



Dave Yost • Auditor of State

**CITY OF MARTINS FERRY
BELMONT COUNTY
DECEMBER 31, 2016**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
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
Street Maintenance and Repair Fund	22
Fire and Ambulance Fund	23
Statement of Fund Net Position	
Proprietary Funds	24
Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds	25
Statement of Cash Flows	
Proprietary Funds	26
Statement of Fiduciary Assets and Liabilities	
Fiduciary Funds	27
Notes to the Basic Financial Statements	29

CITY OF MARTINS FERRY
BELMONT COUNTY
DECEMBER 31, 2016

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Prepared by Management (Continued):	
Required Supplementary Information:	
Schedule of the City's Proportionate Share of the Net Pension Liability.....	70
Schedule of the City's Contributions	72
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	75
Schedule of Findings.....	77
Prepared by Management:	
Summary Schedule of Prior Audit Findings.....	85



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

City of Martins Ferry
Belmont County
35 South 5th Street
Martins Ferry, Ohio 43935

To the City Council:

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, 2016, 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Martins Ferry, Belmont County, Ohio, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the Street Maintenance and Repair and Fire and Ambulance Funds' thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed 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. Note 22 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on these financial statements.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, and Schedules of Net Pension Liabilities and Pension Contributions listed in the Table of Contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2017, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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 the City's internal control over financial reporting and compliance.

Dave Yost
Auditor of State
Columbus, Ohio

February 7, 2018

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City of Martins Ferry
Belmont County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(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, 2016. 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 2016 are as follows:

- In total, net position decreased \$229,858, which represents a 3 percent decrease from 2015. Net position of governmental activities decreased \$516,875. Net position of business-type activities increased \$287,017.
- Total capital assets increased \$2,859,299 in 2016. Capital assets of governmental activities increased \$455,445 and capital assets of business-type activities increased \$2,403,854.
- Outstanding debt increased from \$7,545,645 to \$9,411,308 due to proceeds from new issuances exceeding principal payments made during the year.

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 2016 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.

City of Martins Ferry
Belmont County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

A question typically asked about the City's finances is "How did we do financially during 2016?" 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 street maintenance and repair 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.

City of Martins Ferry
Belmont County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

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

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

The City 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 2016 compared to 2015:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current and Other Assets	\$ 2,738,837	\$ 2,723,373	\$ 591,177	\$ 725,570	\$ 3,330,014	\$ 3,448,943
Net Pension Asset	0	1,999	0	1,984	0	3,983
Capital Assets	3,853,573	3,398,128	16,009,762	13,605,908	19,863,335	17,004,036
<i>Total Assets</i>	<u>6,592,410</u>	<u>6,123,500</u>	<u>16,600,939</u>	<u>14,333,462</u>	<u>23,193,349</u>	<u>20,456,962</u>
Deferred Outflows of Resources						
Pension	1,075,631	417,467	709,098	220,328	1,784,729	637,795
Liabilities						
Current and Other Liabilities	564,073	104,888	389,754	317,593	953,827	422,481
Long-Term Liabilities:						
Due within One Year	165,866	153,717	919,065	818,126	1,084,931	971,843
Due in More Than One Year:						
Net Pension Liability	3,576,221	2,823,595	1,872,575	1,242,226	5,448,796	4,065,821
Other Amounts	737,015	676,695	8,143,179	6,502,787	8,880,194	7,179,482
<i>Total Liabilities</i>	<u>5,043,175</u>	<u>3,758,895</u>	<u>11,324,573</u>	<u>8,880,732</u>	<u>16,367,748</u>	<u>12,639,627</u>
Deferred Inflows of Resources						
Property Taxes	675,701	365,145	0	0	675,701	365,145
Pension	71,716	22,603	47,819	22,430	119,535	45,033
<i>Total Deferred Inflows of Resources</i>	<u>747,417</u>	<u>387,748</u>	<u>47,819</u>	<u>22,430</u>	<u>795,236</u>	<u>410,178</u>
Net Position						
Net Investment in Capital Assets	2,881,956	2,985,097	6,836,719	6,276,570	9,718,675	9,261,667
Restricted	1,068,553	1,250,921	0	0	1,068,553	1,250,921
Unrestricted	(2,073,060)	(1,841,694)	(899,074)	(625,942)	(2,972,134)	(2,467,636)
<i>Total Net Position</i>	<u>\$ 1,877,449</u>	<u>\$ 2,394,324</u>	<u>\$ 5,937,645</u>	<u>\$ 5,650,628</u>	<u>\$ 7,815,094</u>	<u>\$ 8,044,952</u>

City of Martins Ferry
Belmont County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(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 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, 2016
(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.

Capital assets increased in governmental activities primarily due to the 1st street project while capital assets increased in business-type activities due to the completion of the County Road 4 waterline replacement project.

The increase in governmental activities long-term liabilities and deferred outflows of resources were primarily caused by changes related to net pension liability during 2016. Governmental current and other liabilities also increased due to contracts payable at December 31, 2016 for the 1st street project.

At year end, capital assets represented 86 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 \$9,718,675 at December 31, 2016, with \$2,881,956 in governmental activities and \$6,836,719 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, \$1,068,553 or 14 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 \$2,972,134.

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City of Martins Ferry
Belmont County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

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 2016 and 2015.

Table 2 shows the changes in net position for fiscal year 2016 and 2015.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 967,313	\$ 1,253,230	\$ 4,359,190	\$ 4,171,604	\$ 5,326,503	\$ 5,424,834
Operating Grants	436,040	702,779	0	5,000	436,040	707,779
Capital Grants	0	270,374	396,969	173,451	396,969	443,825
<i>General Revenues:</i>						
Property Taxes	449,879	392,543	0	0	449,879	392,543
Income Taxes	1,718,212	1,611,170	0	0	1,718,212	1,611,170
Grants and Entitlements	223,907	227,992	0	0	223,907	227,992
Investment Earnings	4,651	3,918	0	0	4,651	3,918
Miscellaneous	96,454	89,327	18,985	18,391	115,439	107,718
<i>Total Revenues</i>	3,896,456	4,551,333	4,775,144	4,368,446	8,671,600	8,919,779
Program Expenses						
General Government	709,582	623,942	0	0	709,582	623,942
Security of Persons and Property	2,788,245	3,170,223	0	0	2,788,245	3,170,223
Public Health	45,853	69,442	0	0	45,853	69,442
Leisure Time Services	41,557	82,666	0	0	41,557	82,666
Community Development	32,430	111,991	0	0	32,430	111,991
Transportation	710,605	738,242	0	0	710,605	738,242
Interest and Fiscal Charges	22,751	9,893	0	0	22,751	9,893
<i>Enterprise Operations:</i>						
Water	0	0	3,253,720	3,244,834	3,253,720	3,244,834
Sewer	0	0	428,470	301,834	428,470	301,834
Sanitation	0	0	868,245	783,806	868,245	783,806
<i>Total Program Expenses</i>	4,351,023	4,806,399	4,550,435	4,330,474	8,901,458	9,136,873
<i>Increase (Decrease) in Net Position</i>	(454,567)	(255,066)	224,709	37,972	(229,858)	(217,094)
Transfers	(62,308)	(38,700)	62,308	38,700	0	0
<i>Change in Net Position</i>	(516,875)	(293,766)	287,017	76,672	(229,858)	(217,094)
<i>Net Position Beginning of Year</i>	2,394,324	2,688,090	5,650,628	5,573,956	8,044,952	8,262,046
<i>Net Position End of Year</i>	\$ 1,877,449	\$ 2,394,324	\$ 5,937,645	\$ 5,650,628	\$ 7,815,094	\$ 8,044,952

City of Martins Ferry
Belmont County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(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 decreased \$266,739 partially due to a draw down from the fire apparatus grant in 2015 while capital grants decreased \$270,374 primarily from the USDA grant used for a new ambulance in 2015. The \$285,917 decrease in charges for services was caused by reduced collections for emergency squad calls.

Police and fire represent the largest expense of the governmental activities. This expense of \$2,788,245 represents 64 percent of the total governmental activities expenses. The police department operates out of the general fund. The \$381,978 decrease in expense was caused by a reduction in salary and benefit costs during 2016.

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 \$710,605, or 16 percent of total governmental activities expenses during 2016.

The City also maintains a cemetery (public health services) and a park (leisure time activities) within the City. These areas had expenses of \$87,410 in 2016 equaling 2 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 2016, charges for services of \$4,359,190 accounted for 91 percent of the business type revenues. The total expenses for the utilities were \$4,550,435. The increase in net position was \$287,017 for the business-type activities. The increase in capital grants is due to 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, 2016
(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 \$3,830,936 and expenditures of \$4,853,833. Governmental fund activity during 2016 resulted in a decrease in fund balance of \$819,797. 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 2016 was a decrease of \$18,302.

The street maintenance and repair fund's net change in fund balance for 2016 was a decrease of \$116,820.

The fire and ambulance fund's net change in fund balance for 2016 was a decrease of \$39,275.

The City's permanent improvement fund saw a decrease in fund balance of \$636,769 from 2015, also due to spending down the beginning balance on capital purchases.

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 deficits of \$484,948, \$288,360, and \$125,766, respectively. The total increase in net position for all funds was \$287,017, 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 2016, 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 \$2,240,001 were \$209,139 lower than the final budget estimate. The actual budget basis revenue was \$2,378,648, representing \$70,492 under the final budget estimate of \$2,449,140.

Final expenditure appropriations of \$2,382,402 were \$167,604 higher than original expenditure appropriations and \$24,152 higher than the actual expenditures of \$2,358,250.

There were no significant variances to discuss within other financing sources and uses.

City of Martins Ferry
Belmont County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of year 2016, the City had \$19,863,335 invested in capital assets. A total of \$3,853,573 of this was for governmental activities and \$16,009,762 was attributable to business-type activities. Table 3 shows 2016 balances compared with 2015.

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 712,451	\$ 712,451	\$ 171,440	\$ 171,440	\$ 883,891	\$ 883,891
Construction in Progress	0	0	28,900	937,569	28,900	937,569
Buildings	783,584	629,173	3,326,651	3,021,161	4,110,235	3,650,334
Building Improvements	158,705	168,692	863,203	954,392	1,021,908	1,123,084
Equipment and Machinery	283,746	340,085	2,894,927	2,935,379	3,178,673	3,275,464
Infrastructure	1,365,519	893,425	8,232,069	5,024,064	9,597,588	5,917,489
Vehicles	549,568	654,302	492,572	561,903	1,042,140	1,216,205
<i>Total</i>	<u>\$ 3,853,573</u>	<u>\$ 3,398,128</u>	<u>\$ 16,009,762</u>	<u>\$ 13,605,908</u>	<u>\$ 19,863,335</u>	<u>\$ 17,004,036</u>

The \$2,859,299 increase in capital assets was attributable to current year acquisitions exceeding depreciation and disposals. Capital assets of business-type activities increased \$2,403,854 while capital assets of governmental activities increased \$455,445. See Note 9 for additional information about the capital assets of the City.

Debt

The outstanding debt for the City as of December 31, 2016 was \$9,411,308. See Note 15 for additional details. Table 4 summarizes outstanding debt.

Table 4
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
OPWC Loans	\$ 96,496	\$ 101,641	\$ 592,795	\$ 614,751	\$ 689,291	\$ 716,392
OWDA Loans	0	0	7,399,434	6,029,774	7,399,434	6,029,774
Notes Payable	44,011	58,673	0	0	44,011	58,673
Revolving Loan	12,300	20,500	0	0	12,300	20,500
General Obligation Bonds	75,000	150,000	120,000	140,000	195,000	290,000
USDA Loans	272,064	77,280	650,136	198,720	922,200	276,000
Police and Fire Pension	149,072	154,306	0	0	149,072	154,306
<i>Total</i>	<u>\$ 648,943</u>	<u>\$ 562,400</u>	<u>\$ 8,762,365</u>	<u>\$ 6,983,245</u>	<u>\$ 9,411,308</u>	<u>\$ 7,545,645</u>

City of Martins Ferry
Belmont County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(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, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Investments	\$ 593,840	\$ 0	\$ 593,840
Investment in Segregated Accounts	182,119	0	182,119
Accounts Receivable	220,971	328,748	549,719
Intergovernmental Receivable	345,374	0	345,374
Property Taxes Receivable	820,589	0	820,589
Income Taxes Receivable	738,271	0	738,271
Loans Receivable	8,444	0	8,444
Internal Balances	(182,930)	182,930	0
Prepaid Items	5,069	3,181	8,250
Materials and Supplies Inventory	7,090	70,968	78,058
Restricted Cash and Cash Equivalents	0	5,350	5,350
Non-Depreciable Capital Assets	712,451	200,340	912,791
Depreciable Capital Assets, Net	3,141,122	15,809,422	18,950,544
<i>Total Assets</i>	<u>6,592,410</u>	<u>16,600,939</u>	<u>23,193,349</u>
Deferred Outflows of Resources			
Pension	<u>1,075,631</u>	<u>709,098</u>	<u>1,784,729</u>
Liabilities			
Accounts Payable	27,029	7,811	34,840
Accrued Wages	38,117	29,026	67,143
Contracts Payable	469,277	328,047	797,324
Intergovernmental Payable	29,650	19,520	49,170
Refundable Deposits	0	5,350	5,350
Long-Term Liabilities:			
Due Within One Year	165,866	919,065	1,084,931
Due In More Than One Year:			
Net Pension Liability (See Note 11)	3,576,221	1,872,575	5,448,796
Other Amounts Due in More Than One Year	737,015	8,143,179	8,880,194
<i>Total Liabilities</i>	<u>5,043,175</u>	<u>11,324,573</u>	<u>16,367,748</u>
Deferred Inflows of Resources			
Property Taxes Levied for the Next Year	675,701	0	675,701
Pension	71,716	47,819	119,535
<i>Total Deferred Inflows of Resources</i>	<u>747,417</u>	<u>47,819</u>	<u>795,236</u>
Net Position			
Net Investment in Capital Assets	2,881,956	6,836,719	9,718,675
Restricted for Capital Outlay	469,277	0	469,277
Restricted for Other Purposes	599,276	0	599,276
Unrestricted	(2,073,060)	(899,074)	(2,972,134)
<i>Total Net Position</i>	<u>\$ 1,877,449</u>	<u>\$ 5,937,645</u>	<u>\$ 7,815,094</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, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	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	\$ 709,582	\$ 306,935	\$ 0	\$ 0	\$ (402,647)	\$ 0	\$ (402,647)
Security of Persons and Property	2,788,245	626,726	46,129	0	(2,115,390)	0	(2,115,390)
Public Health	45,853	33,652	265	0	(11,936)	0	(11,936)
Leisure Time Services	41,557	0	0	0	(41,557)	0	(41,557)
Community Development	32,430	0	51	0	(32,379)	0	(32,379)
Transportation	710,605	0	389,595	0	(321,010)	0	(321,010)
Interest and Fiscal Charges	22,751	0	0	0	(22,751)	0	(22,751)
<i>Total Governmental Activities</i>	<u>4,351,023</u>	<u>967,313</u>	<u>436,040</u>	<u>0</u>	<u>(2,947,670)</u>	<u>0</u>	<u>(2,947,670)</u>
Business-Type Activities							
Water	3,253,720	3,337,138	0	396,969	0	480,387	480,387
Sanitation	868,245	711,363	0	0	0	(156,882)	(156,882)
Sewer	428,470	310,689	0	0	0	(117,781)	(117,781)
<i>Total Business-Type Activities</i>	<u>4,550,435</u>	<u>4,359,190</u>	<u>0</u>	<u>396,969</u>	<u>0</u>	<u>205,724</u>	<u>205,724</u>
<i>Total Primary Government</i>	<u>\$ 8,901,458</u>	<u>\$ 5,326,503</u>	<u>\$ 436,040</u>	<u>\$ 396,969</u>	<u>(2,947,670)</u>	<u>205,724</u>	<u>(2,741,946)</u>
General Revenues:							
Property Taxes Levied for:							
					163,467	0	163,467
					286,412	0	286,412
Income Taxes Levied for:							
					1,718,212	0	1,718,212
Grants and Entitlements not Restricted to							
					223,907	0	223,907
					4,651	0	4,651
					96,454	18,985	115,439
<i>Total General Revenues</i>					<u>2,493,103</u>	<u>18,985</u>	<u>2,512,088</u>
Transfers					(62,308)	62,308	0
<i>Change in Net Position</i>					<u>(516,875)</u>	<u>287,017</u>	<u>(229,858)</u>
<i>Net Position Beginning of Year</i>					<u>2,394,324</u>	<u>5,650,628</u>	<u>8,044,952</u>
<i>Net Position End of Year</i>					<u>\$ 1,877,449</u>	<u>\$ 5,937,645</u>	<u>\$ 7,815,094</u>

See accompanying notes to the basic financial statements.

City of Martins Ferry
Belmont County, Ohio
Balance Sheet
Governmental Funds
December 31, 2016

	General	Street Maintenance and Repair	Fire and Ambulance	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Investments	\$ 0	\$ 0	\$ 0	\$ 385,020	\$ 208,820	\$ 593,840
Investment in Segregated Accounts	0	0	0	0	182,119	182,119
Accounts Receivable	67,893	0	153,078	0	0	220,971
Intergovernmental Receivable	109,792	163,820	0	0	71,762	345,374
Property Taxes Receivable	187,897	0	0	0	632,692	820,589
Income Taxes Receivable	738,271	0	0	0	0	738,271
Loans Receivable	8,444	0	0	0	0	8,444
Interfund Receivable	177,342	0	0	17,669	0	195,011
Prepaid Items	3,047	447	1,289	0	286	5,069
Materials and Supplies Inventory	849	5,527	0	0	714	7,090
Advances to Other Funds	0	0	0	75,237	0	75,237
<i>Total Assets</i>	<u>\$ 1,293,535</u>	<u>\$ 169,794</u>	<u>\$ 154,367</u>	<u>\$ 477,926</u>	<u>\$ 1,096,393</u>	<u>\$ 3,192,015</u>
Liabilities						
Accounts Payable	\$ 2,787	\$ 43	\$ 235	\$ 13,678	\$ 10,286	\$ 27,029
Accrued Wages	25,511	6,392	6,214	0	0	38,117
Contracts Payable	0	0	0	469,277	0	469,277
Intergovernmental Payable	21,049	3,608	4,677	0	316	29,650
Interfund Payable	295,517	107,326	8,335	0	0	411,178
Advances from Other Funds	42,000	0	0	0	0	42,000
<i>Total Liabilities</i>	<u>386,864</u>	<u>117,369</u>	<u>19,461</u>	<u>482,955</u>	<u>10,602</u>	<u>1,017,251</u>
Deferred Inflows of Resources						
Property Taxes Levied for the Next Year	154,721	0	0	0	520,980	675,701
Unavailable Revenue	587,965	85,697	135,191	0	165,353	974,206
<i>Total Deferred Inflows of Resources</i>	<u>742,686</u>	<u>85,697</u>	<u>135,191</u>	<u>0</u>	<u>686,333</u>	<u>1,649,907</u>
Fund Balances						
Nonspendable	12,340	5,974	1,289	75,237	183,147	277,987
Restricted	0	0	0	0	216,311	216,311
Assigned	151,645	0	0	0	0	151,645
Unassigned	0	(39,246)	(1,574)	(80,266)	0	(121,086)
<i>Total Fund Balances</i>	<u>163,985</u>	<u>(33,272)</u>	<u>(285)</u>	<u>(5,029)</u>	<u>399,458</u>	<u>524,857</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 1,293,535</u>	<u>\$ 169,794</u>	<u>\$ 154,367</u>	<u>\$ 477,926</u>	<u>\$ 1,096,393</u>	<u>\$ 3,192,015</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, 2016

Total Governmental Fund Balances		\$ 524,857
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,853,573
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	\$ 144,888	
Income Tax	477,807	
Intergovernmental	215,293	
Accounts	136,218	974,206
The net pension liability is not due and payable in the current period, therefore, liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred Outflows - Pension	1,075,631	
Deferred Inflows - Pension	(71,716)	
Net Pension Liability	(3,576,221)	(2,572,306)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(75,000)	
OPWC Loans	(96,496)	
USDA Loans	(272,064)	
Roberts Building Note	(44,011)	
Revolving Loan	(12,300)	
Bond Premium	(2,469)	
Police and Fire Pension	(149,072)	
Capital Leases	(134,161)	
Compensated Absences	(117,308)	(902,881)
<i>Net Position of Governmental Activities</i>		\$ 1,877,449

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, 2016

	General	Street Maintenance and Repair	Fire and Ambulance	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Property and Other Local Taxes	\$ 167,300	\$ 0	\$ 0	\$ 0	\$ 286,039	\$ 453,339
Income Taxes	1,631,899	0	0	0	0	1,631,899
Charges for Services	140,502	0	681,552	0	39,565	861,619
Licenses and Permits	69,203	0	0	0	8,762	77,965
Fines and Forfeitures	94,531	0	0	0	6,876	101,407
Intergovernmental	220,493	310,364	0	0	59,960	590,817
Interest	1,592	2	0	306	251	2,151
Rent	2,700	0	8,700	0	0	11,400
Contributions and Donations	0	0	0	129	1,130	1,259
Other	65,418	1,102	15,587	2,508	14,465	99,080
<i>Total Revenues</i>	<u>2,393,638</u>	<u>311,468</u>	<u>705,839</u>	<u>2,943</u>	<u>417,048</u>	<u>3,830,936</u>
Expenditures						
Current:						
General Government	772,034	0	0	0	63	772,097
Security of Persons and Property	1,521,526	61	732,360	0	211,238	2,465,185
Public Health	20,269	0	0	0	16,507	36,776
Leisure Time Services	0	0	0	0	3,144	3,144
Community Development	0	0	0	13,010	18,200	31,210
Transportation	0	431,317	0	6,979	95,220	533,516
Capital Outlay	42,000	203,010	0	605,556	0	850,566
Debt Service:						
Principal Retirement	24,457	0	22,978	0	88,685	136,120
Interest and Fiscal Charges	6,092	0	3,943	0	15,184	25,219
<i>Total Expenditures</i>	<u>2,386,378</u>	<u>634,388</u>	<u>759,281</u>	<u>625,545</u>	<u>448,241</u>	<u>4,853,833</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>7,260</u>	<u>(322,920)</u>	<u>(53,442)</u>	<u>(622,602)</u>	<u>(31,193)</u>	<u>(1,022,897)</u>
Other Financing Sources (Uses)						
Proceeds of USDA Loans	0	203,100	0	0	0	203,100
Transfers In	0	3,000	14,167	0	22,562	39,729
Transfers Out	(25,562)	0	0	(14,167)	0	(39,729)
<i>Total Other Financing Sources (Uses)</i>	<u>(25,562)</u>	<u>206,100</u>	<u>14,167</u>	<u>(14,167)</u>	<u>22,562</u>	<u>203,100</u>
<i>Net Change in Fund Balance</i>	(18,302)	(116,820)	(39,275)	(636,769)	(8,631)	(819,797)
<i>Fund Balance Beginning of Year</i>	<u>182,287</u>	<u>83,548</u>	<u>38,990</u>	<u>631,740</u>	<u>408,089</u>	<u>1,344,654</u>
<i>Fund Balance End of Year</i>	<u>\$ 163,985</u>	<u>\$ (33,272)</u>	<u>\$ (285)</u>	<u>\$ (5,029)</u>	<u>\$ 399,458</u>	<u>\$ 524,857</u>

See accompanying notes to the basic financial statements.

City of Martins Ferry
Belmont County, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2016*

Net Change in Fund Balances - Total Governmental Funds		\$ (819,797)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	\$ 772,522	
Current Year Depreciation	<u>(317,077)</u>	455,445
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	61,603	
Income Tax	86,313	
Intergovernmental	1,591	
Accounts	<u>(83,987)</u>	65,520
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	75,000	
USDA Loans	8,316	
OPWC Loans	5,145	
Police and Fire Pension	5,234	
Roberts Building Note	14,662	
Revolving Loan	8,200	
Capital Lease	<u>19,563</u>	136,120
Debt proceeds issued in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues.		
USDA Loan		(203,100)
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.		
Amortization of Premium on Bonds		2,468
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		275,614
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.		
		(421,188)
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>(7,957)</u>
<i>Change in Net Position of Governmental Activities</i>		<u>\$ (516,875)</u>

See accompanying notes to the basic financial statements.

City of Martins Ferry
Belmont County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Property Taxes	\$ 157,857	\$ 172,060	\$ 167,300	\$ (4,760)
Income Taxes	1,520,105	1,616,005	1,611,043	(4,962)
Charges for Services	129,741	198,000	140,502	(57,498)
Licenses and Permits	67,353	71,200	71,382	182
Fines and Forfeitures	89,195	105,000	94,531	(10,469)
Intergovernmental	204,206	220,100	221,066	966
Interest	1,502	1,525	1,592	67
Rent	2,548	3,000	2,700	(300)
Contributions and Donations	0	3,000	0	(3,000)
Other	67,494	59,250	68,532	9,282
<i>Total Revenues</i>	<u>2,240,001</u>	<u>2,449,140</u>	<u>2,378,648</u>	<u>(70,492)</u>
Expenditures				
Current:				
General Government	440,579	810,798	800,187	10,611
Security of Persons and Property	1,534,304	1,546,439	1,532,900	13,539
Public Health	18,036	20,270	20,269	1
Transportation	221,879	0	0	0
Debt Service:				
Principal Retirement	0	4,895	4,894	1
<i>Total Expenditures</i>	<u>2,214,798</u>	<u>2,382,402</u>	<u>2,358,250</u>	<u>24,152</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>25,203</u>	<u>66,738</u>	<u>20,398</u>	<u>(46,340)</u>
Other Financing Sources (Uses)				
Transfers Out	0	(25,562)	(25,562)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(25,562)</u>	<u>(25,562)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	25,203	41,176	(5,164)	(46,340)
<i>Fund Balance Beginning of Year</i>	(119,533)	(119,533)	(119,533)	0
Prior Year Encumbrances Appropriated	2,514	2,514	2,514	0
<i>Fund Balance End of Year</i>	<u>\$ (91,816)</u>	<u>\$ (75,843)</u>	<u>\$ (122,183)</u>	<u>\$ (46,340)</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
Street Maintenance and Repair
For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 322,720	\$ 304,934	\$ 309,322	\$ 4,388
Interest	0	84	2	(82)
Other	1,150	9,982	1,102	(8,880)
<i>Total Revenues</i>	<u>323,870</u>	<u>315,000</u>	<u>310,426</u>	<u>(4,574)</u>
Expenditures				
Current:				
Transportation	326,287	310,200	421,755	(111,555)
Capital Outlay	0	203,100	203,010	90
<i>Total Expenditures</i>	<u>326,287</u>	<u>513,300</u>	<u>624,765</u>	<u>(111,465)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,417)</u>	<u>(198,300)</u>	<u>(314,339)</u>	<u>(116,039)</u>
Other Financing Sources (Uses)				
Proceeds of Loans	0	203,100	203,100	0
Transfers In	3,130	0	3,000	3,000
<i>Total Other Financing Sources (Uses)</i>	<u>3,130</u>	<u>203,100</u>	<u>206,100</u>	<u>3,000</u>
<i>Net Change in Fund Balance</i>	713	4,800	(108,239)	(113,039)
<i>Fund Balance Beginning of Year</i>	(713)	(713)	(713)	0
Prior Year Encumbrances Appropriated	1,626	1,626	1,626	0
<i>Fund Balance End of Year</i>	<u>\$ 1,626</u>	<u>\$ 5,713</u>	<u>\$ (107,326)</u>	<u>\$ (113,039)</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, 2016

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Charges for Services	\$ 891,023	\$ 736,100	\$ 698,586	\$ (37,514)
Rent	11,097	8,400	8,700	300
Other	19,881	10,000	15,587	5,587
<i>Total Revenues</i>	<u>922,001</u>	<u>754,500</u>	<u>722,873</u>	<u>(31,627)</u>
Expenditures				
Current:				
Security of Persons and Property	960,082	762,345	748,744	13,601
Debt Service:				
Principal Retirement	0	25,994	22,978	3,016
Interest and Fiscal Charges	0	3,981	3,943	38
<i>Total Expenditures</i>	<u>960,082</u>	<u>792,320</u>	<u>775,665</u>	<u>16,655</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(38,081)</u>	<u>(37,820)</u>	<u>(52,792)</u>	<u>(14,972)</u>
Other Financing Sources (Uses)				
Advances Out	<u>0</u>	<u>0</u>	<u>(3,051)</u>	<u>(3,051)</u>
<i>Net Change in Fund Balance</i>	(38,081)	(37,820)	(55,843)	(18,023)
<i>Fund Balance Beginning of Year</i>	38,082	38,082	38,082	0
Prior Year Encumbrances Appropriated	<u>8,412</u>	<u>8,412</u>	<u>8,412</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 8,413</u>	<u>\$ 8,674</u>	<u>\$ (9,349)</u>	<u>\$ (18,023)</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, 2016

	Enterprise Funds			
	Water	Sanitation	Sewer	Total
Assets				
<i>Current Assets:</i>				
Accounts Receivable	\$ 217,110	\$ 72,111	\$ 39,527	\$ 328,748
Interfund Receivable	277,848	0	0	277,848
Prepaid Items	2,094	737	350	3,181
Materials and Supplies Inventory	68,494	1,237	1,237	70,968
<i>Total Current Assets</i>	<u>565,546</u>	<u>74,085</u>	<u>41,114</u>	<u>680,745</u>
<i>Non-Current Assets:</i>				
Restricted Assets:				
Equity in Pooled Cash and Investments	3,425	647	1,278	5,350
Non-Depreciable Capital Assets	176,073	14,634	9,633	200,340
Depreciable Capital Assets, Net	14,620,316	565,402	623,704	15,809,422
<i>Total Non-Current Assets</i>	<u>14,799,814</u>	<u>580,683</u>	<u>634,615</u>	<u>16,015,112</u>
<i>Total Assets</i>	<u>15,365,360</u>	<u>654,768</u>	<u>675,729</u>	<u>16,695,857</u>
Deferred Outflows of Resources				
Pension	458,118	165,251	85,729	709,098
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	6,721	97	993	7,811
Accrued Wages	18,962	7,830	2,234	29,026
Contracts Payable	130,760	0	197,287	328,047
Intergovernmental Payable	12,647	4,781	2,092	19,520
Interfund Payable	0	58,946	2,735	61,681
Compensated Absences Payable	15,575	706	662	16,943
Capital Leases Payable	47,367	0	0	47,367
USDA Loans Payable	12,046	15,860	5,082	32,988
OPWC Loans Payable	44,097	0	0	44,097
OWDA Loans Payable	757,670	0	0	757,670
General Obligation Bonds Payable	20,000	0	0	20,000
<i>Total Current Liabilities</i>	<u>1,065,845</u>	<u>88,220</u>	<u>211,085</u>	<u>1,365,150</u>
<i>Long-Term Liabilities:</i>				
Compensated Absences Payable - Net of Current Portion	82,496	0	8,040	90,536
Capital Leases Payable - Net of Current Portion	145,033	0	0	145,033
USDA Loans Payable - Net of Current Portion	80,822	304,458	231,868	617,148
OPWC Loans Payable - Net of Current Portion	548,698	0	0	548,698
OWDA Loans Payable - Net of Current Portion	6,645,382	0	(3,618)	6,641,764
General Obligation Bonds Payable - Net of Current Portion	100,000	0	0	100,000
Refundable Deposits	3,425	647	1,278	5,350
Advances from Other Funds	21,756	7,800	3,681	33,237
Net Pension Liability (see Note 11)	1,209,792	436,392	226,391	1,872,575
<i>Total Long-Term Liabilities</i>	<u>8,837,404</u>	<u>749,297</u>	<u>467,640</u>	<u>10,054,341</u>
<i>Total Liabilities</i>	<u>9,903,249</u>	<u>837,517</u>	<u>678,725</u>	<u>11,419,491</u>
Deferred Inflows of Resources				
Pension	30,894	11,144	5,781	47,819
Net Position				
Net Investment in Capital Assets	6,374,283	259,718	202,718	6,836,719
Unrestricted	(484,948)	(288,360)	(125,766)	(899,074)
<i>Total Net Position</i>	<u>\$ 5,889,335</u>	<u>\$ (28,642)</u>	<u>\$ 76,952</u>	<u>\$ 5,937,645</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, 2016

	Enterprise Funds			
	Water	Sanitation	Sewer	Totals
Operating Revenues				
Charges for Services	\$ 3,337,138	\$ 711,363	\$ 310,689	\$ 4,359,190
Other	14,756	2,956	1,066	18,778
<i>Total Operating Revenues</i>	<u>3,351,894</u>	<u>714,319</u>	<u>311,755</u>	<u>4,377,968</u>
Operating Expenses				
Personal Services	1,564,875	556,012	296,711	2,417,598
Contractual Services	587,740	231,473	85,896	905,109
Materials and Supplies	214,660	40,586	25,626	280,872
Depreciation	735,410	37,224	17,650	790,284
<i>Total Operating Expenses</i>	<u>3,102,685</u>	<u>865,295</u>	<u>425,883</u>	<u>4,393,863</u>
<i>Operating Income (Loss)</i>	<u>249,209</u>	<u>(150,976)</u>	<u>(114,128)</u>	<u>(15,895)</u>
Non-Operating Revenues (Expense)				
Other Non-Operating Revenues	104	62	41	207
Interest and Fiscal Charges	(151,035)	(2,950)	(2,587)	(156,572)
<i>Total Non-Operating Revenues (Expense)</i>	<u>(150,931)</u>	<u>(2,888)</u>	<u>(2,546)</u>	<u>(156,365)</u>
<i>Income (Loss) Before Capital Contributions</i>	98,278	(153,864)	(116,674)	(172,260)
Capital Contributions	<u>396,969</u>	<u>0</u>	<u>62,308</u>	<u>459,277</u>
<i>Change in Net Position</i>	495,247	(153,864)	(54,366)	287,017
<i>Net Position Beginning of Year</i>	<u>5,394,088</u>	<u>125,222</u>	<u>131,318</u>	<u>5,650,628</u>
<i>Net Position End of Year</i>	<u>\$ 5,889,335</u>	<u>\$ (28,642)</u>	<u>\$ 76,952</u>	<u>\$ 5,937,645</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, 2016

	Enterprise Funds			
	Water	Sanitation	Sewer	Totals
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 3,350,461	\$ 717,517	\$ 299,289	\$ 4,367,267
Cash Received from Other Operating Receipts	14,756	2,956	1,066	18,778
Cash Payments to Suppliers for Goods and Services	(209,292)	(42,624)	(27,621)	(279,537)
Cash Payments to Employees for Services and Benefits	(1,467,082)	(520,830)	(268,080)	(2,255,992)
Cash Payments for Contractual Services	(587,740)	(231,473)	(85,896)	(905,109)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>1,101,103</u>	<u>(74,454)</u>	<u>(81,242)</u>	<u>945,407</u>
Cash Flows from Noncapital Financing Activities				
Other Non-Operating Receipts	104	62	41	207
Advances In	127,375	58,946	2,735	189,056
Advances Out	(286,364)	(2,315)	(9,815)	(298,494)
Principal Payments on Debt	(16,006)	0	0	(16,006)
Interest Payments on Debt	(4,984)	0	0	(4,984)
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>(179,875)</u>	<u>56,693</u>	<u>(7,039)</u>	<u>(130,221)</u>
Cash Flows from Capital and Related Financing Activities				
Capital Grants and Contributions	396,969	0	0	396,969
Proceeds of USDA Loan	0	236,950	236,950	473,900
Proceeds of OWDA Loans	2,475,660	0	764	2,476,424
Acquisition of Capital Assets	(2,589,060)	(232,444)	(182,236)	(3,003,740)
Principal Payments on Debt	(1,185,408)	(10,472)	(5,103)	(1,200,983)
Interest Payments on Debt	(146,051)	(2,950)	(2,587)	(151,588)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(1,047,890)</u>	<u>(8,916)</u>	<u>47,788</u>	<u>(1,009,018)</u>
<i>Net Increase (Decrease) in Cash and Investments</i>	(126,662)	(26,677)	(40,493)	(193,832)
<i>Cash and Investments Beginning of Year</i>	<u>130,087</u>	<u>27,324</u>	<u>41,771</u>	<u>199,182</u>
<i>Cash and Investments End of Year</i>	<u>\$ 3,425</u>	<u>\$ 647</u>	<u>\$ 1,278</u>	<u>\$ 5,350</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating Income (Loss)	\$ 249,209	\$ (150,976)	\$ (114,128)	\$ (15,895)
Adjustments:				
Depreciation	735,410	37,224	17,650	790,284
(Increase) Decrease in Assets and Deferred Outflows:				
Accounts Receivable	16,895	6,670	(10,288)	13,277
Prepaid Items	(2,094)	(737)	(350)	(3,181)
Materials and Supplies Inventory	6,617	(220)	(220)	6,177
Net Pension Asset	1,301	462	221	1,984
Deferred Outflows - Pension	(313,680)	(113,938)	(61,152)	(488,770)
Increase (Decrease) in Liabilities and Deferred Inflows:				
Accounts Payable	(1,249)	(1,818)	(1,775)	(4,842)
Accrued Wages	5,469	1,837	501	7,807
Customer Deposits	(3,572)	(516)	(1,112)	(5,200)
Compensated Absences Payable	8,541	(918)	373	7,996
Intergovernmental Payable	(13,373)	(4,530)	(2,065)	(19,968)
Deferred Inflows - Pension	16,190	5,920	3,279	25,389
Net Pension Liability	395,439	147,086	87,824	630,349
<i>Net Cash Provided by (Used For) Operating Activities</i>	<u>\$ 1,101,103</u>	<u>\$ (74,454)</u>	<u>\$ (81,242)</u>	<u>\$ 945,407</u>

Noncash Capital Financing Activities:

The water fund purchased \$233,683 and \$130,760 in capital assets on account in 2015 and 2016, respectively.

The sewer fund purchased \$197,287 in capital assets on account in 2016.

Governmental activities purchased capital assets in the amount of \$10,115, \$10,115 and \$75,804 for the water, sanitation and sewer funds, respectively.

See accompanying notes to the basic financial statements.

City of Martins Ferry
Belmont County, Ohio
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
December 31, 2016

	<u>Agency Funds</u>
Assets	
Equity in Pooled Cash and Investments	\$ <u>64,096</u>
Liabilities	
Undistributed Monies	\$ <u>64,096</u>

See accompanying notes to the basic financial statements.

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City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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*, No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14*, and No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*.

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, 2016

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, 2016

Street Maintenance & Repair Fund The street maintenance and repair special revenue fund is required by the Ohio Revised Code to account for state gasoline tax and motor vehicle registration fees designated for maintenance of streets within the City.

Fire 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, 2016

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 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, 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, 2016

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, 2016, but which were levied to finance 2017 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, 2016

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 2016, the City's investments were limited to certificates of deposit and a money market.

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 2016 amounted to \$1,592, which includes \$1,888 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. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2016 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the payment and an expenditure/expense is reported in the year in which services are consumed.

H. 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.

I. 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.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

J. Capital Assets

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

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

<u>Description</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Buildings	40 Years	40 Years
Building Improvements	20-50 Years	20-50 Years
Infrastructure	15-50 Years	15-50 Years
Equipment and Machinery	3-20 Years	3-20 Years
Vehicles	5 Years	5 Years

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

K. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them are reported as "due to/due from other funds."

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."

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

L. 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.

M. 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.

N. 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.

O. Fund Balance

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

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

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

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

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

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

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

P. 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.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Q. 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.

R. Interfund Activity

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

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

S. 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 2016.

T. 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.

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

For the year ended December 31, 2016, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASB Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. These changes were incorporated in the City's fiscal year 2016 note disclosures; however, there was no effect on beginning net position/fund balance.

City of Martins Ferry
Belmont County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the City.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the City.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of this statement did not result in any change in the City's financial statements as the City does not have any material GASB Statement No. 77 tax abatements.

GASB Statement No. 78 amends the scope of GASB Statement No. 68 to exclude certain multiple-employer defined benefit pension plans provided to employees of state and local governments on the basis that obtaining the measurements and other information required by GASB Statement No. 68 was not feasible. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the City.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the City.

Note 3 - Budgetary Basis of Accounting

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

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

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

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

Net Change in Fund Balance

	General	Street Maintenance and Repair	Fire and Ambulance
GAAP Basis	\$ (18,302)	\$ (116,820)	\$ (39,275)
Net Adjustment for Revenue Accruals	(14,990)	(1,042)	2,867
Net Adjustment for Expenditure Accruals	32,137	9,623	(18,421)
Adjustment for Encumbrances	(4,009)	0	(1,014)
Budget Basis	<u>\$ (5,164)</u>	<u>\$ (108,239)</u>	<u>\$ (55,843)</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.

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

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

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

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

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

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

City of Martins Ferry
Belmont County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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 forty percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

According to State law, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for uninsured public deposits and investments to be maintained in the City's name. During 2016, the City and public depositories complied with the provisions of these statutes.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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 \$845,405. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of December 31, 2016, \$651,078 of the City's bank balance of \$1,151,078 was exposed to custodial risk as discussed above, while \$500,000 was covered by Federal Deposit Insurance Corporation.

The City has no deposit policy for custodial credit risk beyond the requirements of state statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Note 5 - Interfund Activity

A. Interfund Balances

Interfund balances at December 31, 2016 consisted of the following:

	Interfund Receivable	Interfund Payable
Governmental:		
General	\$ 177,342	\$ 295,517
Street Maintenance and Repair	0	107,326
Fire and Ambulance	0	8,335
Permanent Improvement	17,669	0
Business-Type:		
Water	277,848	0
Sanitation	0	58,946
Sewer	0	2,735
Totals	\$ 472,859	\$ 472,859

The general fund advanced \$107,326 to the street maintenance fund, \$8,335 to the fire department and emergency squad fund, \$58,946 to the sanitation fund, and \$2,735 to the sewer fund to cover negative cash balances, while the water fund advanced \$277,848 and the permanent improvement fund advanced \$17,669 to cover the negative fund balance in the general fund. The interfund loans are expected to be repaid in 2016.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

	Advances to Other Funds	Advances from Other Funds
Governmental:		
General Fund	\$ 0	\$ 42,000
Permanent Improvement	75,237	0
Business-Type:		
Water	0	21,756
Sanitation	0	7,800
Sewer	0	3,681
Totals	\$ 75,237	\$ 75,237

In 2014, the permanent improvement fund advanced \$31,165 to the water fund for the purchase of a service truck. This advance is being repaid over 5 years with monthly payments of \$539 including 1.5 percent interest.

During 2016, the permanent improvement fund advanced \$33,726 to the water, sanitation and sewer funds for the purchase of various capital assets. These advances will be repaid in monthly installments over five years. Also during 2016, the permanent improvement fund advanced \$42,000 to the general fund for the purchase of a new police vehicle. This advance will be repaid over 42 months, interest free.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2016, consisted of the following:

Fund	Transfers Out	Transfers In
Governmental:		
General	\$ 25,562	\$ 0
Permanent Improvement	14,167	0
Street Maintenance and Repair	0	3,000
Fire and Ambulance	0	14,167
Nonmajor Governmental Funds:		
Safety Service	0	13,800
Division of Development	0	8,762
Totals	\$ 39,729	\$ 39,729

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

The \$14,167 transfer from the permanent improvement fund to the fire and ambulance fund was to forgive the remaining balance on two long-term advances from prior years.

In addition, governmental activities paid for capital assets in the amount of \$62,308 for the sewer fund.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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 2016 for real and public utility property taxes represents collections of the 2015 taxes.

2016 real property taxes were levied after October 1, 2016 on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

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.

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. 2016 public utility property taxes which became a lien December 31, 2014, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2016, was \$8.10 per \$1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2016 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Property	\$ 65,925,403
Public Utilities - Real	83,650
Public Utilities - Personal	<u>4,200,930</u>
 Total Assessed Value	 <u><u>\$ 70,209,983</u></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, 2016, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2016 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.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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 2016, the proceeds were receipted to the general fund.

Note 8 - Receivables

Receivables at December 31, 2016, 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.

The general fund reflects mortgage loans receivable of \$8,444. 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 2016 follows:

	Balance 12/31/2015	Additions	Reductions	Balance 12/31/2016
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	195,000	0	2,178,398
Building Improvements	975,458	0	0	975,458
Equipment and Machinery	1,019,034	0	0	1,019,034
Infrastructure	1,214,995	530,739	0	1,745,734
Vehicles	3,727,381	46,783	0	3,774,164
<i>Total Capital Assets, Being Depreciated</i>	<u>8,920,266</u>	<u>772,522</u>	<u>0</u>	<u>9,692,788</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(1,354,225)	(40,589)	0	(1,394,814)
Building Improvements	(806,766)	(9,987)	0	(816,753)
Equipment and Machinery	(678,949)	(56,339)	0	(735,288)
Infrastructure	(321,570)	(58,645)	0	(380,215)
Vehicles	(3,073,079)	(151,517)	0	(3,224,596)
<i>Total Accumulated Depreciation</i>	<u>(6,234,589)</u>	<u>(317,077)</u>	<u>0</u>	<u>(6,551,666)</u>
<i>Total Capital Assets, Being Depreciated, Net</i>	<u>2,685,677</u>	<u>455,445</u>	<u>0</u>	<u>3,141,122</u>
<i>Total Governmental Activities</i> <i>Capital Assets, Net</i>	<u>\$ 3,398,128</u>	<u>\$ 455,445</u>	<u>\$ 0</u>	<u>\$ 3,853,573</u>

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 16,255
Leisure Time Activities	38,413
Security of Persons and Property	187,708
Transportation	64,488
Community and Economic Development	1,220
Public Health	<u>8,993</u>
Total	<u>\$ 317,077</u>

	Balance 12/31/2015	Additions	Reductions	Balance 12/31/2016
Business-Type Activities				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 171,440	\$ 0	\$ 0	\$ 171,440
Construction in Progress	<u>937,569</u>	<u>2,508,679</u>	<u>(3,417,348)</u>	<u>28,900</u>
<i>Total Capital Assets Not Being Depreciated</i>	<u>1,109,009</u>	<u>2,508,679</u>	<u>(3,417,348)</u>	<u>200,340</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings	5,918,055	455,000	0	6,373,055
Building Improvements	2,024,094	0	0	2,024,094
Equipment and Machinery	8,650,121	233,633	0	8,883,754
Infrastructure	7,018,180	3,408,749	0	10,426,929
Vehicles	<u>1,307,022</u>	<u>5,425</u>	<u>0</u>	<u>1,312,447</u>
<i>Total Capital Assets, Being Depreciated</i>	<u>24,917,472</u>	<u>4,102,807</u>	<u>0</u>	<u>29,020,279</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(2,896,894)	(149,510)	0	(3,046,404)
Building Improvements	(1,069,702)	(91,189)	0	(1,160,891)
Equipment and Machinery	(5,714,742)	(274,085)	0	(5,988,827)
Infrastructure	(1,994,116)	(200,744)	0	(2,194,860)
Vehicles	<u>(745,119)</u>	<u>(74,756)</u>	<u>0</u>	<u>(819,875)</u>
<i>Total Accumulated Depreciation</i>	<u>(12,420,573)</u>	<u>(790,284)</u>	<u>0</u>	<u>(13,210,857)</u>
<i>Total Capital Assets, Being Depreciated, Net</i>	<u>12,496,899</u>	<u>3,312,523</u>	<u>0</u>	<u>15,809,422</u>
<i>Total Business-Type Capital Assets, Net</i>	<u>\$ 13,605,908</u>	<u>\$ 5,821,202</u>	<u>\$ (3,417,348)</u>	<u>\$ 16,009,762</u>

Depreciation expense was charged to the programs as follows:

Water	\$ 735,410
Sanitation	37,224
Sewer	<u>17,650</u>
Total	<u>\$ 790,284</u>

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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 (APEEP), 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.

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, 2016, 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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
<u>Casualty and Property Coverage</u>		
Assets	\$ 42,182,281	\$ 38,307,677
Liabilities	<u>(13,396,700)</u>	<u>(12,759,127)</u>
Net Position	<u>\$ 28,785,581</u>	<u>\$ 25,548,550</u>

At December 31, 2015 and 2016, respectively, the liabilities above include approximately \$11.5 million and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.0 million and \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. At December 31, 2016, the City's share of these unpaid claims collectible in future years is approximately \$71,000.

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.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

<u>Contributions to PEP</u>	
2014	\$ 98,398
2015	102,175
2016	112,964

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.

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 Liability

The net pension liability reported on the statement of net position represents a 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 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 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.

City of Martins Ferry
Belmont County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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 liability. Resulting adjustments to the net pension 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 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, 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 plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. 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 plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

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City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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.

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

	<u>State and Local</u>
2016 Statutory Maximum Contribution Rates	
Employer	14.00 %
Employee	10.00 %
2016 Actual Contribution Rates	
Employer:	
Pension	12.00 %
Post-employment Health Care Benefits	2.00
Total Employer	<u>14.00 %</u>
Employee	<u>10.00 %</u>

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$299,467 for 2016. Of this amount, \$29,048 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.op-f.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 after 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.

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:

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

	Police
2016 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee	12.25 %
 2016 Actual Contribution Rates	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	0.50
Total Employer	19.50 %
 Employee	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$134,825 for 2016. Of this amount \$13,962 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The City's proportion of the net pension 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:

	OPERS Traditional Plan	OPF	Total
Proportionate Share of the Net Pension Liability	\$ 3,534,057	\$ 1,914,739	\$ 5,448,796
Proportion of the Net Pension Liability	0.02040300%	0.02976400%	
Pension Expense	\$ 492,715	\$ 256,103	\$ 748,818

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City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS		Total
	Traditional Plan	OPF	
Deferred Outflows of Resources			
Net Difference between Projected and Actual Earnings on Pension Plan Investments	\$ 1,038,791	\$ 311,646	\$ 1,350,437
City Contributions Subsequent to the Measurement Date	299,467	134,825	434,292
Total Deferred Outflows of Resources	\$ 1,338,258	\$ 446,471	\$ 1,784,729
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$ 68,285	\$ 5,376	\$ 73,661
Changes in Proportionate Share	21,963	23,911	45,874
Total Deferred Inflows of Resources	\$ 90,248	\$ 29,287	\$ 119,535

\$434,292 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, 2017. 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		Total
	Traditional Plan	OPF	
2017	\$ 217,061	\$ 76,422	\$ 293,483
2018	233,670	76,422	310,092
2019	262,734	76,420	339,154
2020	235,078	59,810	294,888
2021	0	(5,643)	(5,643)
Thereafter	0	(1,072)	(1,072)
	\$ 948,543	\$ 282,359	\$ 1,230,902

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.

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 liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

<u>Actuarial Information</u>	<u>Traditional Pension Plan</u>
Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 percent to 10.05 percent, including wage inflation at 3.75 percent
COLA or Ad Hoc COLA	3.00 percent, simple
Investment Rate of Return	8.00 percent
Actuarial Cost Method	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 0.40 percent for 2015.

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 2015 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, 2016

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other Investments	18.00	4.59
Total	100.00 %	5.27 %

Discount Rate The discount rate used to measure the total pension liability was eight 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 liability.

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's Proportionate Share of the Net Pension Liability	\$ 5,630,616	\$ 3,534,057	\$ 1,765,676

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the City's net pension liability is expected to be significant.

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2015, 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, 2016

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Valuation Date	January 1, 2015
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, simple

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, 2015 are summarized below:

Asset Class	Target Allocation	10 Year Expected Real Rate of Return**	30 Year Expected Real Rate of Return**
Domestic Equity	16.00	6.50 %	7.80 %
Non-US Equity	16.00	6.70	8.00
Core Fixed Income*	20.00	3.50	5.35
Global Inflation Protected*	20.00	3.50	4.73
High Yield	15.00	6.35	7.21
Real Estate	12.00	5.80	7.43
Private Markets	8.00	9.50	10.73
Timber	5.00	6.55	7.35
Master Limited Partnerships	8.00	9.65	10.75
Total	<u>120.00</u> %		

Note: Assumptions are geometric.

* levered 2x

** Numbers include inflation

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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 earnings 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	\$ 2,525,284	\$ 1,914,739	\$ 1,397,547

Note 12 - Post-Employment Benefits

A. Ohio Public Employees Retirement System

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.

City of Martins Ferry
Belmont County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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 2015 CAFR details.

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 2016, 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 2016 as recommended by OPERS' actuary. 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 2016 was 4.0 percent.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2016, 2015, and 2014 were \$49,911, \$51,508 and \$51,994, respectively. For 2016, 90 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2015 and 2014.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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.

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, 2016 through December 31, 2016. 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 is also 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.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

The City's contributions to OPF, which were allocated to fund post-employment health care benefits, for police were \$3,548, \$3,360 and \$3,333 for the years ended December 31, 2016, 2015, and 2014, respectively. 90 percent has been contributed for police for 2016. The full amount has been contributed for 2015 and 2014.

Note 13 - Other Employee Benefits

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

The City contracts with a local Health Management Organization, Health Plan of the Upper Ohio Valley, for hospitalization insurance for all employees. The City pays \$1,404 of the total monthly premiums of \$1,560 for family coverage and \$540 of the monthly premiums of \$600 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries. City AFSCME Union employees and full-time police pay \$156 for family coverage and \$60 for single coverage.

The City contracts with Met Life for dental insurance for all supervisors. The City pays 100 percent of the total monthly premiums of \$114 for family coverage, \$66 for employees with only one dependent, and \$34 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 and police. The City pays 100 percent of the total monthly premiums of \$64 per union employee and \$26 per police. 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.

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City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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 - 2013	0.00	41,000	July 1, 2018
Street Paving OPWC Loan - 2015	0.00	97,880	January 1, 2026
USDA Loan- Equipment - 2015	3.25	77,280	November 1, 2023
USDA Loan- Building - 2016	2.875	203,100	June 1, 2046
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, 2032
Water Meters OWDA Loan - 2011	2.00	1,299,083	January 1, 2042
Water Treatment System Improvement Bonds - 2013	3.375-4.00	190,000	December 1, 2022
County Road 4 Waterline Replacement OWDA Loan - 2015	1.57	2,721,841 *	July 1, 2028
USDA Loan- Equipment - 2015	3.25	198,720	November 1, 2023
USDA Loan- Building - 2016	2.875	473,900	June 1, 2046
Cemetery Road Sewer Replacement OWDA Loan - 2016	2.220	219,167 *	July 1, 2036

*As of December 31, 2016, the entire amount of the loan has not been drawn down.

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City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

A schedule of changes in long-term obligations of the City during 2016 follows:

	Outstanding 12/31/2015	Additions	Deletions	Outstanding 12/31/2016	Due in One Year
Governmental Activities:					
General Obligation Bonds:					
Fire Truck	\$ 150,000	\$ 0	\$ (75,000)	\$ 75,000	\$ 75,000
Unamortized Premium	4,937	0	(2,468)	2,469	0
OPWC Loans:					
State Route 647	3,761	0	(251)	3,510	501
Street Paving	97,880	0	(4,894)	92,986	9,788
<i>Total OPWC Loans</i>	<u>101,641</u>	<u>0</u>	<u>(5,145)</u>	<u>96,496</u>	<u>10,289</u>
Roberts Building Note	58,673	0	(14,662)	44,011	15,108
State Fire Marshall Revolving Loan	20,500	0	(8,200)	12,300	8,200
USDA Loans:					
Equipment Loan	77,280	0	(8,316)	68,964	8,876
Building Loan	0	203,100	0	203,100	4,357
<i>Total USDA Loans</i>	<u>77,280</u>	<u>203,100</u>	<u>(8,316)</u>	<u>272,064</u>	<u>13,233</u>
Capital Leases	153,724	0	(19,563)	134,161	21,539
Police and Fire Pension	154,306	0	(5,234)	149,072	5,459
Compensated Absences	109,351	34,099	(26,142)	117,308	17,038
Net Pension Liability					
OPERS	1,251,893	409,589	0	1,661,482	0
OPF	1,571,702	343,037	0	1,914,739	0
<i>Total Governmental Activities</i>	<u>\$ 3,654,007</u>	<u>\$ 989,825</u>	<u>\$ (164,730)</u>	<u>\$ 4,479,102</u>	<u>\$ 165,866</u>
Business-Type Activities:					
OWDA Loans:					
Ferryview/Sharon Road Waterlines	\$ 1,683,466	\$ 0	\$ (172,511)	\$ 1,510,955	\$ 175,979
Water Treatment Plant	2,975,109	0	(471,609)	2,503,500	481,041
Water Meters	859,589	0	(25,495)	834,094	26,007
County Rd 4 Waterline Replacement	511,610	2,078,691	(35,798)	2,554,503	74,643
County Rd 4 Waterline Replacement Principal Forgiveness	0	396,969	(396,969)	0	0
Cemetery Road Sewer Replacement	0	764	(4,382)	(3,618)	0
<i>Total OWDA Loans</i>	<u>6,029,774</u>	<u>2,476,424</u>	<u>(1,106,764)</u>	<u>7,399,434</u>	<u>757,670</u>
OPWC Loans:					
Woodmont Street Pump Project	144,706	0	(5,788)	138,918	11,576
Woodmont Pump Station	7,500	0	(500)	7,000	1,000
Water Tank	158,865	0	(6,178)	152,687	12,541
Water Treatment Plant and Well Field	303,680	0	(9,490)	294,190	18,980
<i>Total OPWC Loans</i>	<u>614,751</u>	<u>0</u>	<u>(21,956)</u>	<u>592,795</u>	<u>44,097</u>
General Obligation Bonds:					
Water Treatment System Improvement	140,000	0	(20,000)	120,000	20,000
USDA Loans:					
Equipment Loan	198,720	0	(22,484)	176,236	22,824
Building Loan	0	473,900	0	473,900	10,164
<i>Total USDA Loans</i>	<u>198,720</u>	<u>473,900</u>	<u>(22,484)</u>	<u>650,136</u>	<u>32,988</u>
Capital Leases	238,185	0	(45,785)	192,400	47,367
Compensated Absences	99,483	24,571	(16,575)	107,479	16,943
Net Pension Liability - OPERS	1,242,226	630,349	0	1,872,575	0
<i>Total Business-Type Activities</i>	<u>\$ 8,563,139</u>	<u>\$ 3,605,244</u>	<u>\$ (1,233,564)</u>	<u>\$ 10,934,819</u>	<u>\$ 919,065</u>

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2016*

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 OWDA loan for the County Road 4 waterline project has not been fully drawn down and therefore, has no amortization schedule available at this time. 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 equipment loan will be repaid from the general, water and sanitation funds. The USDA building loan will be repaid from the street, sewer and sanitation funds. The police and fire pension liability will be paid from general property tax revenues. The capital leases will be paid from the general and water 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 \$8,642,365 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 21 percent. The total principal and interest remaining to be paid on the loans is \$9,436,778. Principal and interest paid for the current year and total net revenues were \$895,039 and \$1,233,873, respectively.

Principal and interest requirements to retire governmental activities debt at December 31, 2016 are as follows:

Year	General Obligation Bonds		Police and Fire Pension		USDA Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 75,000	\$ 1,782	\$ 5,459	\$ 6,278	\$ 13,233	\$ 7,639
2018	0	0	5,693	6,044	13,665	7,657
2019	0	0	5,938	5,799	14,102	7,230
2020	0	0	6,193	5,544	14,515	6,792
2021	0	0	6,469	5,278	14,987	6,334
2022-2026	0	0	36,700	21,984	48,114	25,459
2027-2031	0	0	45,289	13,395	30,630	20,347
2032-2036	0	0	37,331	2,218	35,293	15,683
2037-2041	0	0	0	0	40,667	10,310
2042-2046	0	0	0	0	46,858	4,118
Totals	<u>\$ 75,000</u>	<u>\$ 1,782</u>	<u>\$ 149,072</u>	<u>\$ 66,540</u>	<u>\$ 272,064</u>	<u>\$ 111,569</u>

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Year	Roberts Building Note		State Fire	OPWC Loans	Total	
	Principal	Interest	Marshall Loan Principal	Principal	Principal	Interest
2017	\$ 15,108	\$ 1,114	\$ 8,200	\$ 10,289	\$ 127,289	\$ 16,813
2018	15,568	655	4,100	10,289	49,315	14,356
2019	13,335	185	0	10,290	43,665	13,214
2020	0	0	0	10,289	30,997	12,336
2021	0	0	0	10,289	31,745	11,612
2022-2026	0	0	0	45,050	129,864	47,443
2027-2031	0	0	0	0	75,919	33,742
2032-2036	0	0	0	0	72,624	17,901
2037-2041	0	0	0	0	40,667	10,310
2042-2046	0	0	0	0	46,858	4,118
Totals	<u>\$ 44,011</u>	<u>\$ 1,954</u>	<u>\$ 12,300</u>	<u>\$ 96,496</u>	<u>\$ 648,943</u>	<u>\$ 181,845</u>

Principal and interest requirements to retire business-type activities debt at December 31, 2016 are as follows:

Year	OWDA Loans		OPWC Loans		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 683,027	\$ 95,967	\$ 44,097	\$ 2,991	\$ 20,000	\$ 4,050
2018	696,708	82,286	44,349	2,739	20,000	3,375
2019	710,663	68,332	44,606	2,482	20,000	2,700
2020	724,897	54,096	44,868	2,220	20,000	2,025
2021	739,562	39,431	45,136	1,952	20,000	1,350
2022-2026	1,293,692	173,674	226,890	5,553	20,000	675
2027-2031	0	0	133,359	230	0	0
2032-2036	0	0	9,490	0	0	0
2037-2041	0	0	0	0	0	0
2042-2046	0	0	0	0	0	0
Totals	<u>\$ 4,848,549</u>	<u>\$ 513,786</u>	<u>\$ 592,795</u>	<u>\$ 18,167</u>	<u>\$ 120,000</u>	<u>\$ 14,175</u>

Year	USDA Loans		Total	
	Principal	Interest	Principal	Interest
2017	\$ 32,988	\$ 18,354	\$ 780,112	\$ 121,362
2018	34,073	18,328	795,130	106,728
2019	35,165	17,260	810,434	90,774
2020	36,194	16,167	825,959	74,508
2021	37,377	15,023	842,075	57,756
2022-2026	116,294	59,594	1,656,876	239,496
2027-2031	71,471	47,475	204,830	47,705
2032-2036	82,351	36,594	91,841	36,594
2037-2041	94,889	24,056	94,889	24,056
2042-2046	109,334	9,609	109,334	9,609
2046	0	0	0	0
Totals	<u>\$ 650,136</u>	<u>\$ 262,460</u>	<u>\$ 6,211,480</u>	<u>\$ 808,588</u>

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 16 - Capitalized Leases - Lessee Disclosure

During 2011 the City entered into a capitalized lease 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 asset acquired by the lease was capitalized in the enterprise funds in the amount of \$65,865. Accumulated depreciation was \$38,793 as of December 31, 2016, leaving a current book value of \$27,072. 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 was paid in full in 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. Accumulated depreciation was \$15,014 as of December 31, 2016, leaving a current book value of \$105,101. 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, 2016:

	Governmental Activities	Business-Type Activities
2017	\$ 25,655	\$ 54,087
2018	25,655	54,087
2019	25,655	43,055
2020	25,655	20,991
2021	25,655	20,991
2022-2025	19,241	15,744
	147,516	208,955
Less amount representing interest	13,355	16,555
Present value of minimum lease payments	\$ 134,161	\$ 192,400

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 2016. 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, 2016

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 2016. 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 2016, OMEGA received \$1,187 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 2016, 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, 2016

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	\$ 2,424
Fire and Ambulance	890
Permanent Improvement	57,029
Other Governmental Funds	2,704
Totals	\$ 63,047

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	Street Maintenance and Repair	Fire and Ambulance	Permanent Improvement	Other Governmental Funds	Total
Nonspendable for:						
Long Term Receivable	\$ 8,444	\$ 0	\$ 0	\$ 75,237	\$ 0	\$ 83,681
Inventory	849	5,527	0	0	714	7,090
Prepays	3,047	447	1,289	0	286	5,069
Endowment	0	0	0	0	182,147	182,147
Total Nonspendable	12,340	5,974	1,289	75,237	183,147	277,987
Restricted for:						
Street, Highway, City						
Improvement	0	0	0	0	18,444	18,444
Public Safety/Law Enforcement	0	0	0	0	139,097	139,097
Community Development	0	0	0	0	35,908	35,908
Recreation	0	0	0	0	160	160
Other Purposes	0	0	0	0	22,702	22,702
Total Restricted	0	0	0	0	216,311	216,311
Assigned for:						
Encumbrances:						
General Government	5	0	0	0	0	5
Security of Persons and Property	2,419	0	0	0	0	2,419
Subsequent Year Appropriations	149,221	0	0	0	0	149,221
Total Assigned	151,645	0	0	0	0	151,645
Unassigned	0	(39,246)	(1,574)	(80,266)	0	(121,086)
Total Fund Balance	\$ 163,985	\$ (33,272)	\$ (285)	\$ (5,029)	\$ 399,458	\$ 524,857

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Fund balances at December 31, 2016, included the following individual fund deficits:

	<u>Deficit Fund</u> <u>Balance</u>
Major Funds:	
Street Maintenance and Repair	\$ (33,272)
Fire and Ambulance	\$ (285)
Permanent Improvement	\$ (5,029)

The deficits in the 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, 2016.

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

A. Contrary to Ohio Rev. Code § 5705.41(B), budgetary expenditures exceeded appropriation authority in the Street Maintenance and Repair and Sanitation Funds' by \$109,929 and \$44,173, respectively, for the year ended December 31, 2016. Moving forward, the City will monitor expenditures closely and amend appropriations as necessary to avoid noncompliance with budgetary requirements.

B. Contrary to Ohio Rev. Code § 5705.10(I), at December 31, 2016, the following funds had a cash deficit balance:

- General Fund (\$122,821)
- Street Maintenance and Repair Fund (\$107,416)
- Fire and Ambulance Fund (\$8,337)
- Sanitation Fund (\$54,523)
- Sewer Fund (\$2,179)

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

The City is currently in the process of developing a formal fiscal plan to address the state of the City's financial condition.

- C. Martins Ferry, Ordinance 5859, Section 4 (1969) states, in part, the balance of the proceeds from the sale of the electric generating plant shall be placed into a special fund, hereby established for the purpose of construction or acquisition of permanent improvements. Ohio Rev. Code § 5705.01(E) defines a permanent improvement as "any property, asset, or improvement with an estimated life or usefulness of five years or more, including land and interests therein, and reconstructions, enlargements, and extensions thereof having an estimated life or usefulness of five years or more."

Routine maintenance expenditures in the amount of \$86,077 were charged to the Permanent Improvement Fund during 2016 that should have been charged to the General Fund. The City has adjusted their accounting records and the accompanying financial statements to reflect the expenditures in the General Fund.

Note 22 - Financial Difficulties

The General Fund ended 2016 with a deficit cash fund balance of \$122,821. The general fund typically transfers funds to various special revenue funds throughout the year to subsidize deficits in those funds. As of December 31, 2016, the general fund was unable to make transfers to other funds as needed and required the water fund and the permanent improvement to advance \$277,848 and \$17,669, respectively, to cover the deficit of the General fund, street maintenance and repair fund, fire and ambulance fund, sanitation fund, and sewer fund. The City has not taken the appropriate steps to reduce expenditures to sustainable levels.

Note 23 - Subsequent Events

- A. On May 17, 2017, City Council passed ordinance 2017-08 authorizing the Mayor to purchase a new fire truck for \$488,616. To finance the purchase of the fire truck the City issued a fire truck acquisition bond in the amount of \$488,616 dated September 6, 2017 with a maturity date of December 1, 2022. Payments on the bond will be made from the Fire Levy V Fund.
- B. On October 4, 2017, Council moved to purchase a street sweeper in the amount of \$161,497. This purchase will be financed over seven years with payback of 3.2% interest and a five year warranty.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>			
City's Proportion of the Net Pension Liability	0.0204030%	0.0206790%	0.0206790%
City's Proportionate Share of the Net Pension Liability	\$ 3,534,057	\$ 2,494,119	\$ 2,437,785
City's Covered-Employee Payroll	\$ 2,539,275	\$ 2,535,233	\$ 2,001,838
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	139.18%	98.38%	121.78%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%
<i>Ohio Police and Fire Pension Fund (OPF)</i>			
City's Proportion of the Net Pension Liability	0.0297640%	0.0303393%	0.0303393%
City's Proportionate Share of the Net Pension Liability	\$ 1,914,739	\$ 1,571,702	\$ 1,477,619
City's Covered-Employee Payroll	\$ 672,031	\$ 666,532	\$ 411,538
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	284.92%	235.80%	359.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.77%	72.20%	73.00%

(1) Information prior to 2014 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>				
Contractually Required Contribution	\$ 299,467	\$ 304,713	\$ 304,228	\$ 260,239
Contributions in Relation to the Contractually Required Contribution	<u>(299,467)</u>	<u>(304,713)</u>	<u>(304,228)</u>	<u>(260,239)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll	\$ 2,495,558	\$ 2,539,275	\$ 2,535,233	\$ 2,001,838
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	13.00%
<i>Ohio Police and Fire Pension Fund (OPF)</i>				
Contractually Required Contribution	\$ 134,825	\$ 127,686	\$ 126,968	\$ 64,735
Contributions in relation to the contractually required contribution	<u>(134,825)</u>	<u>(127,686)</u>	<u>(126,968)</u>	<u>(64,735)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll	\$ 709,605	\$ 672,031	\$ 666,532	\$ 411,538
Contributions as a percentage of covered-employee payroll	19.00%	19.00%	19.05%	15.73%

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

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	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
<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>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 960,039	\$ 812,173	\$ 790,243	\$ 931,404	\$ 864,612	\$ 888,549
12.75%	12.75%	12.75%	12.75%	12.75%	12.75%

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

City of Martins Ferry
Belmont County
35 South 5th Street
Martins Ferry, Ohio 43935

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 7, 2018, wherein we noted the City has been experiencing financial difficulties in recent years and has not reduced expenses to sustainable levels.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. We consider findings 2016-004 through 2016-006 described in the accompanying Schedule of Findings to be material weaknesses.

A significant deficiency is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2016-007 and 2016-008 described in the accompanying Schedule of Findings to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2016-001 through 2016-005.

City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the City's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dave Yost
Auditor of State
Columbus, Ohio

February 7, 2018

CITY OF MARTINS FERRY
BELMONT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016

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

FINDING NUMBER 2016-001

Finding for Recovery

William Glaser, retired Water Maintenance employee, had been employed with the City since May 2, 1991. Mr. Glaser completed a letter of retirement on December 14, 2015, which noted that his last day of service would be February 29, 2016. As of February 29, 2016, Mr. Glaser was employed with the City a total of 24 years and 10 months, which is short of 25 years of service or more. Per Article 25 Section 25.2 in the contract between the City of Martins Ferry and the American Federation of State, County, and Municipal Employees, Ohio Council 8, Local 1260, employees who retire from employment with the City of Martins Ferry shall receive payment for their accumulated but unused sick leave in accordance with the following schedule:

- 10 years of service but less than 15 years - 240 hours
- 15 years of service but less than 25 years - 480 hours
- 25 years of service or more - 720 hours

Mr. Glaser was paid 514.06 hours of sick leave at \$17.71 an hour totaling \$9,104. The employee had less than 25 years of service with the City and should have only received sick leave payout totaling \$8,500, an overpayment in the amount of \$604.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against William Glaser, retired Water Maintenance employee, in the amount of \$604 in favor of the City of Martins Ferry's Water Fund.

Additionally, under Ohio Law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Atty. Gen. No. 80-074; Ohio Rev. Code § 9.39; *State ex rel. Village of Linndale v. Masten*, 18 Ohio St.3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. See 1980 Op. Att'y Gen. No. 80-074.

City Auditor, Rita Randall, and City Treasurer, Rhonda Bernardo, signed the check resulting in improper payment. Therefore, City Auditor Rita Randall and City Treasurer Rhonda Bernardo will be jointly and severally liable in the amount of \$604 in favor of the City of Martins Ferry's Water Fund.

On October 16, 2017, the City and Mr. Glaser agreed to a repayment plan in which an initial payment of \$100 was paid to the City on September 14, 2017. The remaining balance will be paid by Mr. Glaser at \$40 per month. On October 20, 2017, November 15, 2017, December 18, 2017, and January 18, 2018, Mr. Glaser made monthly payments in the amount of \$40 each, leaving an outstanding balance of \$344.

Officials' Response: We will monitor the payments and attempt to come up with a solution of double checking calculations.

CITY OF MARTINS FERRY
BELMONT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016
(Continued)

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

FINDING NUMBER 2016-002

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits subdivisions or taxing authorities from expending money unless it has been appropriated as provided in such chapter.

As of December 31, 2016, the City's expenditures exceeded appropriations in the Street Maintenance and Repair and Sanitation funds. The Street Maintenance and Repair fund expended \$421,755 and appropriated \$311,826, a variance of \$109,929. Sanitation fund expended \$806,624 and appropriated \$762,451, a variance of \$44,173.

Failure to limit expenditures within approved appropriations resulted in the City overspending.

The City Auditor should compare expenditures to appropriations on a monthly basis. If appropriations are needed, in addition to those already adopted, City Council should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The City Auditor/ Treasurer should deny requests for payment when appropriations are not available.

Official's Response: It is my intent (City Auditor) to better control appropriations and make changes where possible.

FINDING NUMBER 2016-003

Noncompliance

Ohio Rev. Code § 5705.10(I) provides that money paid into any fund shall be used for the purpose for which it was established. A fund with a negative fund balances signifies that monies from other funds were used to meet their obligations.

The following funds had deficit balances as of December 31, 2016:

- General Fund 001 (\$122,821)
- Street Maintenance and Repair Fund 021 (\$107,416)
- Fire and Ambulance Fund 047 (\$8,337)
- Sanitation Fund 102 (\$54,523)
- Sewer Fund 105 (\$2,179)

During 2016, the City did not properly monitor fund balances and spent monies that were not available for expenditure.

The City should closely monitor cash fund balances and expenditures to avoid deficit cash fund balances. Council should review the City's finances and formulate a plan for the elimination of deficit balances.

Official's Response: The City Auditor will monitor the funds and if it is determined to be running in the red spending will be frozen and notice will be sent out stating payroll can't be honored.

**CITY OF MARTINS FERRY
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-004

Noncompliance and Material Weakness

Martins Ferry, Ordinance 5859, § 4 (1969) states, in part, the balance of the proceeds from the sale of the electric generating plant shall be placed into a special fund, hereby established for the purpose of construction or acquisition of permanent improvements.

Ohio Rev. Code § 5705.01(E) defines a permanent improvement as "any property, asset, or improvement with an estimated life or usefulness of five years or more, including land and interests therein, and reconstructions, enlargements, and extensions thereof having an estimated life or usefulness of five years or more."

This fund remains on the City's books as fund 081 Permanent Improvement Fund (PI Fund) and at December 31, 2016 had a remaining cash balance of \$316,610. The City has used this PI Fund to cover routine expenditures that likely should be made out of other funds, but as the City continues to struggle financially the funds that should be paying for these routine expenditures are in distress.

During 2016, the City charged expenditures in the aggregate amount of \$86,077 to the PI Fund for routine items such as repairs on a brush hog, packer truck, and a sewer vacuum truck. Other routine items expended from this fund included tires, brakes, oil filters, batteries, head light bulbs, etc. for various City vehicles. These types of expenditures do not meet the definition of a permanent improvement as defined by the Ohio Rev. Code section noted above and thus would not be allowable from the PI Fund.

An adjustment, to which management agrees, has been posted to the accounting records and is reflected in the accompanying financial statements to charge these expenditures in the aggregate amount of \$86,077 to the City's General Fund.

The City should charge routine expenditures to the appropriate funds and only use the PI fund for expenditures that meet the definition of a permanent improvement.

Official's Response: Corrections have been made to control expenditures from Permanent Improvement and to assure it is for capital assets.

FINDING NUMBER 2016-005

Noncompliance and Material Weakness

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, adjustments, and collection system. Knowledge of the operating system, as well as, the daily operating requirements should be understood by the appropriate personnel.

**CITY OF MARTINS FERRY
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2016-005
(Continued)**

Noncompliance and Material Weakness (Continued)

In addition, Martins Ferry, Codified Ordinances, § 933.03 (1986) specifically addresses the treatment of delinquent utility charges. The codified ordinance reads as follows:

- 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.

During our testing of the City adjustments, we noted the following issues:

- There were 1,798 noncash adjustments made during fiscal year 2016 including, but not limited to, customers being double billed or over billed, penalty forgiveness, meter reading errors, account write-offs, and late shut off of accounts.
- Significant noncash adjustments are being made without proper approvals of the Service Director and/or Utility Manager.
- There was \$65,678,583 in large noncash adjustments due to errors in the meter readings that were not caught prior to billing.

During our testing of the billing and collection function, we noted the following:

- City Council does not approve utility rates.
- Service Director does not have an approved rate schedule for water, sewer, and sanitation.
- System billing rate schedules were overly complex making billing processing cumbersome and increasing the risk of errors in billing.
- There is no formal review and approval of deleted customer billings.
- Customer deposits on accounts are not properly accounted for and reconciled.
- There are inconsistencies in billing practices, including, but not limited to, when penalties are assessed on customer accounts, how penalties are calculated, when services should be terminated for outstanding balances, confusion regarding what the appropriate rates are for specific customers, confusion whether or not customers should be billed for specific services, customers being over or under-billed due to incorrect rate codes being entered into the system.
- General lack of knowledge regarding the City's utility billing system and proper billing procedures.

During our testing of the billing function, we noted the following issues on some employee accounts:

- Billing was shut off.
- Do not receive penalties for late or nonpayment.
- Did not pay any utility bills during fiscal year 2016.
- Carried large balances with nonpayment and did not get shut off.
- Deleted billings without approval or re-billing.
- Employees with balances on two accounts.

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

**CITY OF MARTINS FERRY
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2016-005
(Continued)**

Noncompliance and Material Weakness (Continued)

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. The City hired a Utility Manager during fiscal year 2016; however, there is significant lack of knowledge of the accounting system for proper reviews of reports and employee postings. In addition, there has been a general lack of accountability over utility rates, billings and collections for several years.

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.

The City should take the following steps:

- Establish a policy to address discontinuance of service pursuant to Ordinance 933.03.
- The City Service Director and/ or Utility Manager should review all noncash adjustments, as well as, periodically review customer accounts to ensure delinquency and shut off notices are being sent and completed on all customers.
- The City should hold employees accountable for account balances, and on-time payment of accounts, as not all employees are receiving the comparable benefit.

Council should establish policies it expects management to adhere to in managing daily operations of the utility office. The policies should address items such as the charging of penalties, proper procedures for deleted billings and noncash adjustments, and expected billing and collection procedures.

Officials' Response: 2016 was a year of transition in the Utility Office. This administration arrived to find multiple accounts were being billed or double billed in amounts well beyond what was correct. These accounts were corrected when discovered. The office also experienced a loss of two employees for a period of time due to sick leave and pregnancy leave. This left the City without personnel with knowledge of the billing system.

Some of the reasons for overbilling were computer issues stemming from miscommunication between several different software systems. For example, the software used to read the meters would miscommunicate with the billing software resulting in double readings and non-readings. A second issue was the fact that the types of meters installed were not the best meters for the application. The types of meters used are commonly found in multi-residences such as apartment buildings. Human error also contributed to billing issues as well.

There is no debating that the billing rate schedules were overly complex. This appears to be due to the fact that the City was unmetered for years and therefore each type of business was segmented into various rate categories. Many of these rate categories were eliminated when the new software system was installed.

**CITY OF MARTINS FERRY
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016
(Continued)**

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

**FINDING NUMBER 2016-005
(Continued)**

Noncompliance and Material Weakness (Continued)

Officials' Response (Continued)

Through work completed with the help of the Water Superintendent, many of the meter problems have been corrected and the work continues. Additionally, a new software system designed and installed by a new company has helped the office begin the process of correcting the aforementioned problems while leaving behind an outdated system no longer up to the task. Likewise a full inspection of the sanitation routes including actual dumpsters in use versus billed dumpsters was also conducted with many corrections taking place.

A written utility policy published on the City's website and available for review at the Utility Office has been issued by the Service Director which has helped to standardize the process of payment arrangements, penalty assessment, and city versus customer responsibilities. All adjustments made to accounts must be approved by the Service Director and/or Utility Office Manager.

Because the Utility Office is responsible for collecting other City fees other than utilities, training will take place regularly regarding the Accounts Receivable software. It is this administration's intention to have yearly training to keep the Utility Office staff well versed in utilizing all the software has to offer.

FINDING NUMBER 2016-006

Material Weakness

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The City levies a permissive motor vehicle license tax which is collected by the State and subsequently distributed to the City. During 2016 the City received \$65,065 of this locally levied tax. The City posted these monies to the Permissive Tax City Fund as Intergovernmental Revenue instead of Property and Other Local Taxes.

This adjustment was agreed to by City management and is reflected in the accompanying financial statements.

In addition to the adjustments listed above, we also identified additional misstatements ranging from \$2,846 to \$38,743 that we have brought to the City's attention.

The City did not have procedures in place to ensure transactions are posted to the correct account.

The City Auditor should appropriately classify and record all receipt transactions based on the source of the receipt. As the source of receipts for a City is similar to a Village the Ohio Village Officer's Handbook (March 2017), which can be found on the Auditor of State website, could be a useful tool to assist the City where a particular type of receipt or expenditure should be posted.

Official's Response: Correction has been made.

**CITY OF MARTINS FERRY
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-007

Significant Deficiency

City management is responsible for maintaining an accounting system and accounting records sufficient to enable the City to identify, assemble, analyze, classify, record and report its transactions and maintain accountability for its related assets and liabilities. The accounting system should assure that the financial statement assertions are achieved for all transaction types and account balances.

During our testing of payroll, we noted the following:

- The City does not have procedures in place to review the pay rates that are being entered into the accounting system, which could cause over or underpayment to employees. Various rates are used based on the different union contracts, out of classification wage, additional duties performed, afternoon or night differentials, whether an employee worked during the weekend or a holiday, and if they were working a different position for that pay period. The Payroll Clerk has to input different rates each pay period for multiple employees. We noted no secondary review of the various rates being used.
- Leave and compensatory time records are maintained manually in a binder by the Payroll Clerk. There is no secondary review of the amount being posted to the leave records to ensure the proper amounts are being used and carried forward. Binders are kept manually from year to year, which increases the risk of errors with no oversight.
- Employee time sheets did not agree to the departmental spreadsheets provided to the payroll clerk for five out of twenty-one employees tested.
- The Employee Handbook- Personnel Records states that "The City will maintain a file on each employee. An employee's personnel file begins with his/her completed employment application form and release statement. From time to time, information will be added to this personnel file regarding an individual's employment status with the City. All official records concerning an employee will be kept up to date." Personnel files are not maintained for City employees, which should include employee's job classifications and date of hire. The City was unable to provide job classifications for six employees and the appropriate documentation on date of hire for ten employees tested. Employees are paid based on their job classification, bid awards, and longevity with the City.

The City should consider implementing the following procedures:

- Pay rates input into the system should be reviewed by management to ensure they are entered and being used appropriately.
- Due to the City not using an automated system for tracking leave and compensatory time, records should be reviewed by management to ensure the proper amounts are being recorded and carried forward. There is significant risk of error with no oversight, as leave binders date back over 20 years for some employees.
- Management should ensure that employee time sheets agree to their departmental spreadsheets so employees are not over or underpaid.
- Personnel files should be maintained by each department.

Official's Response: Working with payroll clerk on how to set up checks and balances. Also corrections will be set up with the help of the payroll clerk.

**CITY OF MARTINS FERRY
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016
(Continued)**

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

FINDING NUMBER 2016-008

Significant Deficiency

The City should have internal controls in place to reasonably assure that budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances.

Budgeted receipts adopted by the legislative body should reconcile to the budgeted receipts recorded in the accounting system.

As of year-end, the City's accounting system total expected revenue did not agree to the final Amended Official Certificate of Estimated Resources. The following table details these variances:

Fund	Amended Official Certificate of Estimated Resources	Amount Posted to the City's Accounting System	Variance
General	\$2,449,140	\$2,304,572	\$144,568
Street Maintenance and Repair	315,000	320,084	(5,084)
Fire and Ambulance	754,500	911,650	(157,150)
Permanent Improvement	0	25,174	(25,174)
Water	8,311,500	5,746,750	2,564,750
Sanitation	735,000	740,000	(5,000)
Sewer	310,000	291,200	18,800

Failure to input the approved Amended Official Certificate of Estimated Resources in the accounting system could result in improper reporting and comparison of budgetary data.

The City Auditor should update the accounting system with legislatively approved Amended Official Certificates of Estimated Resources as they occur to prevent improper reporting of budgetary data.

Official's Response: Corrections being made and triple checked.

City of Martins Ferry

Rita K. Randall
Auditor

35 South 5th Street
Martins Ferry, OH 43935

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Material Weakness-Utility Customer Billings/ Material Noncompliance with City Charter	Not Corrected	The conversion to the new system took longer than first expected. Now that the new system is in place, we anticipate fewer issues. Council approved the first rate increase in September, 2016.
2015-002	Material Weakness-Fiscal Plan	Not Corrected	It is the City's intent to be fiscally responsible and control spending.
2015-003	Material Noncompliance-Deficit Cash Fund Balances	Not Corrected	The City is currently working on getting spending in control in order to bring funds out of the negative and stay financially sound.
2015-004	Material Noncompliance-Expenditures Exceeding Appropriations	Not Corrected	It is the City Auditor's intent to keep better track of spending and change appropriations where needed as part of being fiscally responsible and keeping spending in control.
2015-005	Appropriations Exceeding Estimated Resources	Corrected	The City will continue to ensure that appropriations do not exceed estimated resources.