as a going concern. Management's plans in regards to these matters are also described in Note 22. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the accompanying Management's Discussion and Analysis, the Schedule of the City's Proportionate Share of the net Pension Asset/Liability, and Schedule of City Contributions on pages 5-14, 67, and 68-69, respectively, 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.

City of Martins Ferry
Independent Auditor's Report
Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2016 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.

Rea & Associates, Inc.

New Philadelphia, Ohio

This page intentionally left blank.

City of Martins Ferry
Belmont County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(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, 2015. 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 2015 are as follows:

- In total, net position decreased \$217,094, which represents a three percent decrease from 2014. Net position of governmental activities decreased \$293,766. Net position of business-type activities increased \$76,672.
- Total capital assets increased \$833,018 in 2015. Capital assets of governmental activities increased \$349,508 and capital assets of business-type activities increased \$483,510.
- Outstanding debt increased from \$7,483,299 to \$7,545,645 due to proceeds from new issuances exceeding principal payments made during the year.
- The City implemented GASB 68, which reduced beginning net position as previously reported by \$2,418,741 and \$1,059,843 for governmental and business-type activities, respectively.

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 2015 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 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 sewer funds. The parking meter fund closed in 2014.

City of Martins Ferry
Belmont County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

A question typically asked about the City's finances is "How did we do financially during 2015?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets and deferred outflows of resources* and *liabilities and deferred inflows of resources* 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, sanitation and sewer funds are reported as major business-type 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, the 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, 2015
(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 2015 compared to 2014:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
Assets						
Current and Other Assets	\$ 2,723,373	\$ 3,251,486	\$ 725,570	\$ 894,755	\$ 3,448,943	\$ 4,146,241
Net Pension Asset	1,999	545	1,984	541	3,983	1,086
Capital Assets	<u>3,398,128</u>	<u>3,048,620</u>	<u>13,605,908</u>	<u>13,122,398</u>	<u>17,004,036</u>	<u>16,171,018</u>
<i>Total Assets</i>	<u>6,123,500</u>	<u>6,300,651</u>	<u>14,333,462</u>	<u>14,017,694</u>	<u>20,456,962</u>	<u>20,318,345</u>
Deferred Outflows of Resources						
Pension	417,467	281,950	220,328	153,784	637,795	435,734
Liabilities						
Current and Other Liabilities	104,888	238,552	317,593	287,025	422,481	525,577
Long-Term Liabilities:						
Due within One Year	153,717	117,469	818,126	739,798	971,843	857,267
Due in More Than One Year:						
Net Pension Liability	2,823,595	2,701,236	1,242,226	1,214,168	4,065,821	3,915,404
Other Amounts	676,695	471,982	6,502,787	6,356,531	7,179,482	6,828,513
<i>Total Liabilities</i>	<u>3,758,895</u>	<u>3,529,239</u>	<u>8,880,732</u>	<u>8,597,522</u>	<u>12,639,627</u>	<u>12,126,761</u>
Deferred Inflows of Resources						
Property Taxes	365,145	365,272	0	0	365,145	365,272
Pension	22,603	0	22,430	0	45,033	0
<i>Total Deferred Inflows of Resources</i>	<u>387,748</u>	<u>365,272</u>	<u>22,430</u>	<u>0</u>	<u>410,178</u>	<u>365,272</u>
Net Position						
Net Investment in Capital Assets	2,985,097	2,705,350	6,276,570	6,128,428	9,261,667	8,833,778
Restricted	1,250,921	1,639,418	0	0	1,250,921	1,639,418
Unrestricted	(1,841,694)	(1,656,678)	(625,942)	(554,472)	(2,467,636)	(2,211,150)
<i>Total Net Position</i>	<u>\$ 2,394,324</u>	<u>\$ 2,688,090</u>	<u>\$ 5,650,628</u>	<u>\$ 5,573,956</u>	<u>\$ 8,044,952</u>	<u>\$ 8,262,046</u>

City of Martins Ferry
Belmont County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

During 2015, the City adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting the net pension asset and deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension asset/liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension asset/liability equals the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

City of Martins Ferry
Belmont County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension asset/liability not accounted for as deferred inflows/outflows of resources.

As a result of implementing GASB 68, the City is reporting a net pension asset/liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from \$5,106,831 to \$2,688,090 for governmental activities and from \$6,633,799 to \$5,573,956 for business-type activities.

The decrease in current and other assets, primarily cash and investments, can be attributed to continued deficit spending, mostly in the general and permanent improvement funds. Capital assets increased in governmental activities primarily due to Zane Highway paving project while capital assets increased in business-type activities from construction in process on the County Road 4 waterline replacement project.

The increase in governmental activities long-term liabilities is primarily from issuance of new OPWC loan for street paving and a USDA loan for a new ambulance exceeding principal payments made on existing debt.

At year end, capital assets represented 83 percent of total assets. Capital assets include land, buildings, building improvements, machinery and equipment, vehicles, infrastructure and construction in progress. The net investment in capital assets was \$9,261,667 at December 31, 2015, with \$2,985,097 in governmental activities and \$6,276,570 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, \$1,250,921 or 15 percent, represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position was a deficit of \$2,467,636.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2015 and 2014.

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 1,253,230	\$ 1,281,800	\$ 4,171,604	\$ 4,091,575	\$ 5,424,834	\$ 5,373,375
Operating Grants	702,779	460,204	5,000	0	707,779	460,204
Capital Grants	270,374	0	173,451	0	443,825	0
<i>General Revenues:</i>						
Property Taxes	392,543	397,783	0	0	392,543	397,783
Income Taxes	1,611,170	1,295,193	0	0	1,611,170	1,295,193
Grants and Entitlements	227,992	156,640	0	0	227,992	156,640
Gain on Sale of Capital Assets	0	89,421	0	0	0	89,421
Investment Earnings	3,918	3,286	0	0	3,918	3,286
Miscellaneous	89,327	133,318	18,391	107,174	107,718	240,492
<i>Total Revenues</i>	<i>4,551,333</i>	<i>3,817,645</i>	<i>4,368,446</i>	<i>4,198,749</i>	<i>8,919,779</i>	<i>8,016,394</i>

City of Martins Ferry
Belmont County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

Table 2 shows the changes in net position for fiscal year 2015 and 2014.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Program Expenses						
General Government	623,942	636,522	0	0	623,942	636,522
Security of Persons and Property	3,170,223	2,996,177	0	0	3,170,223	2,996,177
Public Health	69,442	75,054	0	0	69,442	75,054
Leisure Time Services	82,666	100,766	0	0	82,666	100,766
Community Development	111,991	61,934	0	0	111,991	61,934
Transportation	738,242	568,262	0	0	738,242	568,262
Interest and Fiscal Charges	9,893	14,838	0	0	9,893	14,838
Enterprise Operations:						
Water	0	0	3,244,834	3,034,346	3,244,834	3,034,346
Sewer	0	0	301,834	297,402	301,834	297,402
Sanitation	0	0	783,806	793,472	783,806	793,472
Parking Meter	0	0	0	4,593	0	4,593
<i>Total Program Expenses</i>	<i>4,806,399</i>	<i>4,453,553</i>	<i>4,330,474</i>	<i>4,129,813</i>	<i>9,136,873</i>	<i>8,583,366</i>
<i>Increase (Decrease) in Net Position</i>	<i>(255,066)</i>	<i>(635,908)</i>	<i>37,972</i>	<i>68,936</i>	<i>(217,094)</i>	<i>(566,972)</i>
Transfers	(38,700)	30,883	38,700	(30,883)	0	0
<i>Change in Net Position</i>	<i>\$ (293,766)</i>	<i>\$ (605,025)</i>	<i>\$ 76,672</i>	<i>\$ 38,053</i>	<i>\$ (217,094)</i>	<i>\$ (566,972)</i>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$435,734 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$427,226. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-Type Activities	Total
Total 2015 program expenses under GASB 68	\$ 4,806,399	\$ 4,330,474	\$ 9,136,873
Pension expense under GASB 68	(290,800)	(136,426)	(427,226)
2015 contractually required contribution	<u>282,809</u>	<u>153,925</u>	<u>436,734</u>
Adjusted 2015 program expenses	4,798,408	4,347,973	9,146,381
Total 2014 program expenses under GASB 27	4,453,553	4,129,813	8,583,366
Increase in program expenses not related pension	<u>\$ 344,855</u>	<u>\$ 218,160</u>	<u>\$ 563,015</u>

City of Martins Ferry
Belmont County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

Governmental Activities

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

The City's income tax rate increased to 1.0 percent, effective June 1, 2014 from the prior tax rate of 0.75 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 1.0 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.

Governmental revenue is comprised of program revenue and general revenue. General revenues include grants and entitlements, such as local government funds. Governmental activities are primarily funded with the combination of property tax, income tax and intergovernmental revenues. The City monitors its sources of revenues very closely for fluctuations.

Operating grants increased \$242,575 partially due to a draw down from the fire apparatus grant while capital grants increased \$270,374 primarily from the USDA grant used for a new ambulance. The increase in income tax revenue is the continued impact of the increased income tax rate effective June 2014.

Police and fire represent the largest expense of the governmental activities. This expense of \$3,170,223 represents 66 percent of the total governmental activities expenses. The police department operates out of the general fund.

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 \$738,242, or 15 percent of total governmental activities expenses during 2015.

The City also maintains a cemetery (public health services) and a park (leisure time activities) within the City. These areas had expenses of \$152,108 in 2015 equaling 3 percent of the total governmental services expenses.

Business-Type Activities

Business-type activities include water, sanitation, and sewer. The revenues are generated primarily from charges for services. In 2015, charges for services of \$4,171,604 accounted for 95 percent of the business type revenues. The total expenses for the utilities were \$4,330,474. The increase in net position was \$76,672 for the business-type activities. The increase in capital grants is from a USDA grant and principal forgiveness from an OWDA loan for County Road 4 waterline replacement project.

City of Martins Ferry
Belmont County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

The City's Funds

Governmental Funds

Information about the City's governmental funds begins on page 17. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$4,395,868 and expenditures of \$5,276,877. Governmental fund activity during 2015 resulted in a decrease of \$552,125. 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 2015 was a decrease of \$62,859. This is due to continued deficit spending.

The fire and ambulance fund's net change in fund balance for fiscal year 2015 was a decrease of \$105,778.

The City's permanent improvement fund saw a decrease in fund balance of \$404,800 from 2014, also due to spending down the beginning balance on projects.

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 position of the water, sanitation and sewer funds at the end of the year amounted to \$(406,682), \$(155,639), and \$(63,621), respectively. The total increase in net position for all funds was \$76,672, with the largest increase in the water fund. The primary reason for the deficits in net position is the implementation of GASB 68, which requires each fund to report its share of the net pension liability.

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 2015, the City amended its general fund budget. 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 original budget basis revenues of \$2,089,000 were \$245,000 higher than the final budget estimate. The actual budget basis revenue was \$2,251,739, representing \$82,261 under the final budget estimate of \$2,334,000. Most of this difference was attributable to an underestimation of income tax revenues.

Final expenditure appropriations of \$2,465,280 were \$126,125 higher than original expenditure appropriations and \$84,612 higher than the actual expenditures of \$2,380,668.

City of Martins Ferry
Belmont County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of year 2015, the City had \$17,004,036 invested in capital assets. A total of \$3,398,128 of this was for governmental activities and \$13,605,908 was attributable to business-type activities. Table 3 shows 2015 balances compared with 2014.

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 712,451	\$ 712,451	\$ 171,440	\$ 171,440	\$ 883,891	\$ 883,891
Construction in Progress	0	0	937,569	178,932	937,569	178,932
Buildings	629,173	667,414	3,021,161	3,164,984	3,650,334	3,832,398
Building Improvements	168,692	178,681	954,392	1,045,582	1,123,084	1,224,263
Equipment and Machinery	340,085	343,484	2,935,379	3,066,032	3,275,464	3,409,516
Infrastructure	893,425	506,521	5,024,064	5,158,901	5,917,489	5,665,422
Vehicles	654,302	640,069	561,903	336,527	1,216,205	976,596
<i>Total</i>	<u>\$ 3,398,128</u>	<u>\$ 3,048,620</u>	<u>\$ 13,605,908</u>	<u>\$ 13,122,398</u>	<u>\$ 17,004,036</u>	<u>\$ 16,171,018</u>

The \$833,018 increase in capital assets was attributable to current year acquisitions exceeding depreciation and disposals. Capital assets of business-type activities increased \$483,510 while capital assets of governmental activities increased \$349,508. See Note 9 for additional information about the capital assets of the City.

Debt

The outstanding debt for the City as of December 31, 2015 was \$7,545,645. See Note 15 for additional details. Table 4 summarizes outstanding debt.

Table 4
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
OPWC Loans	\$ 101,641	\$ 4,262	\$ 614,751	\$ 658,479	\$ 716,392	\$ 662,741
OWDA Loans	0	0	6,029,774	6,174,631	6,029,774	6,174,631
Notes Payable	58,673	72,903	0	0	58,673	72,903
Revolving Loan	20,500	28,700	0	0	20,500	28,700
General Obligation Bonds	150,000	230,000	140,000	155,000	290,000	385,000
USDA Loan	77,280	0	198,720	0	276,000	0
Police and Fire Pension	154,306	159,324	0	0	154,306	159,324
<i>Total</i>	<u>\$ 562,400</u>	<u>\$ 495,189</u>	<u>\$ 6,983,245</u>	<u>\$ 6,988,110</u>	<u>\$ 7,545,645</u>	<u>\$ 7,483,299</u>

City of Martins Ferry
Belmont County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

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, at 35 South 5th Street, Martins Ferry, Ohio 43935 or mfauditor@yahoo.com.

City of Martins Ferry
Belmont County, Ohio
Statement of Net Position
December 31, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Investments	\$ 862,458	\$ 188,632	\$ 1,051,090
Investment in Segregated Accounts	179,569	0	179,569
Accounts Receivable	325,198	342,025	667,223
Intergovernmental Receivable	341,585	0	341,585
Property Taxes Receivable	448,429	0	448,429
Income Taxes Receivable	631,102	0	631,102
Loans Receivable	11,558	0	11,558
Internal Balances	(107,218)	107,218	0
Materials and Supplies Inventory	17,682	77,145	94,827
Assets Held for Resale	13,010	0	13,010
Restricted Cash and Cash Equivalents	0	10,550	10,550
Net Pension Asset (see Note 11)	1,999	1,984	3,983
Non-Depreciable Capital Assets	712,451	1,109,009	1,821,460
Depreciable Capital Assets, Net	2,685,677	12,496,899	15,182,576
<i>Total Assets</i>	<u>6,123,500</u>	<u>14,333,462</u>	<u>20,456,962</u>
Deferred Outflows of Resources			
Pension	<u>417,467</u>	<u>220,328</u>	<u>637,795</u>
Liabilities			
Accounts Payable	12,924	12,653	25,577
Accrued Wages	27,127	21,219	48,346
Contracts Payable	0	176,970	176,970
Retainage Payable	0	56,713	56,713
Intergovernmental Payable	64,837	39,488	104,325
Refundable Deposits	0	10,550	10,550
Long-Term Liabilities:			
Due Within One Year	153,717	818,126	971,843
Due In More Than One Year:			
Net Pension Liability (See Note 11)	2,823,595	1,242,226	4,065,821
Other Amounts Due in More Than One Year	676,695	6,502,787	7,179,482
<i>Total Liabilities</i>	<u>3,758,895</u>	<u>8,880,732</u>	<u>12,639,627</u>
Deferred Inflows of Resources			
Property Taxes Levied for the Next Year	365,145	0	365,145
Pension	<u>22,603</u>	<u>22,430</u>	<u>45,033</u>
<i>Total Deferred Inflows of Resources</i>	<u>387,748</u>	<u>22,430</u>	<u>410,178</u>
Net Position			
Net Investment in Capital Assets	2,985,097	6,276,570	9,261,667
Restricted for Capital Outlay	631,740	0	631,740
Restricted for Other Purposes	619,181	0	619,181
Unrestricted	(1,841,694)	(625,942)	(2,467,636)
<i>Total Net Position</i>	<u>\$ 2,394,324</u>	<u>\$ 5,650,628</u>	<u>\$ 8,044,952</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, 2015

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 623,942	\$ 311,176	\$ 0	\$ 0	\$ (312,766)	\$ 0	\$ (312,766)
Security of Persons and Property	3,170,223	914,359	219,826	37,275	(1,998,763)	0	(1,998,763)
Public Health	69,442	27,695	273	0	(41,474)	0	(41,474)
Leisure Time Services	82,666	0	0	0	(82,666)	0	(82,666)
Community Development	111,991	0	405	0	(111,586)	0	(111,586)
Transportation	738,242	0	482,275	233,099	(22,868)	0	(22,868)
Interest and Fiscal Charges	9,893	0	0	0	(9,893)	0	(9,893)
<i>Total Governmental Activities</i>	<i>4,806,399</i>	<i>1,253,230</i>	<i>702,779</i>	<i>270,374</i>	<i>(2,580,016)</i>	<i>0</i>	<i>(2,580,016)</i>
Business-Type Activities							
Water	3,244,834	3,176,489	0	129,876	0	61,531	61,531
Sanitation	783,806	713,259	5,000	43,575	0	(21,972)	(21,972)
Sewer	301,834	281,856	0	0	0	(19,978)	(19,978)
<i>Total Business-Type Activities</i>	<i>4,330,474</i>	<i>4,171,604</i>	<i>5,000</i>	<i>173,451</i>	<i>0</i>	<i>19,581</i>	<i>19,581</i>
<i>Total Primary Government</i>	<i><u>\$ 9,136,873</u></i>	<i><u>\$ 5,424,834</u></i>	<i><u>\$ 707,779</u></i>	<i><u>\$ 443,825</u></i>	<i><u>(2,580,016)</u></i>	<i><u>19,581</u></i>	<i><u>(2,560,435)</u></i>
General Revenues:							
Property Taxes Levied for:							
General Purposes				174,335	0	174,335	
Police and Fire				218,208	0	218,208	
Income Taxes Levied for:							
General Purposes				1,611,170	0	1,611,170	
Grants and Entitlements not Restricted to Specific Programs				227,992	0	227,992	
Investment Earnings				3,918	0	3,918	
Miscellaneous				89,327	18,391	107,718	
<i>Total General Revenues</i>				<i>2,324,950</i>	<i>18,391</i>	<i>2,343,341</i>	
Transfers				(38,700)	38,700	0	
<i>Change in Net Position</i>				(293,766)	76,672	(217,094)	
<i>Net Position Beginning of Year (Restated, See Note 2)</i>				<i>2,688,090</i>	<i>5,573,956</i>	<i>8,262,046</i>	
<i>Net Position End of Year</i>				<i><u>\$ 2,394,324</u></i>	<i><u>\$ 5,650,628</u></i>	<i><u>\$ 8,044,952</u></i>	

See accompanying notes to the basic financial statements.

City of Martins Ferry
Belmont County, Ohio
Balance Sheet
Governmental Funds
December 31, 2015

	General	Fire and Ambulance	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Investments	\$ 0	\$ 46,494	\$ 588,054	\$ 227,910	\$ 862,458
Investment in Segregated Accounts	0	0	0	179,569	179,569
Accounts Receivable	70,072	255,126	0	0	325,198
Intergovernmental Receivable	106,947	0	0	234,638	341,585
Property Taxes Receivable	199,267	0	0	249,162	448,429
Income Taxes Receivable	631,102	0	0	0	631,102
Loans Receivable	11,558	0	0	0	11,558
Interfund Receivable	10,356	0	0	0	10,356
Materials and Supplies Inventory	1,048	0	0	16,634	17,682
Assets Held for Resale	0	0	13,010	0	13,010
Advances to Other Funds	0	0	37,375	0	37,375
<i>Total Assets</i>	<u>\$ 1,030,350</u>	<u>\$ 301,620</u>	<u>\$ 638,439</u>	<u>\$ 907,913</u>	<u>\$ 2,878,322</u>
Liabilities					
Accounts Payable	\$ 1,308	\$ 2,359	\$ 6,699	\$ 2,558	\$ 12,924
Accrued Wages	15,428	6,995	0	4,704	27,127
Intergovernmental Payable	39,627	15,853	0	9,357	64,837
Interfund Payable	127,375	0	0	10,356	137,731
Advances from Other Funds	0	17,218	0	0	17,218
<i>Total Liabilities</i>	<u>183,738</u>	<u>42,425</u>	<u>6,699</u>	<u>26,975</u>	<u>259,837</u>
Deferred Inflows of Resources					
Property Taxes Levied for the Next Year	162,258	0	0	202,887	365,145
Unavailable Revenue	502,067	220,205	0	186,414	908,686
<i>Total Deferred Inflows of Resources</i>	<u>664,325</u>	<u>220,205</u>	<u>0</u>	<u>389,301</u>	<u>1,273,831</u>
Fund Balances					
Nonspendable	12,606	0	37,375	197,877	247,858
Restricted	0	0	594,365	305,856	900,221
Committed	0	38,990	0	0	38,990
Assigned	27,191	0	0	0	27,191
Unassigned	142,490	0	0	(12,096)	130,394
<i>Total Fund Balances</i>	<u>182,287</u>	<u>38,990</u>	<u>631,740</u>	<u>491,637</u>	<u>1,344,654</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 1,030,350</u>	<u>\$ 301,620</u>	<u>\$ 638,439</u>	<u>\$ 907,913</u>	<u>\$ 2,878,322</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, 2015

Total Governmental Fund Balances	\$ 1,344,654
---	--------------

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,398,128
---	-----------

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

Property Taxes	\$ 83,285
Income Tax	391,494
Intergovernmental	213,702
Accounts	<u>220,205</u>
	908,686

The net pension liability is not due and payable in the current period, and the net pension asset is not available for spending in the current period; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds.

Net Pension Asset	1,999
Deferred Outflows - Pension	417,467
Deferred Inflows - Pension	(22,603)
Net Pension Liability	<u>(2,823,595)</u>
	(2,426,732)

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

General Obligation Bonds	(150,000)
OPWC Loans	(101,641)
USDA Loan	(77,280)
Roberts Building Note	(58,673)
Revolving Loan	(20,500)
Bond Premium	(4,937)
Police and Fire Pension	(154,306)
Capital Leases	(153,724)
Compensated Absences	<u>(109,351)</u>
	<u>(830,412)</u>

<i>Net Position of Governmental Activities</i>	<u>\$ 2,394,324</u>
--	---------------------

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, 2015

	General	Fire and Ambulance	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$ 163,593	\$ 0	\$ 0	\$ 227,306	\$ 390,899
Income Taxes	1,496,829	0	0	0	1,496,829
Charges for Services	189,720	854,953	0	29,953	1,074,626
Licenses and Permits	71,322	0	0	14,830	86,152
Fines and Forfeitures	55,732	0	0	728	56,460
Intergovernmental	222,693	0	0	963,859	1,186,552
Interest	1,704	0	405	867	2,976
Rent	0	7,700	0	0	7,700
Contributions and Donations	0	0	0	50	50
Other	35,099	12,313	2,925	43,287	93,624
<i>Total Revenues</i>	<i><u>2,236,692</u></i>	<i><u>874,966</u></i>	<i><u>3,330</u></i>	<i><u>1,280,880</u></i>	<i><u>4,395,868</u></i>
Expenditures					
Current:					
General Government	583,866	0	0	2,000	585,866
Security of Persons and Property	1,616,372	964,117	0	391,274	2,971,763
Public Health	18,037	0	0	42,704	60,741
Leisure Time Services	0	0	0	42,255	42,255
Community Development	0	0	41,990	56,283	98,273
Transportation	0	0	3,772	585,659	589,431
Capital Outlay	0	0	362,368	443,534	805,902
Debt Service:					
Principal Retirement	0	14,230	0	93,719	107,949
Interest and Fiscal Charges	0	2,397	0	12,300	14,697
<i>Total Expenditures</i>	<i><u>2,218,275</u></i>	<i><u>980,744</u></i>	<i><u>408,130</u></i>	<i><u>1,669,728</u></i>	<i><u>5,276,877</u></i>
<i>Excess of Revenues Over (Under) Expenditures</i>	<i><u>18,417</u></i>	<i><u>(105,778)</u></i>	<i><u>(404,800)</u></i>	<i><u>(388,848)</u></i>	<i><u>(881,009)</u></i>
Other Financing Sources (Uses)					
Inception of Capital Lease	153,724	0	0	0	153,724
Proceeds of OPWC Loans	0	0	0	97,880	97,880
Proceeds of USDA Loans	0	0	0	77,280	77,280
Transfers In	0	0	0	235,000	235,000
Transfers Out	(235,000)	0	0	0	(235,000)
<i>Total Other Financing Sources (Uses)</i>	<i><u>(81,276)</u></i>	<i><u>0</u></i>	<i><u>0</u></i>	<i><u>410,160</u></i>	<i><u>328,884</u></i>
<i>Net Change in Fund Balance</i>	<i><u>(62,859)</u></i>	<i><u>(105,778)</u></i>	<i><u>(404,800)</u></i>	<i><u>21,312</u></i>	<i><u>(552,125)</u></i>
<i>Fund Balance Beginning of Year</i>	<i><u>245,146</u></i>	<i><u>144,768</u></i>	<i><u>1,036,540</u></i>	<i><u>470,325</u></i>	<i><u>1,896,779</u></i>
<i>Fund Balance End of Year</i>	<i><u>\$ 182,287</u></i>	<i><u>\$ 38,990</u></i>	<i><u>\$ 631,740</u></i>	<i><u>\$ 491,637</u></i>	<i><u>\$ 1,344,654</u></i>

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, 2015*

Net Change in Fund Balances - Total Governmental Funds	\$ (552,125)
---	--------------

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.

Capital Asset Additions	\$ 630,785	
Current Year Depreciation	<u>(281,277)</u>	349,508

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

Property Taxes	1,644	
Income Tax	114,341	
Intergovernmental	13,679	
Accounts	<u>25,801</u>	155,465

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	80,000	
OPWC Loan	501	
Police and Fire Pension	5,018	
Roberts Building Note	14,230	
Revolving Loan	<u>8,200</u>	107,949

Debt proceeds issued in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues.

OPWC Loans	(97,880)	
USDA Loan	<u>(77,280)</u>	(175,160)

Inception of capital lease in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues. (153,724)

In the statement of activities, interest is accrued on outstanding bonds, and bond premium and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.

Accrued Interest Payable	2,338	
Amortization of Premium on Bonds	<u>2,468</u>	4,806

Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 282,809

Except for amount reported as deferred inflows/outflows, changes in the net pension asset/liability are reported as pension expense in the statement of activities. (290,800)

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

Compensated Absences	<u>(22,494)</u>	
----------------------	-----------------	--

Change in Net Position of Governmental Activities \$ (293,766)

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, 2015

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 151,770	\$ 168,415	\$ 163,593	\$ (4,822)
Income Taxes	1,401,399	1,561,404	1,510,571	(50,833)
Charges for Services	176,008	199,250	189,720	(9,530)
Licenses and Permits	64,678	72,694	69,717	(2,977)
Fines and Forfeitures	51,704	78,233	55,732	(22,501)
Intergovernmental	205,752	235,837	221,781	(14,056)
Interest	1,581	1,718	1,704	(14)
Other	36,108	16,449	38,921	22,472
<i>Total Revenues</i>	<u>2,089,000</u>	<u>2,334,000</u>	<u>2,251,739</u>	<u>(82,261)</u>
Expenditures				
Current:				
General Government	582,307	613,273	592,641	20,632
Security of Persons and Property	1,508,224	1,598,892	1,534,990	63,902
Public Health	17,722	18,115	18,037	78
<i>Total Expenditures</i>	<u>2,108,253</u>	<u>2,230,280</u>	<u>2,145,668</u>	<u>84,612</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(19,253)</u>	<u>103,720</u>	<u>106,071</u>	<u>2,351</u>
Other Financing Sources (Uses)				
Transfers Out	(230,902)	(235,000)	(235,000)	0
<i>Net Change in Fund Balance</i>	<u>(250,155)</u>	<u>(131,280)</u>	<u>(128,929)</u>	<u>2,351</u>
<i>Fund Balance Beginning of Year</i>	5,939	5,939	5,939	0
Prior Year Encumbrances Appropriated	3,457	3,457	3,457	0
<i>Fund Balance End of Year</i>	<u>\$ (240,759)</u>	<u>\$ (121,884)</u>	<u>\$ (119,533)</u>	<u>\$ 2,351</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, 2015*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Charges for Services	\$ 995,000	\$ 995,000	\$ 902,429	\$ (92,571)
Rent	0	0	7,700	7,700
Other	0	0	12,313	12,313
<i>Total Revenues</i>	<u>995,000</u>	<u>995,000</u>	<u>922,442</u>	<u>(72,558)</u>
Expenditures				
Current:				
Security of Persons and Property	1,089,217	941,048	1,005,769	(64,721)
Debt Service:				
Principal Retirement	35,024	31,088	32,376	(1,288)
Interest and Fiscal Charges	2,636	2,341	2,399	(58)
<i>Total Expenditures</i>	<u>1,126,877</u>	<u>974,477</u>	<u>1,040,544</u>	<u>(66,067)</u>
<i>Net Change in Fund Balance</i>	(131,877)	20,523	(118,102)	(138,625)
<i>Fund Balance Beginning of Year</i>	138,663	138,663	138,663	0
Prior Year Encumbrances Appropriated	17,521	17,521	17,521	0
<i>Fund Balance End of Year</i>	<u>\$ 24,307</u>	<u>\$ 176,707</u>	<u>\$ 38,082</u>	<u>\$ (138,625)</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, 2015

Enterprise Funds				
	Water	Sanitation	Sewer	Total
Assets				
<i>Current Assets:</i>				
Equity in Pooled Cash and Investments	\$ 123,090	\$ 26,161	\$ 39,381	\$ 188,632
Accounts Receivable	234,005	78,781	29,239	342,025
Interfund Receivable	127,375	0	0	127,375
Materials and Supplies Inventory	75,111	1,017	1,017	77,145
<i>Total Current Assets</i>	<u>559,581</u>	<u>105,959</u>	<u>69,637</u>	<u>735,177</u>
<i>Non-Current Assets:</i>				
Restricted Assets:				
Equity in Pooled Cash and Investments	6,997	1,163	2,390	10,550
Net Pension Asset (see Note 11)	1,301	462	221	1,984
Non-Depreciable Capital Assets	1,104,009	5,000	0	1,109,009
Depreciable Capital Assets, Net	11,931,538	369,701	195,660	12,496,899
<i>Total Non-Current Assets</i>	<u>13,043,845</u>	<u>376,326</u>	<u>198,271</u>	<u>13,618,442</u>
<i>Total Assets</i>	<u>13,603,426</u>	<u>482,285</u>	<u>267,908</u>	<u>14,353,619</u>
Deferred Outflows of Resources				
Pension	144,438	51,313	24,577	220,328
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	7,970	1,915	2,768	12,653
Accrued Wages	13,493	5,993	1,733	21,219
Contracts Payable	176,970	0	0	176,970
Retainage Payable	56,713	0	0	56,713
Intergovernmental Payable	26,020	9,311	4,157	39,488
Compensated Absences Payable	14,178	1,624	773	16,575
Capital Leases Payable	45,066	0	721	45,787
USDA Loans Payable	11,704	10,472	0	22,176
OPWC Loans Payable	43,973	0	0	43,973
OWDA Loans Payable	669,615	0	0	669,615
General Obligation Bonds Payable	20,000	0	0	20,000
<i>Total Current Liabilities</i>	<u>1,085,702</u>	<u>29,315</u>	<u>10,152</u>	<u>1,125,169</u>
<i>Long-Term Liabilities:</i>				
Compensated Absences Payable - Net of Current Portion	75,352	0	7,556	82,908
Capital Leases Payable - Net of Current Portion	192,398	0	0	192,398
USDA Loans Payable - Net of Current Portion	93,176	83,368	0	176,544
OPWC Loans Payable - Net of Current Portion	570,778	0	0	570,778
OWDA Loans Payable - Net of Current Portion	5,360,159	0	0	5,360,159
General Obligation Bonds Payable - Net of Current Portion	120,000	0	0	120,000
Refundable Deposits	6,997	1,163	2,390	10,550
Advances from Other Funds	20,157	0	0	20,157
Net Pension Liability (see Note 11)	814,353	289,306	138,567	1,242,226
<i>Total Long-Term Liabilities</i>	<u>7,253,370</u>	<u>373,837</u>	<u>148,513</u>	<u>7,775,720</u>
<i>Total Liabilities</i>	<u>8,339,072</u>	<u>403,152</u>	<u>158,665</u>	<u>8,900,889</u>
Deferred Inflows of Resources				
Pension	14,704	5,224	2,502	22,430
Net Position				
Net Investment in Capital Assets	5,800,770	280,861	194,939	6,276,570
Unrestricted	(406,682)	(155,639)	(63,621)	(625,942)
<i>Total Net Position</i>	<u>\$ 5,394,088</u>	<u>\$ 125,222</u>	<u>\$ 131,318</u>	<u>\$ 5,650,628</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, 2015

	Enterprise Funds			
	Water	Sanitation	Sewer	Totals
Operating Revenues				
Charges for Services	\$ 3,176,489	\$ 713,259	\$ 281,856	\$ 4,171,604
Other	15,509	2,244	444	18,197
<i>Total Operating Revenues</i>	<u>3,191,998</u>	<u>715,503</u>	<u>282,300</u>	<u>4,189,801</u>
Operating Expenses				
Personal Services	1,378,321	486,457	231,292	2,096,070
Contractual Services	653,424	228,622	22,051	904,097
Materials and Supplies	387,777	40,121	29,839	457,737
Depreciation	692,500	28,606	18,409	739,515
<i>Total Operating Expenses</i>	<u>3,112,022</u>	<u>783,806</u>	<u>301,591</u>	<u>4,197,419</u>
<i>Operating Income (Loss)</i>	<u>79,976</u>	<u>(68,303)</u>	<u>(19,291)</u>	<u>(7,618)</u>
Non-Operating Revenues (Expense)				
Intergovernmental	0	5,000	0	5,000
Other Non-Operating Revenues	97	58	39	194
Interest and Fiscal Charges	(132,812)	0	(243)	(133,055)
<i>Total Non-Operating Revenues (Expense)</i>	<u>(132,715)</u>	<u>5,058</u>	<u>(204)</u>	<u>(127,861)</u>
<i>(Loss) Before Capital Contributions and Transfers</i>	<u>(52,739)</u>	<u>(63,245)</u>	<u>(19,495)</u>	<u>(135,479)</u>
Capital Contributions	129,876	43,575	0	173,451
Transfers In	0	0	38,700	38,700
<i>Total Capital Contributions and Transfers</i>	<u>129,876</u>	<u>43,575</u>	<u>38,700</u>	<u>212,151</u>
<i>Change in Net Position</i>	<u>77,137</u>	<u>(19,670)</u>	<u>19,205</u>	<u>76,672</u>
<i>Net Position Beginning of Year (Restated, See Note 2)</i>	<u>5,316,951</u>	<u>144,892</u>	<u>112,113</u>	<u>5,573,956</u>
<i>Net Position End of Year</i>	<u>\$ 5,394,088</u>	<u>\$ 125,222</u>	<u>\$ 131,318</u>	<u>\$ 5,650,628</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, 2015

	Enterprise Funds			
	Water	Sanitation	Sewer	Totals
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 3,228,444	\$ 728,438	\$ 289,480	\$ 4,246,362
Cash Received from Other Operating Receipts	15,509	2,244	444	18,197
Cash Payments to Suppliers for Goods and Services	(525,279)	(59,530)	(27,316)	(612,125)
Cash Payments to Employees for Services and Benefits	(1,436,500)	(508,001)	(247,097)	(2,191,598)
Cash Payments for Contractual Services	(527,650)	(228,622)	(22,051)	(778,323)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>754,524</u>	<u>(65,471)</u>	<u>(6,540)</u>	<u>682,513</u>
Cash Flows from Noncapital Financing Activities				
Operating Grants Received	0	5,000	0	5,000
Other Non-Operating Receipts	34,509	15,118	7,930	57,557
Proceeds from Lease Purchase	125,774	0	0	125,774
Advances Out	(138,622)	0	0	(138,622)
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>21,661</u>	<u>20,118</u>	<u>7,930</u>	<u>49,709</u>
Cash Flows from Capital and Related Financing Activities				
Capital Grants and Contributions	129,876	43,575	0	173,451
Proceeds of USDA Loan	104,880	93,840	0	198,720
Proceeds of OWDA Loans	604,278	0	0	604,278
Acquisition of Capital Assets	(789,087)	(137,415)	0	(926,502)
Principal Payments on Debt	(824,174)	0	(7,166)	(831,340)
Interest Payments on Debt	(133,248)	0	(243)	(133,491)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(907,475)</u>	<u>0</u>	<u>(7,409)</u>	<u>(914,884)</u>
<i>Net Increase (Decrease) in Cash and Investments</i>	<u>(131,290)</u>	<u>(45,353)</u>	<u>(6,019)</u>	<u>(182,662)</u>
<i>Cash and Investments Beginning of Year</i>	<u>261,377</u>	<u>72,677</u>	<u>47,790</u>	<u>381,844</u>
<i>Cash and Investments End of Year</i>	<u>\$ 130,087</u>	<u>\$ 27,324</u>	<u>\$ 41,771</u>	<u>\$ 199,182</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating Income (Loss)	\$ 79,976	\$ (68,303)	\$ (19,291)	\$ (7,618)
Adjustments:				
Depreciation	692,500	28,606	18,409	739,515
(Increase) Decrease in Assets and Deferred Outflows:				
Accounts Receivable	50,618	16,020	5,920	72,558
Materials and Supplies Inventory	(5,286)	255	255	(4,776)
Net Pension Asset	(946)	(336)	(161)	(1,443)
Deferred Outflows - Pension	(43,623)	(15,498)	(7,423)	(66,544)
Increase (Decrease) in Liabilities and Deferred Inflows:				
Accounts Payable	(6,442)	(19,664)	2,268	(23,838)
Accrued Wages	(29,673)	(9,664)	(5,279)	(44,616)
Customer Deposits	1,337	(841)	1,704	2,200
Compensated Absences Payable	9,554	1,624	(4,141)	7,037
Intergovernmental Payable	(26,589)	(9,428)	(4,433)	(40,450)
Deferred Inflows - Pension	14,704	5,224	2,502	22,430
Net Pension Liability	18,394	6,534	3,130	28,058
<i>Net Cash Provided by (Used For) Operating Activities</i>	<u>\$ 754,524</u>	<u>\$ (65,471)</u>	<u>\$ (6,540)</u>	<u>\$ 682,513</u>

See accompanying notes to the basic financial statements.

Noncash Capital Financing Activities:

Governmental activities purchased capital assets in the amount of \$38,700 for the sewer fund.

The City received \$92,668 principal forgiveness for the OWDA waterline project in 2015.

The City entered into a capital lease for \$120,115 in the water fund.

The water fund purchased \$95,975 and \$233,683 in capital assets on account in 2014 and 2015, respectively.

City of Martins Ferry
Belmont County, Ohio
Statement of Assets and Liabilities
Fiduciary Funds
December 31, 2015

	<u>Agency Funds</u>
Assets	
Equity in Pooled Cash and Investments	<u>\$ 71,792</u>
Liabilities	
Undistributed Monies	<u>\$ 71,792</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, 2015

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.

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*, as amended by GASB 61.

The City provides various services including police and fire protection, emergency medical, recreation (including parks), planning, zoning, street maintenance and repair, water and water pollution control, sanitation and general administrative services. The operation of each of these activities is directly controlled by the Council through the budgetary process. None of these services are provided by a legally separate organization; therefore these operations are included in the primary government.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the levying of taxes or the issuance of debt. The City has no component units.

The City is involved with the Belmont Metropolitan Housing Authority, Eastern Ohio Regional Transit Authority, Ohio Mid-Eastern Governments Association, Jefferson-Belmont Joint Solid Waste Authority, Belmont County Sewer Authority, and Bel-O-Mar Regional Council which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 17.

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 most significant of the City's accounting policies are described below.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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.

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 deferred outflows and liabilities and deferred inflows 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.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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 position, financial position, and cash flows. The following is the City's proprietary fund 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, sanitation, and sewer funds are the City's major enterprise funds.

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

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

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

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.

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 deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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 deferred outflows of resources and current liabilities and deferred inflows of resources 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 deferred outflows of resources and liabilities and deferred inflows of resources 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 inflows of resources, 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 6) Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Deferred Inflows of Resources and Deferred Outflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension and are explained in Note 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, intergovernmental grants and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 11)

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.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

F. Cash and Investments

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. Interest in the pool is presented as "equity in pooled cash and investments." 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 2015, 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 2015 amounted to \$1,704, which includes \$1,569 assigned from other City funds.

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

G. Materials and Supplies Inventory

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.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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, except for infrastructure which is set at \$10,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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

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

The City reported infrastructure for governmental activities for the first time in 2004; therefore, 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 position, 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, compensated absences and net pension liability 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.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

L. Compensated Absences

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

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

M. Pensions

For purposes of measuring the net pension asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

N. 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.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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.

O. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. 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.

P. 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.

Q. Interfund Activity

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

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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.

R. 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 2015.

S. 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.

T. Implementation of New Accounting Principles and Restatement of Net Position

For the year ended December 31, 2015, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*.

GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 68 resulted in the inclusion of net pension liability and pension expense components on the full accrual financial statements. See the following table for the effect on net position as previously reported.

GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See the following table for the effect on net position as previously reported.

	Governmental Activities	Business-Type Activities			Total
		Water	Sanitation	Sewer	
Net Position December 31, 2014	\$ 5,106,831	\$ 6,011,740	\$ 391,723	\$ 230,336	\$ 6,633,799
<i>Adjustments:</i>					
Net Pension Asset	545	355	126	60	541
Net Pension Liability	(2,701,236)	(795,959)	(282,772)	(135,437)	(1,214,168)
<i>Deferred Outflow - Payments</i>					
Subsequent to Measurement Date	281,950	100,815	35,815	17,154	153,784
Restated Net Position, January 1, 2015	<u>\$ 2,688,090</u>	<u>\$ 5,316,951</u>	<u>\$ 144,892</u>	<u>\$ 112,113</u>	<u>\$ 5,573,956</u>

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Note 3 - Budgetary Basis of Accounting

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

The major differences between the budget basis and the GAAP basis are:

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

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

Net Change in Fund Balance

	General	Fire and Ambulance
GAAP Basis	\$ (62,859)	\$ (105,778)
Net Adjustment for Revenue Accruals	(138,677)	47,476
Net Adjustment for Expenditure Accruals	75,121	(51,388)
Adjustment for Encumbrances	(2,514)	(8,412)
Budget Basis	<u>\$ (128,929)</u>	<u>\$ (118,102)</u>

Note 4 - Deposits and Investments

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

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

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

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

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

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

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

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

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

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

According to State law, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for uninsured public deposits and investments to be maintained in the City's name. During 2015, 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 \$1,312,936. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of December 31, 2015, \$1,016,856 of the City's bank balance of \$1,516,856 was exposed to custodial risk as discussed above, while \$500,000 was covered by Federal Deposit Insurance Corporation.

Investments

As of December 31, 2015, the City had the following investment and maturity:

Investment Type	Fair Value	6 Months or Less	Percent of Total
Repurchase Agreement	\$ 65	\$ 65	100.00%

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, 2015

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.

Note 5 - Interfund Activity

A. Interfund Balances

Interfund balances at December 31, 2015 consisted of the following:

	<u>Interfund Payable</u>	<u>Interfund Receivable</u>
Governmental:		
General	\$ 127,375	\$ 10,356
Nonmajor Governmental Funds	10,356	0
Business-Type:		
Water	0	127,375
Totals	<u>\$ 137,731</u>	<u>\$ 137,731</u>

The general fund advanced \$1,594 to cemetery operating fund and \$8,762 to division of development fund to cover negative cash balances while the water fund advanced \$127,375 to cover the negative fund balance in the general fund. The interfund loans are expected to be repaid in 2016.

	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
Governmental:		
Permanent Improvement	\$ 37,375	\$ 0
Fire and Ambulance	0	17,218
Business-Type:		
Water	0	20,157
Totals	<u>\$ 37,375</u>	<u>\$ 37,375</u>

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

The permanent improvement fund advanced \$31,549 to the fire and ambulance fund during 2011 for the purchase of an EMS transport van. The fire and ambulance fund are repaying the advance over 5 years with payments of \$546 per month, which includes interest. The permanent improvement fund advanced an additional \$49,700 to the fire and ambulance fund during 2012 for the purchase of a transport van and a Chevy Cruze. The fire and ambulance fund is repaying the advance over 5 years for payments of \$1,000 per month, which includes interest. In 2014, the permanent improvement fund advanced \$31,165 and \$11,000 to the water fund for the purchase of a service truck and diffusers, respectively. Both advances will be repaid over 5 years with monthly payments of \$539 and \$924, including 1.5 percent interest.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2015, consisted of the following:

Fund	Transfers Out	Transfers In
Governmental:		
General	\$ 235,000	\$ 0
Nonmajor Governmental Funds:		
Street	0	100,000
Recreation	0	40,000
Cemetery	0	10,000
Safety Service	0	30,000
Division of Development	0	55,000
Totals	<u>\$ 235,000</u>	<u>\$ 235,000</u>

Interfund transfers made from the general fund were done to provide additional resources for current operations.

In addition, capital assets in the amount of \$38,700 were transferred from governmental activities to the sewer fund.

Note 6 - Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2015 for real and public utility property taxes represents collections of the 2014 taxes.

2015 real property taxes were levied after October 1, 2015 on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

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.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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. 2015 public utility property taxes which became a lien December 31, 2013, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2015, was \$8.10 per \$1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2015 property tax receipts were based are as follows:

Category	Assessed Value
Real Property	\$ 62,383,900
Public Utilities - Real	83,650
Public Utilities - Personal	<u>4,365,410</u>
 Total Assessed Value	 <u>\$ 66,832,960</u>

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2015, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2015 operations is offset to deferred inflows of resources – property taxes levied for the next year. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Note 7 - Income Taxes

The City levies a municipal income tax of 1.0 percent, (increased from 0.75 percent effective June 1, 2014) 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 2015, the proceeds were received to the general fund.

Note 8 - Receivables

Receivables at December 31, 2015, consisted of taxes, interfund, 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.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

The general fund reflects mortgage loans receivable of \$11,558. These mortgage loans receivable are for financing of the sale of City property to individuals as a home mortgage. The mortgages bear interest at annual rates between five and seven percent. The mortgages are to be repaid over periods ranging from five to thirty years.

Note 9 - Capital Assets

A summary of changes in capital assets during 2015 follows:

	Balance 12/31/2014	Additions	Reductions	Balance 12/31/2015
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 712,451	\$ 0	\$ 0	\$ 712,451
<i>Capital Assets, Being Depreciated:</i>				
Buildings	1,983,398	0	0	1,983,398
Building Improvements	975,458	0	0	975,458
Equipment and Machinery	965,561	53,473	0	1,019,034
Infrastructure	790,663	424,332	0	1,214,995
Vehicles	3,617,772	152,980	(43,371)	3,727,381
<i>Total Capital Assets, Being Depreciated</i>	<u>8,332,852</u>	<u>630,785</u>	<u>(43,371)</u>	<u>8,920,266</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(1,315,984)	(38,241)	0	(1,354,225)
Building Improvements	(796,777)	(9,989)	0	(806,766)
Equipment and Machinery	(622,077)	(56,872)	0	(678,949)
Infrastructure	(284,142)	(37,428)	0	(321,570)
Vehicles	(2,977,703)	(138,747)	43,371	(3,073,079)
<i>Total Accumulated Depreciation</i>	<u>(5,996,683)</u>	<u>(281,277)</u>	<u>43,371</u>	<u>(6,234,589)</u>
<i>Total Capital Assets, Being Depreciated, Net</i>	<u>2,336,169</u>	<u>349,508</u>	<u>0</u>	<u>2,685,677</u>
<i>Total Governmental Activities</i>				
<i>Capital Assets, Net</i>	<u>\$ 3,048,620</u>	<u>\$ 349,508</u>	<u>\$ 0</u>	<u>\$ 3,398,128</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 40,057
Leisure Time Activities	40,411
Security of Persons and Property	147,032
Transportation	43,564
Community and Economic Development	1,220
Public Health	8,993
<i>Total</i>	<u>\$ 281,277</u>

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

	Balance 12/31/2014	Additions	Reductions	Balance 12/31/2015
Business-Type Activities				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 171,440	\$ 0	\$ 0	\$ 171,440
Construction in Progress	<u>178,932</u>	<u>854,612</u>	<u>(95,975)</u>	<u>937,569</u>
<i>Total Capital Assets Not Being Depreciated</i>	<u>350,372</u>	<u>854,612</u>	<u>(95,975)</u>	<u>1,109,009</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings	5,918,055	0	0	5,918,055
Building Improvements	2,024,094	0	0	2,024,094
Equipment and Machinery	8,513,702	136,419	0	8,650,121
Infrastructure	6,979,480	38,700	0	7,018,180
Vehicles	<u>1,036,948</u>	<u>289,269</u>	<u>(19,195)</u>	<u>1,307,022</u>
<i>Total Capital Assets, Being Depreciated</i>	<u>24,472,279</u>	<u>464,388</u>	<u>(19,195)</u>	<u>24,917,472</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(2,753,071)	(143,823)	0	(2,896,894)
Building Improvements	(978,512)	(91,190)	0	(1,069,702)
Equipment and Machinery	(5,447,670)	(267,072)	0	(5,714,742)
Infrastructure	(1,820,579)	(173,537)	0	(1,994,116)
Vehicles	<u>(700,421)</u>	<u>(63,893)</u>	<u>19,195</u>	<u>(745,119)</u>
<i>Total Accumulated Depreciation</i>	<u>(11,700,253)</u>	<u>(739,515)</u>	<u>19,195</u>	<u>(12,420,573)</u>
<i>Total Capital Assets, Being Depreciated, Net</i>	<u>12,772,026</u>	<u>(275,127)</u>	<u>0</u>	<u>12,496,899</u>
<i>Total Business-Type Capital Assets, Net</i>	<u>\$ 13,122,398</u>	<u>\$ 579,485</u>	<u>\$ (95,975)</u>	<u>\$ 13,605,908</u>

Depreciation expense was charged to the programs as follows:

Water	\$ 692,500
Sanitation	28,606
Sewer	<u>18,409</u>
Total	<u>\$ 739,515</u>

Note 10 - Risk Management

The City is exposed to various risks of property and casualty losses, and injuries to employees.

The City insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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. 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 (APEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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, 2015, 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015:

	<u>2015</u>	<u>2014</u>
<u>Casualty and Property Coverage</u>		
Assets	\$ 38,307,677	\$ 35,402,177
Liabilities	(12,759,127)	(12,363,257)
Net Position	<u>\$ 25,548,550</u>	<u>\$ 23,038,920</u>

At December 31, 2014 and 2015, respectively, the liabilities above include approximately \$11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. At December 31, 2015, the City's share of these unpaid claims collectible in future years is approximately \$64,370.

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.

Contributions to PEP

2013	\$ 54,153
2014	52,865
2015	57,139

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to 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.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

Note 11 - Defined Benefit Pension Plans

Net Pension Asset/Liability

The net pension asset/liability reported on the statement of net position represents an asset/liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension asset/liability represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension asset/liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension asset/liability. Resulting adjustments to the net pension asset/liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension asset/liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate 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 and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional and combined plans; therefore, the following disclosure focuses on these two plans.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2015 Statutory Maximum Contribution Rates	
Employer	14.00 %
Employee	10.00 %
2015 Actual Contribution Rates	
Employer:	12.00 %
	Pension
	Post-employment Health Care Benefits
	<hr/> 14.00 %
Employee	<hr/> 10.00 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$309,048 for 2015. Of this amount, \$29,133 is reported as an intergovernmental payable.

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.opf.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

		<u>Police</u>
2015 Statutory Maximum Contribution Rates		
Employer		19.50 %
Employee:		
January 1, 2015 through July 1, 2015		11.50 %
July 2, 2015 through December 31, 2015		12.25 %
 2015 Actual Contribution Rates		
Employer:		
Pension		19.00 %
Post-employment Health Care Benefits		0.50
Total Employer		<u>19.50 %</u>
Employee:		
January 1, 2015 through July 1, 2015		11.50 %
July 2, 2015 through December 31, 2015		12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$127,686 for 2015. Of this amount \$11,832 is reported as an intergovernmental payable.

Pension Assets/Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension asset/liability for OPERS was measured as of December 31, 2014, and the total pension asset/liability used to calculate the net pension asset/liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension asset/liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

	OPERS Traditional Plan	OPERS Combined Plan	OPF	Total
Proportionate Share of the Net Pension Asset	\$ 0	\$ 3,983	\$ 0	\$ 3,983
Proportionate Share of the Net Pension Liability	\$ 2,494,119	\$ 0	\$ 1,571,702	\$ 4,065,821
Proportion of the Net Pension Asset/Liability	0.02067900%	0.01034600%	0.03033930%	
Pension Expense	\$ 271,300	\$ 2,614	\$ 153,312	\$ 427,226

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Plan	OPERS Combined Plan	OPF	Total
Deferred Outflows of Resources				
Net difference between projected and actual earnings on pension plan investments	\$ 133,079	\$ 243	\$ 67,739	\$ 201,061
City contributions subsequent to the measurement date	304,713	4,335	127,686	436,734
Total Deferred Outflows of Resources	<u>\$ 437,792</u>	<u>\$ 4,578</u>	<u>\$ 195,425</u>	<u>\$ 637,795</u>
Deferred Inflows of Resources				
Differences between expected and actual experience	\$ 43,817	\$ 1,216	\$ 0	\$ 45,033

\$436,734 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or addition of the net pension asset in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS Traditional Plan	OPERS Combined Plan	OPF	Total
2016	\$ 13,053	\$ (84)	\$ 16,935	\$ 29,904
2017	13,053	(84)	16,935	29,904
2018	29,887	(84)	16,935	46,738
2019	33,269	(85)	16,934	50,118
2020	0	(145)	0	(145)
Thereafter	<u>0</u>	<u>(491)</u>	<u>0</u>	<u>(491)</u>
	<u><u>\$ 89,262</u></u>	<u><u>\$ (973)</u></u>	<u><u>\$ 67,739</u></u>	<u><u>\$ 156,028</u></u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension asset/liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Information	Traditional Pension Plan	Combined Pension Plan
Wage Inflation	3.75 percent	3.75 percent
Future Salary Increases, including inflation	4.25 percent to 10.05 percent, including wage inflation	4.25 percent to 8.05 percent, including wage inflation
COLA or Ad Hoc COLA	3.00 percent, simple	3.00 percent
Investment Rate of Return	8.00 percent	8.00 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return	
		(Arithmetic)	%
Fixed Income	23.00 %	2.31	%
Domestic Equities	19.90	5.84	
Real Estate	10.00	4.25	
Private Equity	10.00	9.25	
International Equities	19.10	7.40	
Other Investments	18.00	4.59	
Total	<u>100.00 %</u>	<u>5.28</u>	<u>%</u>

Discount Rate The discount rate used to measure the total pension asset/liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset/liability.

Sensitivity of the City's Proportionate Share of the Net Pension Asset/Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension asset/liability calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension asset/liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

City's proportionate share of the net pension (asset)/liability:	1% Decrease (7.00%)	Current		1% Increase (9.00%)
		Discount Rate	(8.00%)	
Traditional Plan	\$ 4,588,463	\$ 2,494,119		\$ 730,175
Combined Plan	517	(3,983)		(7,553)

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11.00 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2014 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	(0.25) %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income*	20.00	1.62
Global Inflation Protected*	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	120.00 %	

* levered 2x

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

OPF's Board of Trustees has incorporated the "risk parity" concept into OPF's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability:	\$ 2,173,902	\$ 1,571,702	\$ 1,061,822

Note 12 - Post-Employment 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 two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored 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 20 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. Please see the Plan Statement in the OPERS 2014 CAFR details.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible benefit recipients. 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/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The 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 to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, State and Local employers contributed at a rate of 14.0 percent of earnable salary 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 member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5 percent.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013 were \$51,508, \$51,994 and \$105,577, respectively. For 2015, 91 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2014 and 2013.

B. Ohio Police and Fire Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OPF. OPF provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

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

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF 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.

OPF 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 OPF, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OPF's website at www.op-f.org.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF 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 24.0 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 24.0 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OPF 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 OPF Board of Trustees.

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. The portion of employer contribution allocated to health care was 0.5 percent of covered payroll from January 1, 2015 through December 31, 2015. 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 OPF 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 OPF, which were allocated to fund post-employment health care benefits, for police were \$3,360, \$3,333, and \$34,272 for the years ended December 31, 2015, 2014, and 2013, respectively. 91 percent has been contributed for police for 2015. The full amount has been contributed for 2014 and 2013.

Note 13 - Other Employee Benefits

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

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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 \$1,194.43 of the total monthly premiums of \$1,327.13 for family coverage and \$459.41 of the monthly premiums of \$510.45 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries. City AFSCME Union employees and full-time police pay \$132.70 for family coverage and \$51.04 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 \$113.69 for family coverage, \$66.09 for employees with only one dependent, and \$34.10 for single coverage. Premiums are paid from the same funds that pay the employees' salaries. The City contracts with Ohio AFSCME Care Plan for dental insurance for all union employees. The City pays 100 percent of the total monthly premiums of \$34.00 per union employee. Premiums are paid from the same funds that pay the employees' salaries.

Note 14 - Compensated Absences

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

Note 15 - Long-Term Obligations

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

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Governmental Activities:			
St. Route 647 OPWC Loan - 2003	0.00	\$ 10,029	July 1, 2023
Roberts Building Note - 2009	3.00	140,000	November 1, 2019
General Obligation Bond: Fire Truck Acquisition - 2012	3.00	435,000	December 1, 2017
State Fire Marshall Revolving Loan	0.00	41,000	July 1, 2018
Street Paving OPWC Loan - 2015	0.00	97,880	January 1, 2026
USDA Loan	3.25	77,280	November 1, 2023

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Business-Type Activities:			
Ferryview/Sharon Road Waterlines OWDA Loan - 2004	2.00	\$ 3,370,848	January 1, 2025
Water Treatment Plant OWDA Loan - 1995	2.00	10,369,124	January 1, 2022
Woodmont Pump Station OPWC Loan - 2004	0.00	20,000	July 1, 2023
Water Tank OPWC Loan - 2007	2.00	255,000	July 1, 2027
Woodmont Street Pump Project OPWC Loan - 2007	0.00	231,526	July 1, 2028
Water Treatment Plant and Well Field Project OPWC Loan - 2009	0.00	379,600	January 1, 2030
Water Meters OWDA Loan - 2011	2.00	1,299,083	January 1, 2042
Water Treatment System Improvement Bonds	3.375-4.00	190,000	December 1, 2022
County Road 4 Waterline Replacement OWDA Loan	1.57	2,721,841 *	July 1, 2028
County Road 4 Waterline Replacement Principal Forgiveness	0.00	516,409 *	July 1, 2046
USDA Loan	3.25	198,720	November 1, 2023

*As of December 31, 2015, the entire amount of the loan has not been drawn down.

A schedule of changes in long-term obligations of the City during 2015 follows:

Governmental Activities:	Restated Outstanding 12/31/2014		Additions	Deletions	Outstanding 12/31/2015		Due in One Year
	\$	\$	\$	\$	\$	\$	\$
General Obligation Bonds:							
Fire Truck	\$ 230,000	\$ 0	\$ (80,000)	\$ 150,000	\$ 75,000		
Unamortized Premium	7,405	0	(2,468)	4,937			0
OPWC Loans:							
State Route 647	4,262	0	(501)	3,761			501
Street Paving	0	97,880	0	97,880			4,894
Roberts Building Note	72,903	0	(14,230)	58,673			14,663
State Fire Marshall Revolving Loan	28,700	0	(8,200)	20,500			8,200
USDA Loan	0	77,280	0	77,280			8,624
Capital Leases	0	153,724	0	153,724			19,564
Police and Fire Pension	159,324	0	(5,018)	154,306			5,233
Compensated Absences	86,857	27,037	(4,543)	109,351			17,038
Net Pension Liability							
OPERS	1,223,617	28,276	0	1,251,893			0
OPF	<u>1,477,619</u>	<u>94,083</u>	<u>0</u>	<u>1,571,702</u>			<u>0</u>
<i>Total Governmental Activities</i>	<u>\$ 3,290,687</u>	<u>\$ 478,280</u>	<u>\$ (114,960)</u>	<u>\$ 3,654,007</u>			<u>\$ 153,717</u>

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

	Restated Outstanding 12/31/2014		Additions	Deletions	Outstanding 12/31/2015		Due in One Year
Business-Type Activities:							
OWDA Loans:							
Ferryview/Sharon Road Waterlines	\$ 1,852,578	\$ 0	\$ (169,112)	\$ 1,683,466	\$ 172,511		
Water Treatment Plant	3,437,471	0	(462,362)	2,975,109	471,609		
Water Meters	884,582	0	(24,993)	859,589	25,495		
County Rd 4 Waterline Replacement	0	511,610	0	511,610	0		
County Rd 4 Waterline Replacement Principal Forgiveness	0	92,668	(92,668)	0	0		
<i>Total OWDA Loans</i>	<u>6,174,631</u>	<u>604,278</u>	<u>(749,135)</u>	<u>6,029,774</u>	<u>669,615</u>		
OPWC Loans:							
Woodmont Street Pump Project	156,282	0	(11,576)	144,706	11,576		
Woodmont Pump Station	8,500	0	(1,000)	7,500	1,000		
Water Tank	171,037	0	(12,172)	158,865	12,417		
Water Treatment Plant and Well Field	322,660	0	(18,980)	303,680	18,980		
<i>Total OPWC Loans</i>	<u>658,479</u>	<u>0</u>	<u>(43,728)</u>	<u>614,751</u>	<u>43,973</u>		
General Obligation Bonds:							
Water Treatment System Improvement	155,000	0	(15,000)	140,000	20,000		
USDA Loan	0	198,720	0	198,720	22,176		
Capital Leases	15,773	245,889	(23,477)	238,185	45,787		
Compensated Absences	92,446	9,354	(2,317)	99,483	16,575		
Net Pension Liability - OPERS	1,214,168	28,058	0	1,242,226	0		
<i>Total Business-Type Activities</i>	<u>\$ 8,310,497</u>	<u>\$ 1,086,299</u>	<u>\$ (833,657)</u>	<u>\$ 8,563,139</u>	<u>\$ 818,126</u>		

The OWDA loans, OPWC loans for Woodmont Pump Station, water tank, water treatment plant, well field project and County Road 4 waterline projects will be paid from water fund revenues. The OPWC loan for street paving and the repair of State Route 647 road slippage will be repaid from the state highway fund. The USDA loan will be repaid from the general, water and sanitation funds. The police and fire pension liability will be paid from general property tax revenues. The capital leases are paid from the general, water and sewer funds. The Roberts Building note will be repaid from the fire and ambulance fund. The State Fire Marshall Revolving Loan was used to purchase a vehicle for the fire department and will be repaid from the fire apparatus III fund. The Fire Truck Acquisition bond will be repaid from the fire apparatus V fund. Compensated absences will be paid from the fund from which the employees' salaries are paid. These funds typically include general, street, water, and sewer. The City pays obligations related to employee compensation from the fund benefitting from their service.

The City has pledged future water revenue and sewer revenue, net of specified operating expenses to repay \$6,843,245 of Ohio Public Works Commission (OPWC), Ohio Water Development Authority (OWDA) and U.S. Department of Agriculture (USDA) 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 23 percent. The total principal and interest remaining to be paid on the loans is \$7,424,883. Principal and interest paid for the current year and total net revenues were \$964,830 and \$910,542, respectively.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Principal and interest requirements to retire governmental activities debt at December 31, 2015 are as follows:

Year	General Obligation Bonds		Police and Fire Pension		USDA Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 75,000	\$ 4,650	\$ 5,233	\$ 6,503	\$ 8,624	\$ 2,456
2017	75,000	2,325	5,459	6,278	8,876	2,231
2018	0	0	5,693	6,044	9,184	1,943
2019	0	0	5,938	5,799	9,492	1,644
2020	0	0	6,193	5,544	9,772	1,340
2021-2025	0	0	35,199	23,495	31,332	2,059
2026-2030	0	0	43,424	15,260	0	0
2031-2035	0	0	47,167	4,120	0	0
Totals	<u>\$ 150,000</u>	<u>\$ 6,975</u>	<u>\$ 154,306</u>	<u>\$ 73,043</u>	<u>\$ 77,280</u>	<u>\$ 11,673</u>

Year	Roberts Building Note		State Fire Marshall Loan		OPWC Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 14,663	\$ 1,560	\$ 8,200	\$ 5,395	\$ 117,115	\$ 15,169		
2017	15,108	1,114	8,200	10,290	122,933	11,948		
2018	15,568	655	4,100	10,289	44,834	8,642		
2019	13,334	185	0	10,290	39,054	7,628		
2020			0	10,289	26,254	6,884		
2021-2025	0	0	0	50,194	116,725	25,554		
2026-2030	0	0	0	4,894	48,318	15,260		
2031-2035	0	0	0	0	47,167	4,120		
Totals	<u>\$ 58,673</u>	<u>\$ 3,514</u>	<u>\$ 20,500</u>	<u>\$ 101,641</u>	<u>\$ 562,400</u>	<u>\$ 95,205</u>		

Principal and interest requirements to retire business-type activities debt at December 31, 2015 are as follows:

Year	OWDA Loans		OPWC Loans		General Obligation Bonds		USDA Loan	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 669,615	\$ 109,378	\$ 43,973	\$ 3,116	\$ 20,000	\$ 4,725	\$ 22,176	\$ 6,317
2017	692,541	108,087	44,223	2,865	20,000	4,050	22,824	5,738
2018	710,488	90,140	44,477	2,611	20,000	3,375	23,616	4,996
2019	724,662	75,969	44,737	2,352	20,000	2,700	24,408	4,229
2020	739,117	61,512	45,001	2,087	20,000	2,025	25,128	3,444
2021-2025	1,527,500	145,873	226,675	6,269	40,000	2,025	80,568	5,293
2026-2030	242,547	78,425	146,685	458	0	0	0	0
2031-2035	266,070	54,904	18,980	0	0	0	0	0
2036-2040	291,902	29,276	0	0	0	0	0	0
2041-2045	143,951	6,783	0	0	0	0	0	0
2046	21,381	253	0	0	0	0	0	0
Totals	<u>\$ 6,029,774</u>	<u>\$ 760,600</u>	<u>\$ 614,751</u>	<u>\$ 19,758</u>	<u>\$ 140,000</u>	<u>\$ 18,900</u>	<u>\$ 198,720</u>	<u>\$ 30,017</u>

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 16 - Capitalized Leases - Lessee Disclosure

During 2011 the City entered into capitalized leases for the acquisition of a case loader. The lease meets the criteria of 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. This lease concludes during 2016.

During 2015, the City entered into a lease for compressors. 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 lease were capitalized in the water fund in the amount of \$120,115. 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 City also entered into a capital lease for its lighting retrofit project. The assets did not meet the City's policy for a capital asset; therefore, no assets were capitalized related to the lease. Payments will be paid from the general fund.

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, 2015:

	Governmental Activities	Business-Type Activities
2016	\$ 25,655	\$ 55,543
2017	25,655	54,087
2018	25,655	54,087
2019	25,655	43,055
2020	25,655	20,991
2021-2025	<u>44,897</u>	<u>36,734</u>
	173,172	264,497
Less amount representing interest	<u>19,448</u>	<u>26,313</u>
	<u>\$ 153,724</u>	<u>\$ 238,184</u>

Note 17 - Jointly Governed Organizations

A. Belmont Metropolitan Housing Authority

Belmont Metropolitan Housing Authority is a non-profit organization established to provide adequate public housing for low income individuals and is statutorily created as a separate and distinct political subdivision of the State. The Authority is operated by a five member board of commissioners. Two members are appointed by the Mayor of Martins Ferry, one member is appointed by the Belmont County Commissioners, one member is appointed by the judge of the probate court, and one member is appointed by the judge of the court of common pleas. The City did not contribute any amounts to the Authority during 2015. 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.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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 2015. 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 2015, OMEGA received \$1,122 from the City of Martins Ferry. 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.

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 2015, the City did not contribute any amounts to the Council.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 18 - 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:

Fund	Amount
General	\$ 1,989
Fire and Ambulance	7,447
Permanent Improvement	11,260
Other Governmental Funds	<u>12,847</u>
Totals	<u>\$ 33,543</u>

Note 19 - Fund Balance

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

	General	Fire and Ambulance	Permanent Improvement	Governmental Funds	Other	Total
Nonspendable for:						
Long Term Receivable	\$ 11,558	\$ 0	\$ 37,375	\$ 0	\$ 48,933	
Inventory	1,048	0	0	16,634	17,682	
Endowment	0	0	0	181,243	181,243	
Total Nonspendable	<u>12,606</u>	<u>0</u>	<u>37,375</u>	<u>197,877</u>	<u>247,858</u>	
Restricted for:						
Street, Highway, City Improvement	0	0	0	90,802	90,802	
Public Safety/Law Enforcement	0	0	0	149,850	149,850	
Community Development	0	0	0	54,057	54,057	
Permanent Improvement	0	0	594,365	0	594,365	
Recreation	0	0	0	3,304	3,304	
Other Purposes	0	0	0	7,843	7,843	
Total Restricted	<u>0</u>	<u>0</u>	<u>594,365</u>	<u>305,856</u>	<u>900,221</u>	
Committed for:						
Public Safety/Law Enforcement	0	38,990	0	0	38,990	
Assigned for:						
Encumbrances:						
Security of Persons and Property	1,989	0	0	0	1,989	
Subsequent Year Appropriations	<u>25,202</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>25,202</u>	
Total Assigned	<u>27,191</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>27,191</u>	
Unassigned	142,490	0	0	(12,096)	130,394	
Total Fund Balance	<u>\$ 182,287</u>	<u>\$ 38,990</u>	<u>\$ 631,740</u>	<u>\$ 491,637</u>	<u>\$ 1,344,654</u>	

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Fund balances at December 31, 2015, included the following individual fund deficits:

	<u>Deficit Fund Balance</u>
Non-Major Governmental Funds:	
Safety Service	\$ (2,058)
Division of Development	(10,039)

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

Note 20 - Contingencies

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2015.

B. Litigation

The City of Martins Ferry is party to various legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

Note 21 - Compliance

Section 933.03 of the City's codified ordinances specifically addresses the City's policy for discontinuance of water and/or sanitation services. In 2015, the City did not have the required policy in place and therefore was not complying with section 933.03 of the City's codified ordinances.

Ohio Revised Code Section 5705.10(I) states that money paid into any fund shall be used only for the purposes for which the fund was established. A fund with a negative fund balances signifies that monies from other funds were used to meet their obligations. The City ended 2015 with deficit cash fund balances of \$117,019 in the General Fund, \$8,762 in the Division of Development Fund and \$1,594 in the Cemetery Fund. The City is currently in the process of developing a formal fiscal plan to address the state of the City's financial condition.

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated. At the end of 2015, expenditures plus encumbrances in the Fire and Ambulance Fund exceeded appropriations by \$66,067. Moving forward, the City will monitor expenditures closely and amend appropriations as necessary to avoid noncompliance with budgetary requirements.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Ohio Revised Code Section 5705.39 states in part that total appropriations from each fund shall not exceed the total of the estimated resources available for expenditure. At the end of 2015, appropriations in the General Fund exceeded estimated resources available for expenditure by \$125,341. In future years, the City will closely monitor estimated resources and appropriations and amend appropriations when necessary to maintain compliance with Ohio Revised Code Section 5705.39.

Note 22 - Going Concern

There is substantial doubt regarding the City's ability to continue as a going concern. As disclosed in Note 21, the General Fund ended 2015 with a deficit cash fund balance of \$117,019. The General Fund has historically transferred funds to various special revenue funds throughout the year to subsidize deficits in those funds. In 2016, it does not appear the General Fund will have the funds available to make transfers to other funds as needed. The City has not taken the appropriate steps to reduce expenditures to sustainable levels. Although, management is currently discussing steps to reduce expenses, there are no formal written plans to alleviate future fund deficits.

Note 23 - Subsequent Event

On June 28, 2016 the city purchased a building and equipment to be used to improve and extend the City's garage and service plaza facility. The purchase was \$677,000 and funded by USDA general obligation bonds. The interest rate is 2.875% annually and the debt will be paid from the General Fund.

This page intentionally left blank.

City of Martins Ferry
Belmont County, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Asset/Liability
Last Two Years (1)

	2014	2013
<i>Ohio Public Employees' Retirement System (OPERS) - Traditional Plan</i>		
City's Proportion of the Net Pension Liability (Asset)	0.0206790%	0.0206790%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 2,494,119	\$ 2,437,785
City's Covered-Employee Payroll	\$ 2,535,233	\$ 2,001,838
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	98.38%	121.78%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%
<i>Ohio Public Employees' Retirement System (OPERS) - Combined Plan</i>		
City's Proportion of the Net Pension Liability (Asset)	0.0103460%	0.0103460%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ (3,983)	\$ (1,086)
City's Covered-Employee Payroll	\$ 37,817	\$ 28,485
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	10.53%	3.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	114.83%	104.56%
<i>Ohio Police and Fire Pension Fund (OPF)</i>		
City's Proportion of the Net Pension Liability (Asset)	0.0303393%	0.0303393%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 1,571,702	\$ 1,477,619
City's Covered-Employee Payroll	\$ 666,532	\$ 411,538
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	235.80%	359.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.20%	73.00%

(1) Information prior to 2013 is not available.

City of Martins Ferry
Belmont County, Ohio
Required Supplementary Information
Schedule of City Contributions
Last Ten Years

	2015	2014	2013
<i>Ohio Public Employees' Retirement System (OPERS) - Traditional Plan</i>			
Contractually Required Contribution	\$ 304,713	\$ 304,228	\$ 260,239
Contributions in Relation to the Contractually Required Contribution	<u>(304,713)</u>	<u>(304,228)</u>	<u>(260,239)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll	\$ 2,539,275	\$ 2,535,233	\$ 2,001,838
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%
<i>Ohio Public Employees' Retirement System (OPERS) - Combined Plan</i>			
Contractually Required Contribution	\$ 4,335	\$ 4,538	\$ 3,703
Contributions in Relation to the Contractually Required Contribution	<u>(4,335)</u>	<u>(4,538)</u>	<u>(3,703)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll	\$ 36,125	\$ 37,817	\$ 28,485
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%
<i>Ohio Police and Fire Pension Fund (OPF)</i>			
Contractually Required Contribution	\$ 127,686	\$ 126,968	\$ 64,735
Contributions in relation to the contractually required contribution	<u>(127,686)</u>	<u>(126,968)</u>	<u>(64,735)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll	\$ 672,031	\$ 666,532	\$ 411,538
Contributions as a percentage of covered-employee payroll	19.00%	19.05%	15.73%

(n/a) Information prior to 2013 is not available.

2012	2011	2010	2009	2008	2007	2006
n/a						
n/a						
n/a						
n/a						
n/a						
n/a						
n/a						
n/a						
n/a						
\$ 122,405	\$ 103,552	\$ 100,756	\$ 118,754	\$ 110,238	\$ 113,290	\$ 109,362
<u>(122,405)</u>	<u>(103,552)</u>	<u>(100,756)</u>	<u>(118,754)</u>	<u>(110,238)</u>	<u>(113,290)</u>	<u>(109,362)</u>
<u>\$ 0</u>						
\$ 960,039	\$ 812,173	\$ 790,243	\$ 931,404	\$ 864,612	\$ 888,549	\$ 930,740
12.75%	12.75%	12.75%	12.75%	12.75%	12.75%	11.75%

August 4, 2016

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 4, 2016, wherein we noted the City restated net position to account for the implementation of Governmental Accounting Standard Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*", and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*" and the City has experienced financial difficulties and expenses have not been reduced to sustainable levels, which raises substantial doubt about the City's ability to continue as a going concern.

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 City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section 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 responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

City of Martins Ferry
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*
Page 2 of 2

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. 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 the deficiencies described in the accompanying schedule of findings and responses as items 2015-001 and 2015-002 to be material weaknesses.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2015-001, 2015-003, 2015-004 and 2015-005.

The City's Response to Finding

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. 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 them.

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

City of Martins Ferry
Belmont County, Ohio
Schedule of Findings and Responses
For The Year Ended December 31, 2015

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

Finding Number	2015-001
-----------------------	-----------------

Material Weakness – Utility Customer Billings/Material Noncompliance with City Charter

Criteria: 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 the operating system as well as the daily operating requirements should be understood by the appropriate personnel.

In addition Section 933.03 of the City's codified ordinances specifically addresses the treatment of delinquent utility charges. The codified ordinance reads as follows:

933.03 Discontinuance of Utility Service

- (a) The policy for the City concerning the discontinuance of water and/or sanitation utility service for all applicable customers of such services, as recently developed and promulgated by the Director of Public Service, is hereby formally adopted by Council and made applicable thereby to all customers of the City water and/or sanitation services.
- (b) A copy of such policy and any properly adopted amendments thereto shall be kept by the Council Clerk in a file bearing the same number as Ordinance 86-18, and shall be open for public inspection, on request, at all reasonable times.

Condition: During testing of the City utility billing and collection function, we noted the following issues:

- City Council does not approve utility rates.
- The City's rate schedules for water, sewer and sanitation are overly complex making bill processing cumbersome and increasing the risk for errors in billing.
- There is no formal review and approval of nonstandard customer account postings.
- There are inconsistencies in billing practices including, but not limited to, when penalties are assessed on customer balances, how the penalties are calculated, when services should be terminated for outstanding balances, confusion regarding what the appropriate rates for specific customers should be as well as confusion as to whether or not customers should be charged for particular services.
- The utility department had significant difficulties in reconciling daily cash deposits to system postings.
- General lack of knowledge regarding the City's billing system and proper billing procedures.

In addition, we noted the City is in violation of codified ordinance 933.03 due to not having a policy on file to address the discontinuance of service.

Cause: In recent years there has been significant turnover in the utility billing office. The City has never developed written policies and procedures for utility billings, and as a result of employee turnover, a great deal of knowledge regarding the billing system was lost. In addition, there has been a general lack of accountability over utility rates, billings and collections for several years.

City of Martins Ferry
Belmont County, Ohio
Schedule of Findings and Responses
For The Year Ended December 31, 2015
(Continued)

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED
TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

Finding Number	2015-001 (Continued)
----------------	----------------------

Material Weakness – Utility Customer Billings/Material Noncompliance with City Charter (Continued)

Effect: There were a significant number of nonstandard adjustments required throughout the year to correct billing errors, as well as to, correct adjustments that were posted incorrectly. The lack of internal controls over the billing and posting process allows an opportunity for material misstatements to exist and remain undetected and uncorrected by management. There were also difficulties in reconciling cash transactions between the utility department and the City Auditor's office.

Recommendations: We recommend the City take the following steps:

- Establish a policy to address discontinuance of service pursuant to codified ordinance 933.03.
- Council should establish policies it expects management to adhere to in managing daily operations. The policies should address items such as the charging of penalties, customer financing agreements and expected billing practices.
- City Council should play an active role in the process of setting utility rates.
- The City should consider simplifying its rate schedule to decrease the number of errors in billings.
- Establish procedures to ensure all customers are billed properly.
- The City Service Director should review and approve all nonstandard postings made to customer accounts.
- City management should also consider reviewing the staffing in the utility department to determine if employees have the necessary skills and knowledge to perform duties properly.
- A conversion to a new system should only occur after management is comfortable with customer balances and that they will transfer properly to the new system.

Management's Response: The City is currently planning a conversion to a new utility billing system and it is anticipated that this will correct many of the billing issues. In addition, the City hired a manager for the utility billing department to help segregate duties and provide oversight. The City is currently working to simplify the rate schedule for the conversion to the new system. The Service Director and Utility Billing Manager are currently working on detailed policies to address delinquent accounts, shut off procedures and common billing practices. All non-standard customer adjustments are now being reviewed by a member of management and supporting documentation is maintained. City Council plans on approving rates through ordinances in future years.

City of Martins Ferry
Belmont County, Ohio
Schedule of Findings and Responses
For The Year Ended December 31, 2015
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

Finding Number	2015-002
-----------------------	-----------------

Material Weakness – Fiscal Plan

Criteria: The City's management is responsible for sound financial reporting. An essential part of financial reporting is financial planning and ensuring the City has adequate funding to support future operations for a reasonable period of time.

Condition Found: For several years, the City's appropriations have exceeded estimated receipts and the shortfall in revenues has been subsidized by residual fund balances. The available fund balances have been steadily decreasing for several years and management of the City has not prepared a formal plan to reduce appropriations in line with expected revenues. There is significant concern regarding the City's ability to fund future operations.

Cause: Management has not taken the appropriate steps to reduce costs in line with expected revenues and has relied on fund balances to offset shortfalls.

Effect: Without actions taken, the City could face potential cash flow issues and negative cash fund balances. The City could be faced with entering into fiscal caution or emergency unless action is taken immediately to reduce expenditures. In addition, it was noted that as of the audit report date the Street Fund has a significant deficit balance.

Recommendations: The City should prepare a formal fiscal plan to reduce expenditures down to a sustainable level. Cash flow as well as budget versus actual amounts should be closely monitored to determine what steps should be taken to remain solvent.

Management's Response: Council and management are aware of the current financial situation. They take this matter seriously, and they are currently considering all options to alleviate declining fund balances.

Finding Number	2015-003
-----------------------	-----------------

Material Noncompliance – Deficit Cash Fund Balances

Criteria: Ohio Revised Code Section 5705.10(I) states that money paid into any fund shall be used only for the purposes for which the fund was established. A fund with a negative fund balances signifies that monies from other funds were used to meet their obligations.

Condition: The City had the following negative cash fund balances as of December 31, 2015;

<u>Fund</u>	<u>Amount</u>
General Fund	(\$117,019)
Division of Development	(8,762)
Cemetery Fund	(1,594)

Cause: During 2015 the City did not properly monitor fund balances and spent monies that were not available for expenditure in several funds.

City of Martins Ferry
Belmont County, Ohio
Schedule of Findings and Responses
For The Year Ended December 31, 2015
(Continued)

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED
TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

Finding Number	2015-003 (Continued)
----------------	----------------------

Material Noncompliance – Deficit Cash Fund Balances (Continued)

Effect: The City may not have resources available for future commitments if proper fund balances are not maintained.

Recommendations: We recommend the City closely monitor cash fund balances and expenditures to avoid deficit cash fund balances. In situations where additional funds are required, the resources should either be transferred or advanced if available in accordance with Ohio Revised Code and Auditor of State Bulletin 97-003.

Management's Response: The City Auditor and City Council are monitoring fund balances very closely and are trying diligently to avoid deficit balances.

Finding Number	2015-004
----------------	----------

Material Noncompliance – Expenditures Exceeding Appropriations

Criteria: Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

Condition: At year end, expenditures plus encumbrances exceeded appropriations in the Fire and Ambulance Fund by \$66,067.

Cause: The City did not properly amend appropriations as needed throughout the year.

Effect: Keeping expenditures within appropriated amounts is not only required by statute but is key control in the budgetary and disbursement process to ensure that expenditures are properly appropriated for and mitigate the risk of misspending.

Recommendations: We recommend the City monitor appropriations versus actual expenditures and amend appropriation measures, if necessary.

Management's Response: The City Auditor will monitor expenditures closely and make sure amendments to appropriations are presented to Council when necessary.

City of Martins Ferry
Belmont County, Ohio
Schedule of Findings and Responses
For The Year Ended December 31, 2015
(Continued)

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED
TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

Finding Number	2015-005
-----------------------	-----------------

Material Noncompliance – Appropriations Exceeding Estimated Resources

Criteria: Ohio Revised Code Section 5705.39 states in part that total appropriations from each fund shall not exceed the total of the estimated resources available for expenditure.

Condition: At year end, appropriations exceeded estimated resources available for expenditure in the General Fund by \$125,341.

Cause: The City did not properly reduce appropriations in line with total estimated resources available for expenditure.

Effect: The City will spend funds that are not available for expenditure, causing deficit fund balances.

Recommendations: We recommend the City monitor estimated resources closely and reduce appropriations as necessary.

Management's Response: The City Auditor will monitor appropriations and estimated resources closely to ensure appropriations do not exceed estimated resources in the future.

City of Martins Ferry
Belmont County, Ohio
Schedule of Prior Audit Findings
For The Year Ended December 31, 2015

Finding Number	Finding Summary	Fully Corrected?	Partially Corrected, Significantly Different Corrective Action Taken or Finding No Longer Valid Explain
2014-001	Material Weakness/ Noncompliance – Utility customer billing policies and procedures	No	Repeated as Finding 2015-001

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
OCTOBER 18, 2016**