



Dave Yost • Auditor of State

**CITY OF MARTINS FERRY
BELMONT COUNTY
DECEMBER 31, 2017**

TABLE OF CONTENTS

TITLE	PAGE	
Independent Auditor's Report	1	
Prepared by Management:		
Management's Discussion and Analysis	3	
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	13	
Statement of Activities.....	14	
Fund Financial Statements:		
Balance Sheet		
Governmental Funds	15	
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities		16
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds		17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....		18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual General Fund.....		19
Fire and Ambulance Fund		20
Statement of Fund Net Position		
Proprietary Funds	21	
Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds		22
Statement of Cash Flows		
Proprietary Funds	23	
Statement of Fiduciary Assets and Liabilities		
Fiduciary Funds	24	
Notes to the Basic Financial Statements	25	

CITY OF MARTINS FERRY
BELMONT COUNTY
DECEMBER 31, 2017

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.....	64
Schedule of the City's Contributions	66
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	69
Schedule of Findings.....	71
Prepared by Management:	
Summary Schedule of Prior Audit Findings.....	79



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, 2017, 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 such 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General 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.

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 November 20, 2018, 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

November 20, 2018

City of Martins Ferry
Belmont County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(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, 2017. 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 2017 are as follows:

- In total, net position increased \$500,809, which represents a 6 percent increase from 2016. Net position of governmental activities increased \$387,385. Net position of business-type activities increased \$113,424.
- Total capital assets decreased \$746,813 in 2017. Capital assets of governmental activities decreased \$61,137 and capital assets of business-type activities decreased \$685,676.
- Outstanding debt decreased from \$9,411,308 to \$9,334,431 due to 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 2017 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, 2017
(Unaudited)

A question typically asked about the City's finances is "How did we do financially during 2017?" 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 and the fire and ambulance 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, 2017
(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 2017 compared to 2016:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and Other Assets	\$ 3,492,232	\$ 2,738,837	\$ 833,495	\$ 591,177	\$ 4,325,727	\$ 3,330,014
Capital Assets	3,792,436	3,853,573	15,324,086	16,009,762	19,116,522	19,863,335
<i>Total Assets</i>	<u>7,284,668</u>	<u>6,592,410</u>	<u>16,157,581</u>	<u>16,600,939</u>	<u>23,442,249</u>	<u>23,193,349</u>
Deferred Outflows of Resources						
Pension	1,098,802	1,075,631	906,297	709,098	2,005,099	1,784,729
Liabilities						
Current and Other Liabilities	100,103	564,073	94,677	389,754	194,780	953,827
Long-Term Liabilities:						
Due within One Year	173,689	165,866	940,511	919,065	1,114,200	1,084,931
Due in More Than One Year:						
Net Pension Liability	3,897,928	3,576,221	2,367,264	1,872,575	6,265,192	5,448,796
Other Amounts	1,144,228	737,015	7,557,145	8,143,179	8,701,373	8,880,194
<i>Total Liabilities</i>	<u>5,315,948</u>	<u>5,043,175</u>	<u>10,959,597</u>	<u>11,324,573</u>	<u>16,275,545</u>	<u>16,367,748</u>
Deferred Inflows of Resources						
Property Taxes	698,336	675,701	0	0	698,336	675,701
Pension	104,352	71,716	53,212	47,819	157,564	119,535
<i>Total Deferred Inflows of Resources</i>	<u>802,688</u>	<u>747,417</u>	<u>53,212</u>	<u>47,819</u>	<u>855,900</u>	<u>795,236</u>
Net Position						
Net Investment in Capital Assets	3,277,958	2,881,956	7,007,841	6,836,719	10,285,799	9,718,675
Restricted	1,172,350	1,068,553	0	0	1,172,350	1,068,553
Unrestricted	(2,185,474)	(2,073,060)	(956,772)	(899,074)	(3,142,246)	(2,972,134)
<i>Total Net Position</i>	<u>\$ 2,264,834</u>	<u>\$ 1,877,449</u>	<u>\$ 6,051,069</u>	<u>\$ 5,937,645</u>	<u>\$ 8,315,903</u>	<u>\$ 7,815,094</u>

City of Martins Ferry
Belmont County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(Unaudited)

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.

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.

The increase in governmental activities equity in pooled cash and investments increased by \$647,683 primarily due to the sale of mineral rights for an oil and gas lease.

The increase in governmental activities long-term liabilities was primarily caused by general obligation bond proceeds for the purchase of a new fire truck and loan proceeds for the purchase of a street sweeper. Governmental current and other liabilities also decreased due to a decrease in contracts payable as the City completed the 1st street project.

City of Martins Ferry
Belmont County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(Unaudited)

The increase in business-type long-term liabilities was primarily caused by increases in the net pension liability due to GASB68. Business-type current and other liabilities also decreased due to a decrease in contracts payable as the City completed various projects.

At year end, capital assets represented 82 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 \$10,285,799 at December 31, 2017, with \$3,277,958 in governmental activities and \$7,007,841 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, \$1,172,350 or 14 percent, represent resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position was a deficit of \$3,142,246.

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 2017 and 2016.

Table 2 shows the changes in net position for fiscal year 2017 and 2016.

This space intentionally left blank.

City of Martins Ferry
Belmont County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(Unaudited)

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 987,999	\$ 967,313	\$ 4,897,784	\$ 4,359,190	\$ 5,885,783	\$ 5,326,503
Operating Grants	391,704	436,040	0	0	391,704	436,040
Capital Grants	330,836	0	21,027	396,969	351,863	396,969
<i>General Revenues:</i>						
Property Taxes	735,948	449,879	0	0	735,948	449,879
Income Taxes	1,428,568	1,718,212	0	0	1,428,568	1,718,212
Other Local Taxes	64,841	0	0	0	64,841	0
Grants and Entitlements	216,161	223,907	0	0	216,161	223,907
Oil and Gas Lease	712,073	0	0	0	712,073	0
Investment Earnings	8,667	4,651	0	0	8,667	4,651
Miscellaneous	167,405	96,454	42,209	18,985	209,614	115,439
<i>Total Revenues</i>	<u>5,044,202</u>	<u>3,896,456</u>	<u>4,961,020</u>	<u>4,775,144</u>	<u>10,005,222</u>	<u>8,671,600</u>
Program Expenses						
General Government	829,985	709,582	0	0	829,985	709,582
Security of Persons and Property	2,817,752	2,788,245	0	0	2,817,752	2,788,245
Public Health	83,273	45,853	0	0	83,273	45,853
Leisure Time Services	35,750	41,557	0	0	35,750	41,557
Community Development	1,104	32,430	0	0	1,104	32,430
Transportation	779,387	710,605	0	0	779,387	710,605
Interest and Fiscal Charges	26,784	22,751	0	0	26,784	22,751
<i>Enterprise Operations:</i>						
Water	0	0	3,593,572	3,253,720	3,593,572	3,253,720
Sewer	0	0	429,379	428,470	429,379	428,470
Sanitation	0	0	907,427	868,245	907,427	868,245
<i>Total Program Expenses</i>	<u>4,574,035</u>	<u>4,351,023</u>	<u>4,930,378</u>	<u>4,550,435</u>	<u>9,504,413</u>	<u>8,901,458</u>
<i>Increase (Decrease) in Net Position</i>	470,167	(454,567)	30,642	224,709	500,809	(229,858)
Transfers	(82,782)	(62,308)	82,782	62,308	0	0
<i>Change in Net Position</i>	387,385	(516,875)	113,424	287,017	500,809	(229,858)
<i>Net Position Beginning of Year</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>
<i>Net Position End of Year</i>	<u>\$ 2,264,834</u>	<u>\$ 1,877,449</u>	<u>\$ 6,051,069</u>	<u>\$ 5,937,645</u>	<u>\$ 8,315,903</u>	<u>\$ 7,815,094</u>

City of Martins Ferry
Belmont County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(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.

Capital grants increased \$330,836 due to an OPWC grant received for the 1st street paving project. The \$289,644 decrease in income taxes was caused by a decrease in current year collections and income taxes receivable.

Police and fire represent the largest expense of the governmental activities. This expense of \$2,817,752 represents 62 percent of the total governmental activities expenses. The police department operates out of the general fund.

The City's street maintenance and repair department provides the City and its citizens many services that include public road salting, leaf and debris pickup, paint striping and alley profiling. These expenses totaled \$779,387, or 17 percent of total governmental activities expenses during 2017.

The City also maintains a cemetery (public health) and a park (leisure time services) within the City. These areas had expenses of \$119,023 in 2017 equaling 3 percent of the total governmental services expenses.

Business-Type Activities

Business-type activities include water, sanitation, and sewer. The revenues are generated primarily from charges for services. In 2017, charges for services of \$4,897,784 accounted for 99 percent of the business type revenues. The total expenses for the utilities were \$4,930,378. The increase in net position was \$113,424 for the business-type activities.

City of Martins Ferry
Belmont County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(Unaudited)

The City's Funds

Governmental Funds

Information about the City's governmental funds begins on page 15. These funds are accounted for using the modified accrual method of accounting. Governmental fund activity during 2017 resulted in an increase in fund balance of \$1,311,352. 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 2017 was an increase of \$490,039.

The fire and ambulance fund's net change in fund balance for 2017 was an increase of \$36,922.

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 \$589,078, \$243,716, and \$123,978, respectively. The total increase in net position for all funds was \$113,424, 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 2017, 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 \$3,244,980 were \$22,113 lower than the final budget estimate. The actual budget basis revenue was \$3,187,507, representing \$79,586 under the final budget estimate of \$3,267,093.

Final expenditure appropriations of \$2,609,046 were \$478,881 higher than original expenditure appropriations and \$263,018 higher than the actual expenditures of \$2,346,028.

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, 2017
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of year 2017, the City had \$19,116,522 invested in capital assets. A total of \$3,792,436 of this was for governmental activities and \$15,324,086 was attributable to business-type activities. Table 3 shows 2017 balances compared with 2016.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 712,451	\$ 712,451	\$ 171,440	\$ 171,440	\$ 883,891	\$ 883,891
Construction in Progress	64,574	0	35,800	28,900	100,374	28,900
Buildings	736,602	783,584	3,172,152	3,326,651	3,908,754	4,110,235
Building Improvements	148,716	158,705	772,013	863,203	920,729	1,021,908
Equipment and Machinery	235,176	283,746	2,697,025	2,894,927	2,932,201	3,178,673
Infrastructure	1,387,390	1,365,519	7,972,862	8,232,069	9,360,252	9,597,588
Vehicles	507,527	549,568	502,794	492,572	1,010,321	1,042,140
<i>Total</i>	<u>\$ 3,792,436</u>	<u>\$ 3,853,573</u>	<u>\$ 15,324,086</u>	<u>\$ 16,009,762</u>	<u>\$ 19,116,522</u>	<u>\$ 19,863,335</u>

The \$746,813 decrease in capital assets was attributable to current year depreciation and disposals. Capital assets of business-type activities decreased \$685,676 while capital assets of governmental activities decreased \$61,137. See Note 9 for additional information about the capital assets of the City.

Debt

The outstanding debt for the City as of December 31, 2017 was \$9,334,331. See Note 15 for additional details. Table 4 summarizes outstanding debt.

Table 4
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
OPWC Loans	\$ 140,611	\$ 96,496	\$ 548,698	\$ 592,795	\$ 689,309	\$ 689,291
OWDA Loans	0	0	6,943,355	7,399,434	6,943,355	7,399,434
Notes Payable	28,903	44,011	0	0	28,903	44,011
Revolving Loan	4,100	12,300	0	0	4,100	12,300
General Obligation Bonds	412,982	75,000	100,000	120,000	512,982	195,000
USDA Loans	259,150	272,064	616,829	650,136	875,979	922,200
Street Sweeper	81,714	0	54,476	0	136,190	0
Police and Fire Pension	143,613	149,072	0	0	143,613	149,072
<i>Total</i>	<u>\$ 1,071,073</u>	<u>\$ 648,943</u>	<u>\$ 8,263,358</u>	<u>\$ 8,762,365</u>	<u>\$ 9,334,431</u>	<u>\$ 9,411,308</u>

City of Martins Ferry
Belmont County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(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.

This space intentionally left blank.

City of Martins Ferry
Belmont County, Ohio
Statement of Net Position
December 31, 2017

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Investments	\$ 1,241,523	\$ 362,500	\$ 1,604,023
Investment in Segregated Accounts	182,522	0	182,522
Accounts Receivable	198,632	420,812	619,444
Intergovernmental Receivable	339,314	0	339,314
Property Taxes Receivable	866,502	0	866,502
Income Taxes Receivable	617,843	0	617,843
Loans Receivable	5,464	0	5,464
Internal Balances	31,621	(31,621)	0
Prepaid Items	4,836	3,035	7,871
Materials and Supplies Inventory	3,975	70,419	74,394
Restricted Cash and Cash Equivalents	0	8,350	8,350
Non-Depreciable Capital Assets	777,025	207,240	984,265
Depreciable Capital Assets, Net	3,015,411	15,116,846	18,132,257
<i>Total Assets</i>	<u>7,284,668</u>	<u>16,157,581</u>	<u>23,442,249</u>
Deferred Outflows of Resources			
Pension	1,098,802	906,297	2,005,099
Liabilities			
Accounts Payable	28,237	27,606	55,843
Accrued Wages	40,544	29,997	70,541
Intergovernmental Payable	31,322	19,500	50,822
Accrued Interest Payable	0	9,224	9,224
Refundable Deposits	0	8,350	8,350
Long-Term Liabilities:			
Due Within One Year	173,689	940,511	1,114,200
Due In More Than One Year:			
Net Pension Liability (See Note 11)	3,897,928	2,367,264	6,265,192
Other Amounts Due in More Than One Year	1,144,228	7,557,145	8,701,373
<i>Total Liabilities</i>	<u>5,315,948</u>	<u>10,959,597</u>	<u>16,275,545</u>
Deferred Inflows of Resources			
Property Taxes Levied for the Next Year	698,336	0	698,336
Pension	104,352	53,212	157,564
<i>Total Deferred Inflows of Resources</i>	<u>802,688</u>	<u>53,212</u>	<u>855,900</u>
Net Position			
Net Investment in Capital Assets	3,277,958	7,007,841	10,285,799
Restricted for Other Purposes	1,172,350	0	1,172,350
Unrestricted	(2,185,474)	(956,772)	(3,142,246)
<i>Total Net Position</i>	<u>\$ 2,264,834</u>	<u>\$ 6,051,069</u>	<u>\$ 8,315,903</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, 2017

	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	\$ 829,985	\$ 388,313	\$ 0	\$ 0	\$ (441,672)	\$ 0	\$ (441,672)
Security of Persons and Property	2,817,752	537,068	57,516	0	(2,223,168)	0	(2,223,168)
Public Health	83,273	34,343	277	0	(48,653)	0	(48,653)
Leisure Time Services	35,750	0	0	0	(35,750)	0	(35,750)
Community Development	1,104	0	0	0	(1,104)	0	(1,104)
Transportation	779,387	28,275	333,911	330,836	(86,365)	0	(86,365)
Interest and Fiscal Charges	26,784	0	0	0	(26,784)	0	(26,784)
<i>Total Governmental Activities</i>	<u>4,574,035</u>	<u>987,999</u>	<u>391,704</u>	<u>330,836</u>	<u>(2,863,496)</u>	<u>0</u>	<u>(2,863,496)</u>
Business-Type Activities							
Water	3,593,572	3,609,214	0	21,027	0	36,669	36,669
Sanitation	907,427	864,524	0	0	0	(42,903)	(42,903)
Sewer	429,379	424,046	0	0	0	(5,333)	(5,333)
<i>Total Business-Type Activities</i>	<u>4,930,378</u>	<u>4,897,784</u>	<u>0</u>	<u>21,027</u>	<u>0</u>	<u>(11,567)</u>	<u>(11,567)</u>
<i>Total Primary Government</i>	<u>\$ 9,504,413</u>	<u>\$ 5,885,783</u>	<u>\$ 391,704</u>	<u>\$ 351,863</u>	<u>(2,863,496)</u>	<u>(11,567)</u>	<u>(2,875,063)</u>
General Revenues:							
Property Taxes Levied for:							
General Purposes					170,880	0	170,880
Police and Fire					565,068	0	565,068
Income Taxes Levied for:							
General Purposes					1,428,568	0	1,428,568
Other Local Taxes					64,841	0	64,841
Grants and Entitlements not Restricted to Specific Programs							
Oil and Gas Lease					216,161	0	216,161
Investment Earnings					712,073	0	712,073
Miscellaneous					8,667	0	8,667
					167,405	42,209	209,614
<i>Total General Revenues</i>					<u>3,333,663</u>	<u>42,209</u>	<u>3,375,872</u>
Transfers					(82,782)	82,782	0
<i>Change in Net Position</i>					387,385	113,424	500,809
<i>Net Position Beginning of Year</i>					<u>1,877,449</u>	<u>5,937,645</u>	<u>7,815,094</u>
<i>Net Position End of Year</i>					<u>\$ 2,264,834</u>	<u>\$ 6,051,069</u>	<u>\$ 8,315,903</u>

See accompanying notes to the basic financial statements.

City of Martins Ferry
Belmont County, Ohio
Balance Sheet
Governmental Funds
December 31, 2017

	General	Fire and Ambulance	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	\$ 298,033	\$ 24,671	\$ 918,819	\$ 1,241,523
Investment in Segregated Accounts	0	0	182,522	182,522
Accounts Receivable	67,366	131,266	0	198,632
Intergovernmental Receivable	106,238	0	233,076	339,314
Property Taxes Receivable	195,302	0	671,200	866,502
Income Taxes Receivable	617,843	0	0	617,843
Loans Receivable	5,464	0	0	5,464
Interfund Receivable	103,527	0	0	103,527
Prepaid Items	2,908	1,229	699	4,836
Materials and Supplies Inventory	836	0	3,139	3,975
Advances to Other Funds	0	0	76,805	76,805
<i>Total Assets</i>	<u>\$ 1,397,517</u>	<u>\$ 157,166</u>	<u>\$ 2,086,260</u>	<u>\$ 3,640,943</u>
Liabilities				
Accounts Payable	\$ 7,767	\$ 1,258	\$ 19,212	\$ 28,237
Accrued Wages	27,079	6,481	6,984	40,544
Intergovernmental Payable	22,433	4,660	4,229	31,322
Interfund Payable	0	0	103,527	103,527
Advances from Other Funds	45,184	0	0	45,184
<i>Total Liabilities</i>	<u>102,463</u>	<u>12,399</u>	<u>133,952</u>	<u>248,814</u>
Deferred Inflows of Resources				
Property Taxes Levied for the Next Year	157,399	0	540,937	698,336
Unavailable Revenue	483,631	108,130	265,823	857,584
<i>Total Deferred Inflows of Resources</i>	<u>641,030</u>	<u>108,130</u>	<u>806,760</u>	<u>1,555,920</u>
Fund Balances				
Nonspendable	9,208	1,229	263,165	273,602
Restricted	0	0	985,993	985,993
Committed	0	35,408	0	35,408
Assigned	200,116	0	0	200,116
Unassigned	444,700	0	(103,610)	341,090
<i>Total Fund Balances</i>	<u>654,024</u>	<u>36,637</u>	<u>1,145,548</u>	<u>1,836,209</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 1,397,517</u>	<u>\$ 157,166</u>	<u>\$ 2,086,260</u>	<u>\$ 3,640,943</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, 2017

Total Governmental Fund Balances		\$ 1,836,209
 <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.		3,792,436
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	\$ 168,166	
Income Tax	373,657	
Intergovernmental	207,631	
Accounts	108,130	857,584
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	1,098,802	
Deferred Inflows - Pension	(104,352)	
Net Pension Liability	(3,897,928)	(2,903,478)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(412,982)	
OPWC Loans	(140,611)	
USDA Loans	(259,150)	
Roberts Building Note	(28,903)	
Revolving Loan	(4,100)	
Street Sweeper Loan	(81,714)	
Police and Fire Pension	(143,613)	
Capital Leases	(112,622)	
Compensated Absences	(134,222)	(1,317,917)
 <i>Net Position of Governmental Activities</i>		 \$ 2,264,834

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, 2017

	General	Fire and Ambulance	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$ 166,153	\$ 0	\$ 546,517	\$ 712,670
Income Taxes	1,532,718	0	0	1,532,718
Other Local Taxes	0	0	64,841	64,841
Charges for Services	250,191	541,081	34,744	826,016
Licenses and Permits	69,455	0	9,231	78,686
Fines and Forfeitures	93,342	0	5,016	98,358
Intergovernmental	216,427	0	725,912	942,339
Interest	5,467	0	929	6,396
Rent	3,600	8,400	0	12,000
Contributions and Donations	0	0	50	50
Other	831,726	25,736	29,288	886,750
<i>Total Revenues</i>	<u>3,169,079</u>	<u>575,217</u>	<u>1,416,528</u>	<u>5,160,824</u>
Expenditures				
Current:				
General Government	754,303	0	15	754,318
Security of Persons and Property	1,333,137	591,362	518,514	2,443,013
Public Health	18,290	0	52,512	70,802
Leisure Time Services	0	0	5,148	5,148
Transportation	0	0	641,792	641,792
Capital Outlay	150,898	0	72,057	222,955
Debt Service:				
Principal Retirement	53,729	23,667	164,794	242,190
Interest and Fiscal Charges	9,524	3,266	16,463	29,253
<i>Total Expenditures</i>	<u>2,319,881</u>	<u>618,295</u>	<u>1,471,295</u>	<u>4,409,471</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>849,198</u>	<u>(43,078)</u>	<u>(54,767)</u>	<u>751,353</u>
Other Financing Sources (Uses)				
General Obligation Bonds Issued	0	0	488,616	488,616
Proceeds of OPWC Loans	0	0	57,267	57,267
Proceeds of Loans	96,898	0	0	96,898
Transfers In	0	80,000	293,275	373,275
Transfers Out	(456,057)	0	0	(456,057)
<i>Total Other Financing Sources (Uses)</i>	<u>(359,159)</u>	<u>80,000</u>	<u>839,158</u>	<u>559,999</u>
<i>Net Change in Fund Balance</i>	490,039	36,922	784,391	1,311,352
<i>Fund Balance Beginning of Year</i>	<u>163,985</u>	<u>(285)</u>	<u>361,157</u>	<u>524,857</u>
<i>Fund Balance End of Year</i>	<u>\$ 654,024</u>	<u>\$ 36,637</u>	<u>\$ 1,145,548</u>	<u>\$ 1,836,209</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, 2017*

Net Change in Fund Balances - Total Governmental Funds \$ 1,311,352

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Asset Additions	\$ 264,999	
Current Year Depreciation	<u>(326,136)</u>	(61,137)

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

Property Taxes	23,278	
Income Tax	(104,150)	
Intergovernmental	(8,689)	
Accounts	<u>(27,061)</u>	(116,622)

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	150,634	
USDA Loans	12,914	
OPWC Loans	13,152	
Police and Fire Pension	5,459	
Roberts Building Note	15,108	
Revolving Loan	8,200	
Street Sweeper	15,184	
Capital Lease	<u>21,539</u>	242,190

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

General Obligation Bonds	(488,616)	
OPWC Loans	(57,267)	
Loan Proceeds	<u>(96,898)</u>	(642,781)

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		2,469
----------------------------------	--	-------

Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		290,437
---	--	---------

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.		(621,609)
---	--	-----------

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>(16,914)</u>
----------------------	--	-----------------

<i>Change in Net Position of Governmental Activities</i>	<u>\$ 387,385</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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Property Taxes	\$ 169,149	\$ 169,253	\$ 166,153	\$ (3,100)
Income Taxes	1,576,925	1,590,804	1,548,996	(41,808)
Charges for Services	284,702	257,699	250,191	(7,508)
Licenses and Permits	71,244	71,282	69,982	(1,300)
Fines and Forfeitures	95,025	101,193	93,342	(7,851)
Intergovernmental	218,948	220,820	215,070	(5,750)
Interest	5,566	4,920	5,467	547
Rent	3,665	3,646	3,600	(46)
Oil and Gas Lease	712,073	712,073	712,073	0
Other	107,683	135,403	122,633	(12,770)
<i>Total Revenues</i>	<u>3,244,980</u>	<u>3,267,093</u>	<u>3,187,507</u>	<u>(79,586)</u>
Expenditures				
Current:				
General Government	731,551	963,686	787,627	176,059
Security of Persons and Property	1,351,805	1,428,090	1,341,144	86,946
Public Health	18,291	18,291	18,290	1
Capital Outlay	0	150,898	150,898	0
Debt Service:				
Principal Retirement	24,402	38,557	38,545	12
Interest and Fiscal Charges	4,116	9,524	9,524	0
<i>Total Expenditures</i>	<u>2,130,165</u>	<u>2,609,046</u>	<u>2,346,028</u>	<u>263,018</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,114,815</u>	<u>658,047</u>	<u>841,479</u>	<u>183,432</u>
Other Financing Sources (Uses)				
Proceeds of Loans	0	0	96,898	96,898
Advances Out	(12,000)	(12,000)	(12,000)	0
Transfers Out	(375,000)	(467,782)	(456,057)	11,725
<i>Total Other Financing Sources (Uses)</i>	<u>(387,000)</u>	<u>(479,782)</u>	<u>(371,159)</u>	<u>108,623</u>
<i>Net Change in Fund Balance</i>	727,815	178,265	470,320	292,055
<i>Fund Balance Beginning of Year</i>	(122,183)	(122,183)	(122,183)	0
Prior Year Encumbrances Appropriated	4,009	4,009	4,009	0
<i>Fund Balance End of Year</i>	<u>\$ 609,641</u>	<u>\$ 60,091</u>	<u>\$ 352,146</u>	<u>\$ 292,055</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, 2017

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Charges for Services	\$ 589,692	\$ 550,069	\$ 535,832	\$ (14,237)
Rent	9,244	9,165	8,400	(765)
Other	28,323	28,785	25,736	(3,049)
<i>Total Revenues</i>	<u>627,259</u>	<u>588,019</u>	<u>569,968</u>	<u>(18,051)</u>
Expenditures				
Current:				
Security of Persons and Property	630,003	616,100	592,948	23,152
Debt Service:				
Principal Retirement	23,383	23,669	23,667	2
Interest and Fiscal Charges	3,500	4,472	3,266	1,206
<i>Total Expenditures</i>	<u>656,886</u>	<u>644,241</u>	<u>619,881</u>	<u>24,360</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(29,627)</u>	<u>(56,222)</u>	<u>(49,913)</u>	<u>6,309</u>
Other Financing Sources (Uses)				
Transfers In	88,041	87,281	80,000	(7,281)
<i>Net Change in Fund Balance</i>	58,414	31,059	30,087	(972)
<i>Fund Balance Beginning of Year</i>	(9,349)	(9,349)	(9,349)	0
Prior Year Encumbrances Appropriated	1,014	1,014	1,014	0
<i>Fund Balance End of Year</i>	<u>\$ 50,079</u>	<u>\$ 22,724</u>	<u>\$ 21,752</u>	<u>\$ (972)</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, 2017

	Enterprise Funds			
	Water	Sanitation	Sewer	Total
Assets				
<i>Current Assets:</i>				
Equity in Pooled Cash and Investments	\$ 317,642	\$ 25,495	\$ 19,363	\$ 362,500
Accounts Receivable	246,285	115,224	59,303	420,812
Prepaid Items	1,997	704	334	3,035
Materials and Supplies Inventory	67,697	1,361	1,361	70,419
<i>Total Current Assets</i>	<u>633,621</u>	<u>142,784</u>	<u>80,361</u>	<u>856,766</u>
<i>Non-Current Assets:</i>				
<i>Restricted Assets:</i>				
Equity in Pooled Cash and Investments	5,556	1,861	933	8,350
Non-Depreciable Capital Assets	178,373	16,934	11,933	207,240
Depreciable Capital Assets, Net	13,906,466	538,787	671,593	15,116,846
<i>Total Non-Current Assets</i>	<u>14,090,395</u>	<u>557,582</u>	<u>684,459</u>	<u>15,332,436</u>
<i>Total Assets</i>	<u>14,724,016</u>	<u>700,366</u>	<u>764,820</u>	<u>16,189,202</u>
Deferred Outflows of Resources				
Pension	604,198	201,399	100,700	906,297
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	8,997	16,046	2,563	27,606
Accrued Wages	19,261	8,028	2,708	29,997
Intergovernmental Payable	12,634	4,767	2,099	19,500
Accrued Interest Payable	712	4,278	4,234	9,224
Compensated Absences Payable	6,184	132	579	6,895
Capital Leases Payable	49,434	0	0	49,434
Loans Payable	12,464	16,380	13,608	42,452
OPWC Loans Payable	44,349	0	0	44,349
OWDA Loans Payable	769,149	0	8,232	777,381
General Obligation Bonds Payable	20,000	0	0	20,000
<i>Total Current Liabilities</i>	<u>943,184</u>	<u>49,631</u>	<u>34,023</u>	<u>1,026,838</u>
<i>Long-Term Liabilities:</i>				
Compensated Absences Payable - Net of Current Portion	77,689	0	4,681	82,370
Capital Leases Payable - Net of Current Portion	95,599	0	0	95,599
Loans Payable - Net of Current Portion	68,041	288,077	272,735	628,853
OPWC Loans Payable - Net of Current Portion	504,349	0	0	504,349
OWDA Loans Payable - Net of Current Portion	5,988,167	0	177,807	6,165,974
General Obligation Bonds Payable - Net of Current Portion	80,000	0	0	80,000
Refundable Deposits	5,556	1,861	933	8,350
Advances from Other Funds	14,755	6,743	10,123	31,621
Net Pension Liability (See Note 11)	1,578,176	526,059	263,029	2,367,264
<i>Total Long-Term Liabilities</i>	<u>8,412,332</u>	<u>822,740</u>	<u>729,308</u>	<u>9,964,380</u>
<i>Total Liabilities</i>	<u>9,355,516</u>	<u>872,371</u>	<u>763,331</u>	<u>10,991,218</u>
Deferred Inflows of Resources				
Pension	16,343	21,846	15,023	53,212
Net Position				
Net Investment in Capital Assets	6,545,433	251,264	211,144	7,007,841
Unrestricted	(589,078)	(243,716)	(123,978)	(956,772)
<i>Total Net Position</i>	<u>\$ 5,956,355</u>	<u>\$ 7,548</u>	<u>\$ 87,166</u>	<u>\$ 6,051,069</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, 2017

	Enterprise Funds			
	Water	Sanitation	Sewer	Totals
Operating Revenues				
Charges for Services	\$ 3,609,214	\$ 864,524	\$ 424,046	\$ 4,897,784
Other	30,351	7,702	4,156	42,209
<i>Total Operating Revenues</i>	<u>3,639,565</u>	<u>872,226</u>	<u>428,202</u>	<u>4,939,993</u>
Operating Expenses				
Personal Services	1,740,068	601,535	312,879	2,654,482
Contractual Services	546,578	205,445	45,923	797,946
Materials and Supplies	366,048	48,007	28,555	442,610
Depreciation	784,785	39,145	27,450	851,380
<i>Total Operating Expenses</i>	<u>3,437,479</u>	<u>894,132</u>	<u>414,807</u>	<u>4,746,418</u>
<i>Operating Income (Loss)</i>	<u>202,086</u>	<u>(21,906)</u>	<u>13,395</u>	<u>193,575</u>
Non-Operating Revenues (Expense)				
Interest and Fiscal Charges	(156,093)	(13,295)	(14,572)	(183,960)
<i>Income (Loss) Before Capital Contributions</i>	45,993	(35,201)	(1,177)	9,615
Capital Contributions	21,027	0	0	21,027
Transfers In	0	71,391	11,391	82,782
<i>Total Capital Contributions and Transfers</i>	<u>21,027</u>	<u>71,391</u>	<u>11,391</u>	<u>103,809</u>
<i>Change in Net Position</i>	67,020	36,190	10,214	113,424
<i>Net Position Beginning of Year</i>	<u>5,889,335</u>	<u>(28,642)</u>	<u>76,952</u>	<u>5,937,645</u>
<i>Net Position End of Year</i>	<u>\$ 5,956,355</u>	<u>\$ 7,548</u>	<u>\$ 87,166</u>	<u>\$ 6,051,069</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, 2017

	Enterprise Funds			
	Water	Sanitation	Sewer	Totals
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 3,582,170	\$ 822,625	\$ 403,925	\$ 4,808,720
Cash Received from Other Operating Receipts	30,351	7,702	4,156	42,209
Cash Payments to Suppliers for Goods and Services	(362,975)	(32,182)	(27,109)	(422,266)
Cash Payments to Employees for Services and Benefits	(1,546,130)	(537,671)	(284,915)	(2,368,716)
Cash Payments for Contractual Services	(546,578)	(205,445)	(45,923)	(797,946)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>1,156,838</u>	<u>55,029</u>	<u>50,134</u>	<u>1,262,001</u>
Cash Flows from Noncapital Financing Activities				
Advances In	277,848	0	0	277,848
Advances Out	(9,416)	(62,418)	(6,416)	(78,250)
Transfers In	0	71,391	11,391	82,782
Principal Payments on Debt	(17,623)	0	0	(17,623)
Interest Payments on Debt	(3,368)	0	0	(3,368)
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>247,441</u>	<u>8,973</u>	<u>4,975</u>	<u>261,389</u>
Cash Flows from Capital and Related Financing Activities				
Capital Grants and Contributions	21,027	0	0	21,027
Proceeds of Loan	0	0	64,599	64,599
Proceeds of OWDA Loans	130,760	0	197,287	328,047
Acquisition of Capital Assets	(201,580)	(12,415)	(264,803)	(478,798)
Principal Payments on Debt	(882,700)	(15,861)	(22,836)	(921,397)
Interest Payments on Debt	(152,013)	(9,017)	(10,338)	(171,368)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(1,084,506)</u>	<u>(37,293)</u>	<u>(36,091)</u>	<u>(1,157,890)</u>
<i>Net Increase (Decrease) in Cash and Investments</i>	319,773	26,709	19,018	365,500
<i>Cash and Investments Beginning of Year</i>	3,425	647	1,278	5,350
<i>Cash and Investments End of Year</i>	<u>\$ 323,198</u>	<u>\$ 27,356</u>	<u>\$ 20,296</u>	<u>\$ 370,850</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating Income (Loss)	\$ 202,086	\$ (21,906)	\$ 13,395	\$ 193,575
Adjustments:				
Depreciation	784,785	39,145	27,450	851,380
(Increase) Decrease in Assets and Deferred Outflows:				
Accounts Receivable	(29,175)	(43,113)	(19,776)	(92,064)
Prepaid Items	97	33	16	146
Materials and Supplies Inventory	797	(124)	(124)	549
Deferred Outflows - Pension	(146,080)	(36,148)	(14,971)	(197,199)
Increase (Decrease) in Liabilities and Deferred Inflows:				
Accounts Payable	2,276	15,949	1,570	19,795
Accrued Wages	299	198	474	971
Customer Deposits	2,131	1,214	(345)	3,000
Compensated Absences Payable	(14,198)	(574)	(3,442)	(18,214)
Intergovernmental Payable	(13)	(14)	7	(20)
Deferred Inflows - Pension	(14,551)	10,702	9,242	5,393
Net Pension Liability	368,384	89,667	36,638	494,689
<i>Net Cash Provided by (Used For) Operating Activities</i>	<u>\$ 1,156,838</u>	<u>\$ 55,029</u>	<u>\$ 50,134</u>	<u>\$ 1,262,001</u>

Noncash Capital Financing Activities:

The water fund purchased \$130,760 in capital assets on account in 2016.

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

Governmental activities purchased capital assets in the amount of \$2,415, \$2,415 and \$10,123 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, 2017

	<u>Agency Funds</u>
Assets	
Equity in Pooled Cash	\$ 52,879
Cash in Segregated Accounts	<u>393</u>
<i>Total Assets</i>	<u><u>\$ 53,272</u></u>
Liabilities	
Undistributed Monies	<u><u>\$ 53,272</u></u>

See accompanying notes to the basic financial statements.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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, 2017

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.

Fire and Ambulance Fund The fire and ambulance special revenue fund is used to account for fees charged and collected for ambulance services.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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 and includes the receipts and disbursements of the Mayor's Court.

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, 2017*

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.

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

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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, 2017, but which were levied to finance 2018 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, 2017

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 2017, the City's investments were limited to certificates of deposit, a money market, and a repurchase agreement.

Investment procedures are restricted by the provisions of the Ohio Revised Code and the City's investment policy. Interest revenue credited to the general fund during 2017 amounted to \$5,467, which includes \$4,707 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, 2017 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, 2017

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 acquisition 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, 2017

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.

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.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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, 2017

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 2017.

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

For the year ended December 31, 2017, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, GASB Statement No. 81, *Irrevocable Split-Interest Agreements* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the City.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, it requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement also requires that a government recognize revenue when the resources become applicable to the reporting period. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the City.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the City's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

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).

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

Net Change in Fund Balance

	General	Fire and Ambulance
GAAP Basis	\$ 490,039	\$ 36,922
Net Adjustment for Revenue Accruals	18,428	(5,249)
Net Adjustment for Expenditure Accruals	11,268	1,333
Adjustment for Encumbrances	(49,415)	(2,919)
Budget Basis	\$ 470,320	\$ 30,087

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

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

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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 2017, the City and public depositories complied with the provisions of these statutes.

The municipal court fund is maintained separately from the City's deposits. The carrying amount of the deposits is reported as "Cash in Segregated Accounts."

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

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

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

Concentration of Credit Risk The City places no limit on the amount that may be invested in any one issuer.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 5 - Interfund Activity

A. Interfund Balances

Interfund balances at December 31, 2017 consisted of the following:

	Interfund Receivable	Interfund Payable
Governmental:		
General	\$ 103,527	\$ 0
Nonmajor Governmental Funds	0	103,527
Totals	\$ 103,527	\$ 103,527

The general fund advanced \$103,527 to the county permissive fund to cover a negative cash balance. The interfund loan is expected to be repaid in 2018.

	Advances to Other Funds	Advances from Other Funds
Governmental:		
General Fund	\$ 0	\$ 45,184
Permanent Improvement	76,805	0
Business-Type:		
Water	0	14,755
Sanitation	0	6,743
Sewer	0	10,123
Totals	\$ 76,805	\$ 76,805

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 and 2017, the permanent improvement fund advanced \$25,060 to the water and sanitation funds for the purchase of a new utility billing software. 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.

During 2017, the permanent improvement fund advanced \$25,307 to the general and sewer fund for the down payment on a street sweeper. These advances will be repaid in monthly installments over 7 years at an interest rate of 3.2 percent.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2017, consisted of the following:

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
Governmental:		
General	\$ 456,057	\$ 0
Fire and Ambulance	0	80,000
Nonmajor Governmental Funds:		
Street Maintenance and Repair	0	278,275
Recreation	0	5,000
Cemetery	0	10,000
Business-Type:		
Sewer	0	11,391
Sanitation	0	71,391
Totals	<u>\$ 456,057</u>	<u>\$ 456,057</u>

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

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 2017 for real and public utility property taxes represents collections of the 2016 taxes.

2017 real property taxes were levied after October 1, 2017 on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

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. 2017 public utility property taxes which became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2017, was \$13.10 per \$1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2017 property tax receipts were based are as follows:

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Category	Assessed Value
Real Property	\$ 65,519,250
Public Utilities - Real	68,110
Public Utilities - Personal	4,801,120
 Total Assessed Value	 \$ 70,388,480

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, 2017, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2017 operations is offset to deferred inflows of resources – property taxes levied for the next year. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Note 7 - Income Taxes

The City levies a municipal income tax of 1.0 percent, (increased from 0.75 percent effective June 1, 2014) on substantially all income earned within the City. In addition, the residents of the City are required to pay income tax on income earned outside the City; however, the City allows a credit for income taxes paid to another municipality up to 100 percent of the City’s current rate.

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

Income tax proceeds are to be used for the purpose of general municipal operations, maintenance, new equipment, extension and enlargement of municipal services, facilities and capital improvements of the City as determined by City Council. In 2017, the proceeds were receipted to the general fund.

Note 8 - Receivables

Receivables at December 31, 2017, 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 \$5,464. These mortgage loans receivable are for financing of the sale of City property to individuals as a home mortgage. The mortgages bear interest at annual rates between five and seven percent. The mortgages are to be repaid over periods ranging from five to thirty years.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 9 - Capital Assets

A summary of changes in capital assets during 2017 follows:

	Balance 12/31/2016	Additions	Reductions	Balance 12/31/2017
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 712,451	\$ 0	\$ 0	\$ 712,451
Construction in Progress	0	64,574	0	64,574
<i>Total Capital Assets Not Being Depreciated</i>	712,451	64,574	0	777,025
<i>Capital Assets, Being Depreciated:</i>				
Buildings	2,178,398	0	0	2,178,398
Building Improvements	975,458	0	0	975,458
Equipment and Machinery	1,019,034	0	0	1,019,034
Infrastructure	1,745,734	103,527	0	1,849,261
Vehicles	3,774,164	96,898	(24,941)	3,846,121
<i>Total Capital Assets, Being Depreciated</i>	9,692,788	200,425	(24,941)	9,868,272
<i>Less Accumulated Depreciation:</i>				
Buildings	(1,394,814)	(46,982)	0	(1,441,796)
Building Improvements	(816,753)	(9,989)	0	(826,742)
Equipment and Machinery	(735,288)	(48,570)	0	(783,858)
Infrastructure	(380,215)	(81,657)	0	(461,872)
Vehicles	(3,224,596)	(138,938)	24,941	(3,338,593)
<i>Total Accumulated Depreciation</i>	(6,551,666)	(326,136)	24,941	(6,852,861)
<i>Total Capital Assets, Being Depreciated, Net</i>	3,141,122	(125,711)	0	3,015,411
<i>Total Governmental Activities</i>				
<i>Capital Assets, Net</i>	\$ 3,853,573	\$ (61,137)	\$ 0	\$ 3,792,436

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 11,659
Leisure Time Activities	33,826
Security of Persons and Property	176,844
Transportation	95,583
Community and Economic Development	1,220
Public Health	7,004
Total	\$ 326,136

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

	Balance 12/31/2016	Additions	Reductions	Balance 12/31/2017
Business-Type Activities				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 171,440	\$ 0	\$ 0	\$ 171,440
Construction in Progress	28,900	6,900	0	35,800
<i>Total Capital Assets Not Being Depreciated</i>	<u>200,340</u>	<u>6,900</u>	<u>0</u>	<u>207,240</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings	6,373,055	0	0	6,373,055
Building Improvements	2,024,094	0	0	2,024,094
Equipment and Machinery	8,883,754	71,205	0	8,954,959
Infrastructure	10,426,929	0	0	10,426,929
Vehicles	1,312,447	87,599	0	1,400,046
<i>Total Capital Assets, Being Depreciated</i>	<u>29,020,279</u>	<u>158,804</u>	<u>0</u>	<u>29,179,083</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(3,046,404)	(154,499)	0	(3,200,903)
Building Improvements	(1,160,891)	(91,190)	0	(1,252,081)
Equipment and Machinery	(5,988,827)	(269,107)	0	(6,257,934)
Infrastructure	(2,194,860)	(259,207)	0	(2,454,067)
Vehicles	(819,875)	(77,377)	0	(897,252)
<i>Total Accumulated Depreciation</i>	<u>(13,210,857)</u>	<u>(851,380)</u>	<u>0</u>	<u>(14,062,237)</u>
<i>Total Capital Assets, Being Depreciated, Net</i>	<u>15,809,422</u>	<u>(692,576)</u>	<u>0</u>	<u>15,116,846</u>
<i>Total Business-Type Capital Assets, Net</i>	<u>\$ 16,009,762</u>	<u>\$ (685,676)</u>	<u>\$ 0</u>	<u>\$ 15,324,086</u>

Depreciation expense was charged to the programs as follows:

Water	\$ 784,785
Sanitation	39,145
Sewer	<u>27,450</u>
Total	<u>\$ 851,380</u>

Note 10 - Risk Management

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

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

The City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (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.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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, 2017, 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, 2017:

	<u>2017</u>
<u>Casualty and Property Coverage</u>	
Assets	\$ 44,452,326
Liabilities	<u>(13,004,011)</u>
Net Position	<u>\$ 31,448,315</u>

At December 31, 2017, the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. At December 31, 2017, the City's share of these unpaid claims collectible in future years is approximately \$74,773.

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

<u>Contributions to PEP</u>	
2015	\$ 102,175
2016	112,964
2017	118,687

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

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

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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.

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.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional 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):

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.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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 who retired 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 (CPI), capped at 3 percent.

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

	State and Local
2017 Statutory Maximum Contribution Rates	
Employer	14.00 %
Employee	10.00 %
2017 Actual Contribution Rates	
Employer:	
Pension	13.00 %
Post-Employment Health Care Benefits	1.00 %
Total Employer	14.00 %
Employee	10.00 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$324,206 for 2017. Of this amount, \$32,834 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.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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

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

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

	Police
2017 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee	12.25 %
 2017 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 \$141,302 for 2017. Of this amount, \$14,090 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2017, the specific liability of the City was \$143,613 payable in semi-annual payments through the year 2035.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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

The net pension liability for OPERS was measured as of December 31, 2016, 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, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. 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:

	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Period	0.01930494%	0.02970300%	
Prior Measurement Period	<u>0.02040300%</u>	<u>0.02976400%</u>	
Change in Proportion	<u>-0.00109806%</u>	<u>-0.00006100%</u>	
Proportionate Share of the Net			
Pension Liability	\$ 4,383,822	\$ 1,881,370	\$ 6,265,192
Pension Expense	\$ 874,825	\$ 224,738	\$ 1,099,563

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five year period. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
Deferred Outflows of Resources			
Net Difference between Projected and Actual			
Earnings on Pension Plan Investments	\$ 652,853	\$ 184,936	\$ 837,789
Differences between Expected and			
Actual Experience	5,942	533	6,475
Changes of Assumptions	695,327	0	695,327
City Contributions Subsequent			
to the Measurement Date	<u>324,206</u>	<u>141,302</u>	<u>465,508</u>
Total Deferred Outflows of Resources	<u>\$ 1,678,328</u>	<u>\$ 326,771</u>	<u>\$ 2,005,099</u>
Deferred Inflows of Resources			
Differences between Expected and			
Actual Experience	\$ 26,089	\$ 4,331	\$ 30,420
Changes in Proportionate Share	<u>105,083</u>	<u>22,061</u>	<u>127,144</u>
Total Deferred Inflows of Resources	<u>\$ 131,172</u>	<u>\$ 26,392</u>	<u>\$ 157,564</u>

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

\$465,508 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 in the year ending December 31, 2018. 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	OPF	Total
2018	\$ 492,943	\$ 64,776	\$ 557,719
2019	520,899	64,774	585,673
2020	228,244	48,197	276,441
2021	(19,136)	(17,119)	(36,255)
2022	0	(1,507)	(1,507)
Thereafter	0	(44)	(44)
	<u>\$ 1,222,950</u>	<u>\$ 159,077</u>	<u>\$ 1,382,027</u>

Actuarial Assumptions - OPERS

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

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 was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board's actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

<u>Actuarial Information</u>	<u>Traditional Pension Plan</u>
Actuarial Cost Method	Individual Entry Age
Investment Rate of Return	7.50 percent
Wage Inflation	3.25 percent
Projected Salary Increases, including wage inflation	3.25 percent to 10.75 percent (includes wage inflation at 3.25 percent)
Cost-of-Living Adjustments	Pre-1/7/2013 Retirees: 3.00 percent Simple Post-1/7/2013 Retirees: 3.00 percent Simple through 2018, then 2.15 percent Simple

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2017*

Mortality rates were based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected 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.

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. 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 annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3 percent for 2016.

The allocation of investment assets within 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 following table displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other Investments	<u>18.00</u>	<u>4.92</u>
Total	<u>100.00 %</u>	<u>5.66 %</u>

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Discount Rate The discount rate used to measure the total pension liability was 7.50 percent, post-experience study results. 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 contractually required rates, as actuarially determined. 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 7.50 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 (6.50 percent) or one-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability:	\$ 6,697,268	\$ 4,383,822	\$ 2,455,974

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2016 is based on the results of an actuarial valuation date of January 1, 2016, 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 retirement plan involve estimates of the value 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.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented below:

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
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 plus productivity increase rate of 0.5 percent
Cost-of-Living Adjustments	3.00 percent simple; 2.60 percent simple for increases based on lesser of the increase in CPI and 3.00 percent

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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 OPF's 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, 2016, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return**</u>
Domestic Equity	16.00 %	5.21 %
Non-US Equity	16.00	5.40
Core Fixed Income*	20.00	2.37
Global Inflation Protected Securities*	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Real Assets	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	<u>120.00 %</u>	

Note: Assumptions are geometric.

* levered 2x

** Numbers are net of expected inflation

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 the relationship between asset classes and economic environments. From the notional portfolio perspective above, the total portfolio may be levered up to 1.20 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, OPF'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.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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:	\$ 2,505,746	\$ 1,881,370	\$ 1,352,181

Changes between Measurement Date and Report Date

In October 2017, the OPF Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is a reduction in the discount rate from 8.25 percent to 8.00 percent. Although the exact amount of these changes is not known, it has the potential to impact to the City's net pension liability.

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 plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the traditional 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 Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. See OPERS CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 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-employment health care through 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 2017, 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.

Each year the OPERS Board 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 1 percent during calendar year 2017. As recommended by OPERS’ actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS 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 into the RMA for participants in the Member-Directed Plan for 2017 was 4 percent.

Substantially all of the City’s contributions allocated to fund post-employment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contributions for the years ended December 31, 2017, 2016, and 2015 were \$24,939, \$49,911, and \$51,508 respectively. For 2017, 90 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2016 and 2015.

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 healthcare 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 health care coverage to eligible participants and to establish and amend benefits are codified in Chapter 742 of the Ohio Revised Code.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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 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 contributions allocated to health care was 0.5 percent of covered payroll from January 1, 2017 thru December 31, 2017. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OPF, which were allocated to fund post-employment health care benefits for the years ending December 31, 2017, 2016, and 2015 were \$3,718, \$3,548 and \$3,360, respectively. 90 percent has been contributed for police. The full amount has been contributed for 2016 and 2015.

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 \$1,467 of the total monthly premiums of \$1,630 for family coverage and \$566 of the monthly premiums of \$629 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries. City AFSCME Union employees and full-time police pay \$163 for family coverage and \$63 for single coverage.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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.

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
Street Sweeper - 2017	3.200	96,899	October 20, 2023
General Obligation Bond: Fire Truck Acquisition - 2017	2.95	488,616	December 1, 2022
First Street Paving OPWC Loan	0.00	57,267	January 20, 2027
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	198,051 *	July 1, 2036
Street Sweeper - 2017	3.200	64,599	October 20, 2023

*As of December 31, 2017, the entire amount of the loan has not been drawn down.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

A schedule of changes in long-term obligations of the City during 2017 follows:

	Outstanding 12/31/2016	Additions	Deletions	Outstanding 12/31/2017	Due in One Year
Governmental Activities:					
General Obligation Bonds:					
Fire Truck	\$ 75,000	\$ 0	\$ (75,000)	\$ 0	\$ 0
Unamortized Premium	2,469	0	(2,469)	0	0
Fire Truck 2017	0	488,616	(75,634)	412,982	77,865
<i>Total General Obligation Bonds</i>	<u>77,469</u>	<u>488,616</u>	<u>(153,103)</u>	<u>412,982</u>	<u>77,865</u>
OPWC Loans:					
State Route 647	3,510	0	(501)	3,009	501
Street Paving	92,986	0	(9,788)	83,198	9,788
First Street Paving	0	57,267	(2,863)	54,404	5,727
<i>Total OPWC Loans</i>	<u>96,496</u>	<u>57,267</u>	<u>(13,152)</u>	<u>140,611</u>	<u>16,016</u>
Roberts Building Note	44,011	0	(15,108)	28,903	15,568
State Fire Marshall Revolving Loan	12,300	0	(8,200)	4,100	4,100
Street Sweeper Loan	0	96,898	(15,184)	81,714	12,569
USDA Loans:					
Equipment Loan	68,964	0	(8,559)	60,405	9,184
Building Loan	203,100	0	(4,355)	198,745	4,481
<i>Total USDA Loans</i>	<u>272,064</u>	<u>0</u>	<u>(12,914)</u>	<u>259,150</u>	<u>13,665</u>
Capital Leases	134,161	0	(21,539)	112,622	22,263
Police and Fire Pension	149,072	0	(5,459)	143,613	5,693
Compensated Absences	117,308	33,952	(17,038)	134,222	5,950
Net Pension Liability:					
OPERS	1,661,482	355,076	0	2,016,558	0
OPF	1,914,739	0	(33,369)	1,881,370	0
<i>Total Governmental Activities</i>	<u>\$ 4,479,102</u>	<u>\$ 1,031,809</u>	<u>\$ (295,066)</u>	<u>\$ 5,215,845</u>	<u>\$ 173,689</u>
Business-Type Activities:					
OWDA Loans:					
Ferryview/Sharon Road Waterlines	\$ 1,510,955	\$ 0	\$ (175,979)	\$ 1,334,976	\$ 179,516
Water Treatment Plant	2,503,500	0	(481,041)	2,022,459	490,662
Water Meters	834,094	0	(26,008)	808,086	26,530
County Rd 4 Waterline Replacement	2,554,503	109,733	(72,441)	2,591,795	72,441
County Rd 4 Waterline Replacement Principal Forgiveness	0	21,027	(21,027)	0	0
Cemetery Road Sewer Replacement	(3,618)	197,287	(7,630)	186,039	8,232
<i>Total OWDA Loans</i>	<u>7,399,434</u>	<u>328,047</u>	<u>(784,126)</u>	<u>6,943,355</u>	<u>777,381</u>
OPWC Loans:					
Woodmont Street Pump Project	138,918	0	(11,576)	127,342	11,576
Woodmont Pump Station	7,000	0	(1,000)	6,000	1,000
Water Tank	152,687	0	(12,541)	140,146	12,793
Water Treatment Plant and Well Field	294,190	0	(18,980)	275,210	18,980
<i>Total OPWC Loans</i>	<u>592,795</u>	<u>0</u>	<u>(44,097)</u>	<u>548,698</u>	<u>44,349</u>
General Obligation Bonds:					
Water Treatment System Improvement	120,000	0	(20,000)	100,000	20,000
USDA Loans:					
Equipment Loan	176,236	0	(23,141)	153,095	23,616
Building Loan	473,900	0	(10,166)	463,734	10,456
<i>Total USDA Loans</i>	<u>650,136</u>	<u>0</u>	<u>(33,307)</u>	<u>616,829</u>	<u>34,072</u>
Street Sweeper Loan	0	64,599	(10,123)	54,476	8,380
Capital Leases	192,400	0	(47,367)	145,033	49,434
Compensated Absences	107,479	8,655	(26,869)	89,265	6,895
Net Pension Liability - OPERS	1,872,575	494,689	0	2,367,264	0
<i>Total Business-Type Activities</i>	<u>\$ 10,934,819</u>	<u>\$ 895,990</u>	<u>\$ (965,889)</u>	<u>\$ 10,864,920</u>	<u>\$ 940,511</u>

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2017*

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 \$8,108,882 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 22.3 percent. The total principal and interest remaining to be paid on the loans is \$8,828,058. Principal and interest paid for the current year and total net revenues were \$1,025,430 and \$1,065,982, respectively.

Principal and interest requirements to retire governmental activities debt at December 31, 2017 are as follows:

Year	General Obligation Bonds		Police and Fire Pension		USDA Loans		Roberts Building Note	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 77,865	\$ 12,183	\$ 5,693	\$ 6,044	\$ 13,665	\$ 7,657	\$ 15,568	\$ 655
2019	80,162	9,886	5,938	5,799	14,102	7,229	13,335	185
2020	82,527	7,521	6,193	5,544	14,515	6,807	0	0
2021	84,961	5,086	6,469	5,278	14,987	6,334	0	0
2022	87,467	2,580	6,736	5,001	15,463	5,866	0	0
2023-2027	0	0	38,276	20,407	38,752	23,994	0	0
2028-2032	0	0	47,234	10,450	31,511	19,488	0	0
2033-2037	0	0	27,074	1,739	36,308	14,676	0	0
2038-2042	0	0	0	0	41,836	9,146	0	0
2043-2046	0	0	0	0	38,011	2,773	0	0
Totals	<u>\$ 412,982</u>	<u>\$ 37,256</u>	<u>\$ 143,613</u>	<u>\$ 60,262</u>	<u>\$ 259,150</u>	<u>\$ 103,970</u>	<u>\$ 28,903</u>	<u>\$ 840</u>

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Year	Street Sweeper Loan		State Fire Marshall Loan		OPWC Loans	Total	
	Principal	Interest	Principal	Principal	Principal	Principal	Interest
2018	\$ 12,569	\$ 2,615	\$ 4,100	\$ 16,016	\$ 145,476	\$ 29,154	
2019	12,972	2,213	0	16,017	142,526	25,312	
2020	13,387	1,798	0	16,016	132,638	21,670	
2021	13,815	1,369	0	16,016	136,248	18,067	
2022	14,257	927	0	16,016	139,939	14,374	
2023-2027	14,714	471	0	60,530	152,272	44,872	
2028-2032	0	0	0	0	78,745	29,938	
2033-2037	0	0	0	0	63,382	16,415	
2038-2042	0	0	0	0	41,836	9,146	
2043-2046	0	0	0	0	38,011	2,773	
Totals	<u>\$ 81,714</u>	<u>\$ 9,393</u>	<u>\$ 4,100</u>	<u>\$ 140,611</u>	<u>\$ 1,071,073</u>	<u>\$ 211,721</u>	

Principal and interest requirements to retire business-type activities debt at December 31, 2017 are as follows:

Year	OWDA Loans		OPWC Loans		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 704,940	\$ 86,371	\$ 44,349	\$ 2,739	\$ 20,000	\$ 3,375
2019	719,079	72,233	44,606	2,482	20,000	2,700
2020	733,501	57,809	44,868	2,220	20,000	2,025
2021	748,358	42,952	45,136	1,952	20,000	1,350
2022	232,111	28,087	45,409	1,679	20,000	675
2023-2027	601,184	83,844	227,341	4,104	0	0
2028-2032	222,171	52,314	96,989	0	0	0
2033-2037	227,388	28,526	0	0	0	0
2038-2042	162,828	7,612	0	0	0	0
2043-2046	0	0	0	0	0	0
Totals	<u>\$ 4,351,560</u>	<u>\$ 459,748</u>	<u>\$ 548,698</u>	<u>\$ 15,176</u>	<u>\$ 100,000</u>	<u>\$ 10,125</u>

Year	Street Sweeper		USDA Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 8,380	\$ 1,743	\$ 34,072	\$ 18,328	\$ 811,741	\$ 112,556
2019	8,648	1,475	35,165	17,260	827,498	96,150
2020	8,924	1,198	36,194	16,202	843,487	79,454
2021	9,210	913	37,378	15,023	860,082	62,190
2022	9,505	618	38,568	13,851	345,593	44,910
2023-2027	9,809	314	90,904	56,068	929,238	144,330
2028-2032	0	0	73,524	45,471	392,684	97,785
2033-2037	0	0	84,718	34,244	312,106	62,770
2038-2042	0	0	97,618	21,340	260,446	28,952
2043-2046	0	0	88,689	6,465	88,689	6,465
Totals	<u>\$ 54,476</u>	<u>\$ 6,261</u>	<u>\$ 616,830</u>	<u>\$ 244,252</u>	<u>\$ 5,671,564</u>	<u>\$ 735,562</u>

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 16 - Capitalized Leases - Lessee Disclosure

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 \$27,026 as of December 31, 2017, leaving a current book value of \$93,089. 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, 2017:

	Governmental Activities	Business-Type Activities
2018	\$ 25,655	\$ 54,087
2019	25,655	43,055
2020	25,655	20,991
2021	25,655	20,991
2022	19,241	15,743
	121,861	154,867
Less amount representing interest	9,239	9,834
Present value of minimum lease payments	\$ 112,622	\$ 145,033

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 2017. The continued existence of the Authority is not dependent on the City's continued participation and no equity interest exists. The Authority has no outstanding debt for which the City of Martins Ferry is responsible.

B. Eastern Ohio Regional Transit Authority

Eastern Ohio Regional Transit Authority was established to provide transportation to the residents of the Ohio Valley and is statutorily created as a separate and distinct political subdivision of the State. The Authority is operated by a board of directors that is appointed by the nine Mayors of the municipalities served by the Authority. The City did not contribute any amounts to the Authority during 2017. 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, 2017

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 2017, OMEGA received \$1,237 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 Authority.

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 2017, the City did not contribute any amounts to the Council.

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:

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Fund	Amount
General	\$ 42,734
Fire and Ambulance	1,807
Other Governmental Funds	19,383
Totals	\$ 63,924

Note 19 - Fund Balance

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

	General	Fire and Ambulance	Other Governmental Funds	Total
Nonspendable for:				
Long Term Loans Receivable	\$ 5,464	\$ 0	\$ 0	\$ 5,464
Inventory	836	0	3,139	3,975
Prepays	2,908	1,229	699	4,836
Long Term Advances	0	0	76,805	76,805
Endowment	0	0	182,522	182,522
Total Nonspendable	9,208	1,229	263,165	273,602
Restricted for:				
Street, Highway, City				
Improvement	0	0	132,622	132,622
Public Safety/Law Enforcement	0	0	554,262	554,262
Community Development	0	0	35,951	35,951
Permanent Improvement	0	0	241,882	241,882
Recreation	0	0	12	12
Other Purposes	0	0	21,264	21,264
Total Restricted	0	0	985,993	985,993
Committed for:				
Public Safety/Law Enforcement	0	35,408	0	35,408
Assigned for:				
Encumbrances:				
General Government	33,210	0	0	33,210
Security of Persons and Property	9,524	0	0	9,524
Subsequent Year Appropriations	157,382	0	0	157,382
Total Assigned	200,116	0	0	200,116
Unassigned	444,700	0	(103,610)	341,090
Total Fund Balance	\$ 654,024	\$ 36,637	\$ 1,145,548	\$ 1,836,209

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Fund balances at December 31, 2017, included a fund deficit of \$103,527 in the county permissive fund.

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, 2017.

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 – Subsequent Events

1. On March 21, 2018, the City passed Ordinance 2018-5 approving the purchase of a sewer vacuum truck. This purchase was financed through KS State Bank in the amount of \$337,569. This lease is to be paid in eight annual installments.
2. On May 16, 2018, the City passed Ordinance 2018-12 approving the purchase of a garbage packer truck. This purchase was financed through KS State Bank in the amount of \$157,580.
3. On July 30, 2018, the City received approval to increase a loan to \$392,000 through the Ohio Department of Transportation for the 8th Street Project. This increase was due to the loss of a \$200,000 grant the City was awarded as the City did not complete the requirements of the grant to receive the funding.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Ohio Public Employees' Retirement System (OPERS)				
City's Proportion of the Net Pension Liability	0.0193049%	0.0204030%	0.0206790%	0.0206790%
City's Proportionate Share of the Net Pension Liability	\$ 4,383,822	\$ 3,534,057	\$ 2,494,119	\$ 2,437,785
City's Covered Payroll	\$ 2,495,558	\$ 2,539,275	\$ 2,535,233	\$ 2,001,838
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	175.66%	139.18%	98.38%	121.78%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%
Ohio Police and Fire Pension Fund (OPF)				
City's Proportion of the Net Pension Liability	0.0297030%	0.0297640%	0.0303393%	0.0303393%
City's Proportionate Share of the Net Pension Liability	\$ 1,881,370	\$ 1,914,739	\$ 1,571,702	\$ 1,477,619
City's Covered Payroll	\$ 709,605	\$ 672,031	\$ 666,532	\$ 411,538
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	265.13%	284.92%	235.80%	359.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.36%	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.

Notes:

Ohio Public Employees' Retirement System (OPERS)

Changes of Benefit Terms: None.

Changes of Assumptions: Amounts reported in 2017 reflect an adjustment of the rates of withdrawal, disability, retirement and mortality to more closely reflect actual experience. The expectation of retired life mortality was based on RP-2014 Healthy Annuitant mortality table and RP-2014 Disabled mortality table. The following reductions were also made to the actuarial assumptions:

- Discount rate from 8.00% to 7.50%
- Wage inflation rate from 3.75% to 3.25%
- Price inflation from 3.00% to 2.50%

This page intentionally left blank.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>				
Contractually Required Contribution	\$ 324,206	\$ 299,467	\$ 304,713	\$ 304,228
Contributions in Relation to the Contractually Required Contribution	<u>(324,206)</u>	<u>(299,467)</u>	<u>(304,713)</u>	<u>(304,228)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll	\$ 2,493,893	\$ 2,495,558	\$ 2,539,275	\$ 2,535,233
Contributions as a Percentage of Covered Payroll	13.00%	12.00%	12.00%	12.00%
<i>Ohio Police and Fire Pension Fund (OPF)</i>				
Contractually Required Contribution	\$ 141,302	\$ 134,825	\$ 127,686	\$ 126,968
Contributions in Relation to the Contractually Required Contribution	<u>(141,302)</u>	<u>(134,825)</u>	<u>(127,686)</u>	<u>(126,968)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll	\$ 743,692	\$ 709,605	\$ 672,031	\$ 666,532
Contributions as a Percentage of Covered Payroll	19.00%	19.00%	19.00%	19.05%

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

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 260,239	n/a	n/a	n/a	n/a	n/a
<u>(260,239)</u>	n/a	n/a	n/a	n/a	n/a
<u>\$ 0</u>	n/a	n/a	n/a	n/a	n/a
\$ 2,001,838	n/a	n/a	n/a	n/a	n/a
13.00%	n/a	n/a	n/a	n/a	n/a
\$ 64,735	\$ 122,405	\$ 103,552	\$ 100,756	\$ 118,754	\$ 110,238
<u>(64,735)</u>	<u>(122,405)</u>	<u>(103,552)</u>	<u>(100,756)</u>	<u>(118,754)</u>	<u>(110,238)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 411,538	\$ 960,039	\$ 812,173	\$ 790,243	\$ 931,404	\$ 864,612
15.73%	12.75%	12.75%	12.75%	12.75%	12.75%

This page intentionally left blank.



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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 20, 2018.

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 2017-003 through 2017-005 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 2017-006 and 2017-007 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 2017-001 through 2017-003.

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 subject the City responses to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

November 20, 2018

**CITY OF MARTINS FERRY
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-001

Finding for Recovery Repaid Under Audit

The City bills its water customers based on consumption; however, if the customer's meter does not work or is not able to be read by the City's meter reading software, the City's practice is to charge the customer the minimum amount based on the City's rates as set by the Service Director.

The City's utility system billing reports revealed that the Billing Clerk-Utility Department did not have a bill generated for her personal account for the months of January, February, July, and August in 2017. The reports also indicated the Billing Clerk-Utility's meter is not functioning or is not able to be read by the City's meter reading software. The total minimum bills for these months would have been \$250.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies due but not collected is hereby issued against Amanda Yourkovich, Billing Clerk-Utility, in the amount of \$250 and in favor of the City of Martins Ferry's Water, Sewer, Sanitation, and Water Debt funds in the amounts of \$100, \$39, \$58 and \$53, respectively.

Amanda Yourkovich repaid the \$250 on November 21, 2018 on receipt number MR10794. The amount was paid into the City of Martins Ferry's Water, Sewer, Sanitation, and Water Debt Funds in the amounts of \$100, \$39, \$58 and \$53, respectively.

Officials' Response: Policies are in place to ensure all employees receive bills in conjunction with all customers.

FINDING NUMBER 2017-002

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 balance signifies that monies from other funds were used to meet their obligations.

As of December 31, 2017, the Permissive Tax County Fund, had a negative fund balance of \$103,527.

During 2017, the City did not properly monitor fund balances, which resulted in the City spending 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.

Officials' Response: Permissive County money was encumbered by the county but had not been received by the city before the end of the year. Other funds are being monitored to the best of our knowledge and kept from going in the red.

**CITY OF MARTINS FERRY
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

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

FINDING NUMBER 2017-003

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.

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 adjustments to customer utility bills, we noted the following issues:

- There were 1,795 noncash adjustments made during fiscal year 2017 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 were \$6,465,778 in large noncash adjustments due to errors in the meter readings that were not corrected 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.
- Rates were not reviewed when the utility billing system was converted to a new utility billing system, which resulted in customers out of town being significantly under billed during 2017.
- Out of town business accounts were brought into the new system as residential accounts and were being billed incorrectly.
- 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, 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.
- There is no formal review of voided daily cash receipts or adjustments.
- General lack of knowledge regarding the City's utility billing system and proper billing procedures.

**CITY OF MARTINS FERRY
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

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

**FINDING NUMBER 2017-003
(Continued)**

Noncompliance and Material Weakness (Continued)

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

- Some employees did not receive penalties for late or nonpayment until June, 2017.
- Three employees made zero, one, and two utility bill payments during FY 2017 and did not get shut off.
- Employee outstanding utility balances over \$250 at December 31, 2017 include:
 1. Pipe Fitter - \$1,721
 2. Patrolman - \$1,340
 3. Utility Clerk (Billing) - \$1,282
 4. Lab Technician - \$1,183
 5. Part-time Paramedic - \$523 - this employee repaid a significant amount of their balance during 2018.
 6. Maintenance Man (Water) - \$514
 7. Packer Laborer - \$442
 8. Pump Operator/ Maintenance Man (Water) - \$405
 9. Truck Driver (Street) - \$384
 10. Electrician - \$327

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

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 2016; however, there is still a 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 codified 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.
- Council should establish a rate schedule for all customers to ensure proper billing.
- The City should hold employees accountable for account balances, and on-time payment of accounts, as not all employees are receiving the comparable benefit.

**CITY OF MARTINS FERRY
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

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

**FINDING NUMBER 2017-003
(Continued)**

Noncompliance and Material Weakness (Continued)

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

Officials' Response: We are in the progress of correcting all things recommended.

FINDING NUMBER 2017-004

Material Weakness

Management is responsible for designing and implementing internal control policies and procedures to reasonably ensure specific financial objectives will be achieved. A well-designed system of internal control will include monitoring of financial reports and information by management and City Council in order to compensate for any lack of segregation of duties.

The results of our audit indicates a weakness in management's role to establish and maintain effective internal controls and to ensure and document the City is complying with legal requirements as evidenced by material weaknesses and significant deficiencies included in our report. The City's current procedures do not allow for adequate segregation of duties as employees perform roles in all accounting functions, including receipting, depositing, adjusting and disbursing City monies.

Failure to adequately monitor the activities of the City by management and City Council could result in errors or irregularities to occur and remain undetected.

Management and City Council should establish procedures and become more actively involved in monitoring financial activity at the City. City Council should be presented with a receipts ledger, payroll journal and check register monthly in order to adequately manage the City.

Officials' Response: This is currently being corrected and policies set to ensure the right procedures.

FINDING NUMBER 2017-005

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

**CITY OF MARTINS FERRY
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

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

**FINDING NUMBER 2017-005
(Continued)**

Material Weakness (Continued)

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's financial statement compiler improperly posted \$200,000 as an intergovernmental receivable in the CDBG-Formula Fund. The City did not meet the requirements to receive the Community Development Block Grant for the repair of the roadway slip on 8th Street as of December 31, 2017. Subsequently, the City of Martins Ferry will not receive the grant for the 8th Street project due to not completing the required environmental study prior to work being completed, as well as, not meeting any of the time requirements as noted in the grant agreement.

The above mentioned adjustment, which was agreed to by management, is considered material and is reflected in the accompanying financial statements.

In addition to the adjustments listed above, we also identified additional misstatements ranging from \$1,574 to \$135,204 that we have brought to the City's attention.

The City did not have procedures in place to ensure all requirements of the grant agreement were met.

By not meeting requirements of a grant agreement could jeopardize funding on future projects in which the City would have to obtain the lost funding through some other means of financing.

The City should take the necessary steps to ensure that all requirements of a grant agreement are met and that receivables are properly recognized.

Officials' Response: This has been addressed and corrected as best the City could.

FINDING NUMBER 2017-006

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, city ordinances, 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.

**CITY OF MARTINS FERRY
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

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

**FINDING NUMBER 2017-006
(Continued)**

Significant Deficiency (Continued)

- 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. There is significant risk of error with no oversight, as leave binders date back over 20 years for some employees. During our testing of payroll cash disbursements, an employee should have earned 36 hours of compensatory during the pay period selected; however, we reviewed the Payroll Clerk's manual leave binders and noted that this employee received 38 hours rather than 36. We brought this to the Payroll Clerk's attention, and she corrected the totals and reduced the employees compensatory balance by 2 hours.
- 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 employees' job classifications and date of hire. The City was unable to provide job classifications for ten of 22 employees tested and the appropriate documentation on date of hire for all 22 employees tested. Employees are paid based on their job classification, bid awards, and longevity with the City increasing the importance of maintaining the proper information.
- The City does not have procedures in place to review the appropriateness of the fund and account code an employee's time is being charged. It was brought to our attention that the City's electricians were solely being charged to the water department rather than split between the departments where they were working. The City intended the electricians to be charged 50% from the General Fund and 50% from the Water Fund. Therefore the Water Department overpaid the electricians salary by \$20,083 before this was brought to management's attention.

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.
- Personnel files should be maintained.
- Management should review the appropriateness of the fund and account code that employee wages are being charged against to ensure reasonableness.

Officials' Response: We are currently correcting errors we have found and procedures set to keep payroll accurate.

**CITY OF MARTINS FERRY
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

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

FINDING NUMBER 2017-007

Significant Deficiency

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

Sound accounting practices require accurately posting estimated receipts and appropriations to the accounting system to provide information for budget versus actual comparison and to allow City Council to make informed decisions regarding budgetary matters.

The original certificate and amendments establish the amounts available for expenditures for the City and the accounting system provides the process by which the City controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the accounting system.

As of fiscal 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	Amount per the Amended Official Certificate of Estimated Resources	Amount Posted to the City's Accounting System	Variance
General	\$3,267,093	\$3,226,340	\$40,753
Fire and Ambulance	675,300	616,143	59,157
Water	4,012,254	3,999,400	12,854
Sanitation	948,535	860,676	87,859
Sewer	433,000	403,913	29,087

The City did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The approved Certificate of Estimated Resources (and/or amendments thereof) was not posted to the accounting system.

Failure to accurately post the estimated resources to the accounting system could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts, the City should post to the accounting system, on a timely basis, estimated resources as certified by the budget commission. The City should then monitor budget versus actual reports to help ensure amended certificates of resources have been properly posted to the accounting system.

**CITY OF MARTINS FERRY
BELMONT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

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

**FINDING NUMBER 2017-007
(Continued)**

Significant Deficiency (Continued)

Officials' Response: Hopefully this is being corrected and every posting will be fixed and continue to express the correct revenue for each fund.

City of Martins Ferry

Rita K. Randall
Auditor

35 South 5th Street
Martins Ferry, OH 43935

Phone: (740) 633-9462
Fax: (740) 635-6027

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS December 31, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Finding For Recovery	Fully Corrected	Fully repaid during the audit period.
2016-002	Noncompliance- Expenditures Exceeding Appropriations	Fully Corrected	The City will continue to ensure that expenditures do not exceed appropriations.
2016-003	Noncompliance- Deficit Cash Fund Balances	Not Corrected	The City is working on getting spending in control, in addition to increase utility rates, in order to bring funds out of the negative and stay financially sound.
2016-004	Noncompliance and Material Weakness- Permanent Improvement Fund Expenditures	Fully Corrected	The City no longer makes routine expenditures out of the Permanent Improvement Fund.
2016-005	Noncompliance and Material Weakness- Utility Department	Not Corrected	A Utility Committee was formed, which consists of three Council members that have created policies and requests reports on a quarterly basis from the Utility Office Manager.
2016-006	Material Weakness- Posting Errors	Fully Corrected	All permissive motor vehicle license tax receipts are posted to taxes rather than intergovernmental.
2016-007	Significant Deficiency- Payroll Disbursements	Not Corrected	The City is working with the payroll clerk on how to set up various checks and balances.
2016-008	Significant Deficiency- Budgeted Receipts	Not Corrected	The City Auditor will ensure that budgeted receipts are updated in the accounting system when Amended Certificates are received.

This page intentionally left blank.



Dave Yost • Auditor of State

CITY OF MARTINS FERRY

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 4, 2018**