

CITY OF MARTINS FERRY
BELMONT COUNTY, OHIO

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2020



Rea & associates

www.reacpa.com

OHIO AUDITOR OF STATE
KEITH FABER



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Members of City Council
City of Martins Ferry
P. O. Box 386
35 South 5th Street
Martins Ferry, Ohio 43935

We have reviewed the *Independent Auditor's Report* of the City of Martins Ferry, Belmont County, prepared by Rea & Associates, Inc., for the audit period January 1, 2020 through December 31, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Finding for Recovery:

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Collective Bargaining Agreement Between the City of Martins Ferry, Ohio and the American Federation of State, County and Municipal Employees, Council 8 AFL-CIO, on behalf of Local Union #1260, effective May 1, 2019 through April 30, 2022, SERB Case #2019-MED-02-0119, Appendix B – Wages states that an electrician's hourly rate of pay beginning May 1, 2019 and May 1, 2020 is \$20.80 and \$21.40, respectively.

Throughout 2020, Donald Mew, classified as an electrician, was compensated at a rate fifty cents higher than what was permitted pursuant to the Collective Bargaining Agreement effective May 1, 2019 through April 30, 2022. The electrician's hourly rates pursuant to the Collective Bargaining Agreement effective May 1, 2019 and May 1, 2020 were \$20.80 and \$21.40, respectively. However, Mr. Mew was compensated at an hourly rate of \$21.40 for the first 4 months of 2020 and \$21.90 for the remaining 8 months. The incorrect hourly rate was the result of an additional stipend Mr. Mew received prior to May 2016. However, when the new Collective Bargaining Agreement became effective May 1, 2016, this stipend no longer applied; therefore, Mr. Mew's hourly rate should have been reduced fifty cents. As a result, Mr. Mew was overpaid \$1,128.

In accordance with the foregoing facts, and pursuant to **Ohio Rev. Code § 117.28**, a Finding for Recovery for public monies illegally expended is hereby issued against Donald Mew in the amount of \$1,128, and in favor of the City of Martins Ferry, Belmont County's General Fund and Water Fund in the amounts of \$451 and \$677, respectively.

Members of City Council
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Martins Ferry, Ohio 43935
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On July 21, 2021, City Council approved a Settlement Agreement and Repayment Plan where Mr. Mew will have \$25 deducted from his bi-weekly payroll until paid in full.

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



Keith Faber
Auditor of State
Columbus, Ohio

September 02, 2021

City of Martins Ferry
Belmont County, Ohio
December 31, 2020
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Belmont County, Ohio
December 31, 2020
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Independent Auditor's Report

To the Members of Council and Management
City of Martins Ferry
Belmont County, Ohio
35 South 5th Street
Martins Ferry, OH 43935

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Martins Ferry, Belmont County, Ohio, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund, street maintenance and repair fund, fire and ambulance fund, and coronavirus relief fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Rea & Associates, Inc.
New Philadelphia, Ohio
July 28, 2021

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City of Martins Ferry
Belmont County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
(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, 2020. 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 2020 are as follows:

- In total, net position increased \$471,838, which represents a 7 percent increase from 2019 balances. Net position of governmental activities increased \$697,868. Net position of business-type activities decreased \$226,030.
- Total capital assets decreased \$381,538 in 2020. Capital assets of governmental activities increased \$250,046 and capital assets of business-type activities decreased \$631,584.
- Outstanding debt decreased from \$8,095,822 to \$6,929,467.

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 2020 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.

A question typically asked about the City's finances is "How did we do financially during 2020?" 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.

City of Martins Ferry
Belmont County, Ohio
Management's Discussion and Analysis
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(Unaudited)

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 development, leisure time activities and transportation.
- **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water, sanitation and sewer funds are reported as major business-type activities.

Reporting the City of Martins Ferry's Most Significant Funds

Fund Financial Statements

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

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

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

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.

City of Martins Ferry
Belmont County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
(Unaudited)

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 2020 compared to 2019:

Table 1
Net Position

	Governmental Activities			Business-Type Activities		
	2020	2019	Change	2020	2019	Change
Assets						
Current & Other Assets	\$ 4,252,408	\$ 3,304,645	\$ 947,763	\$ 2,009,078	\$ 2,174,408	\$ (165,330)
Capital Assets	4,621,729	4,371,683	250,046	13,808,206	14,439,790	(631,584)
<i>Total Assets</i>	<u>8,874,137</u>	<u>7,676,328</u>	<u>1,197,809</u>	<u>15,817,284</u>	<u>16,614,198</u>	<u>(796,914)</u>
Deferred Outflows of Resources						
Pension & OPEB	1,169,229	1,664,682	(495,453)	584,645	1,045,361	(460,716)
<i>Total Deferred Outflows of Resources</i>	<u>1,169,229</u>	<u>1,664,682</u>	<u>(495,453)</u>	<u>584,645</u>	<u>1,045,361</u>	<u>(460,716)</u>
Liabilities						
Current & Other Liabilities	217,760	172,488	45,272	292,823	124,996	167,827
Long-Term Liabilities:						
Due Within One Year	293,287	236,986	56,301	1,109,360	1,056,962	52,398
Due In More Than One Year:						
Net Pension Liability	3,890,110	4,802,568	(912,458)	2,060,621	2,886,320	(825,699)
Net OPEB Liability	1,449,596	1,312,784	136,812	1,376,715	1,310,909	65,806
Other Amounts	1,157,666	1,241,968	(84,302)	5,105,336	6,176,306	(1,070,970)
<i>Total Liabilities</i>	<u>7,008,419</u>	<u>7,766,794</u>	<u>(758,375)</u>	<u>9,944,855</u>	<u>11,555,493</u>	<u>(1,610,638)</u>
Deferred Inflows of Resources						
Property Taxes	971,094	883,432	87,662	-	-	-
Pension & OPEB	883,859	208,658	675,201	688,648	109,610	579,038
<i>Total Deferred Inflows of Resources</i>	<u>1,854,953</u>	<u>1,092,090</u>	<u>762,863</u>	<u>688,648</u>	<u>109,610</u>	<u>579,038</u>
Net Investment in Capital Assets	3,501,947	3,249,315	252,632	7,594,914	7,375,761	219,153
Restricted	1,343,879	1,094,182	249,697	-	-	-
Unrestricted	(3,665,832)	(3,861,371)	195,539	(1,826,488)	(1,381,305)	(445,183)
<i>Total Net Position</i>	<u>\$ 1,179,994</u>	<u>\$ 482,126</u>	<u>\$ 697,868</u>	<u>\$ 5,768,426</u>	<u>\$ 5,994,456</u>	<u>\$ (226,030)</u>

Collectively, the net pension liability (NPL), reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27* and the net OPEB liability (NOL), pursuant to GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, are the largest liabilities reported by the City at December 31, 2020. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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(Unaudited)

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the City's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

City of Martins Ferry
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For the Year Ended December 31, 2020
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In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

At year end, capital assets represented 75 percent of total assets. Capital assets include land, buildings, building improvements, machinery and equipment, vehicles, infrastructure, and construction in progress. Capital assets, net of related debt were \$11,096,861 at December 31, 2020, with \$3,501,947 in governmental activities and \$7,594,914 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, \$1,343,879 represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position is a deficit balance of \$5,492,320.

Equity in pooled cash and investments for governmental activities increased primarily due to increased intergovernmental revenues associated with the Coronavirus Relief fund, increased property taxes and a significant increase in worker's compensation rebates. Equity in pooled cash and investments for business-type funds increased primarily due to an increase in miscellaneous operating revenues, caused by a significant increase in worker's compensation rebates.

Accounts receivable for business-type funds decreased primarily due to a significant delinquent account of approximately \$300,000 that was collected in early 2020.

For both governmental and business-type activities, the changes reflected in NPL, NOL and deferred outflows/inflows of resources relating to pension and OPEB are based on estimates at the plan level. For additional details on GASB 68 and 75, see aforementioned discussion.

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Management's Discussion and Analysis
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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 2020 and 2019.

Table 2 shows the changes in net position for fiscal year 2020 and 2019.

Table 2
Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2020	2019	Change	2020	2019	Change
Revenues						
<i>Program Revenues</i>						
Charges for Services	\$ 989,413	\$ 1,043,934	\$ (54,521)	\$ 5,245,500	\$ 6,221,361	\$ (975,861)
Operating Grants	1,123,113	577,087	546,026	31,001	5,000	26,001
Capital Grants	391,705	68,815	322,890	-	11,512	(11,512)
<i>Total Program Revenues</i>	<u>2,504,231</u>	<u>1,689,836</u>	<u>814,395</u>	<u>5,276,501</u>	<u>6,237,873</u>	<u>(961,372)</u>
General Revenues						
Property Taxes	1,079,587	693,456	386,131	-	-	-
Income Taxes	1,466,000	1,373,798	92,202	-	-	-
Grants & Entitlements	230,350	251,373	(21,023)	-	-	-
Other Local Taxes	86,369	87,398	(1,029)	-	-	-
Miscellaneous	435,344	347,034	88,310	272,203	69,815	202,388
<i>Total General Revenues</i>	<u>3,297,650</u>	<u>2,753,059</u>	<u>544,591</u>	<u>272,203</u>	<u>69,815</u>	<u>202,388</u>
<i>Total Revenues</i>	<u>5,801,881</u>	<u>4,442,895</u>	<u>1,358,986</u>	<u>5,548,704</u>	<u>6,307,688</u>	<u>(758,984)</u>
Program Expenses						
General Government	936,937	1,002,440	(65,503)	-	-	-
Security of Persons and Property	3,157,235	1,707,327	1,449,908	-	-	-
Public Health	62,010	102,030	(40,020)	-	-	-
Leisure Time Activities	38,530	22,297	16,233	-	-	-
Community and Economic Development	786	16,248	(15,462)	-	-	-
Transportation	858,831	1,044,826	(185,995)	-	-	-
Interest and Fiscal Charges	49,684	36,492	13,192	-	-	-
Enterprise Operations						
Water	-	-	-	4,167,404	4,002,983	164,421
Sanitation	-	-	-	951,442	1,003,709	(52,267)
Sewer	-	-	-	655,888	645,395	10,493
<i>Total Expenses</i>	<u>5,104,013</u>	<u>3,931,660</u>	<u>1,172,353</u>	<u>5,774,734</u>	<u>5,652,087</u>	<u>122,647</u>
Transfers	-	(56,200)	56,200	-	56,200	(56,200)
<i>Change in Net Position</i>	697,868	455,035	242,833	(226,030)	711,801	(937,831)
<i>Net Position Beginning of Year</i>	482,126	27,091	455,035	5,994,456	5,282,655	711,801
<i>Net Position End of Year</i>	<u>\$ 1,179,994</u>	<u>\$ 482,126</u>	<u>\$ 697,868</u>	<u>\$ 5,768,426</u>	<u>\$ 5,994,456</u>	<u>\$ (226,030)</u>

The City's overall net position increased \$471,838 from the prior year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

City of Martins Ferry
Belmont County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
(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 miscellaneous revenues.

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, charges for services, intergovernmental revenues, and other miscellaneous revenues. The City monitors its sources of revenues very closely for fluctuations.

Program revenues for capital grants increased due to the completion of an Ohio Department of Transportation (ODOT) let project capitalized by the City. Program revenues for operating grants increased primarily due to receipts for coronavirus relief.

General revenues for property taxes increased primarily due to increased collections for the EMS levy passed in 2019.

Police and fire represent the largest expense of the governmental activities. The police department operates out of the general fund and police salary levy fund. The increase in security of persons and property is due primarily to changes in expenses associated with GASB 68 and increased expenses related to the coronavirus relief 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.

Business-Type Activities

Business-type activities include water, sanitation, and sewer. The revenues are generated primarily from charges for services. In 2020, charges for services accounted for 95 percent of the business type revenues. The total revenues for utilities decreased primarily due to the collection of a large delinquent account that was recorded as a receivable in 2019 in addition to a change in billing cycles implemented in 2019.

City of Martins Ferry
Belmont County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
(Unaudited)

The City's Funds

Governmental Funds

The City's governmental funds are accounted for using the modified accrual method of accounting. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of the fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

The general fund is the chief operating fund of the City. The fund balance of the general fund increased by \$316,059 during the current fiscal year due to decreased expenditures in 2020.

The street maintenance and repair fund had a \$147,392 increase in fund balance primarily due to decreased transportation expenses for ongoing projects.

The fire and ambulance fund had a \$272,899 increase in fund balance primarily due to collections from the EMS levy passed in 2019.

The coronavirus relief fund had a \$0 change in fund balance. As revenue was collected it was expensed accordingly.

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 fund at the end of the year was a deficit of \$1,159,430, the sewer fund was a deficit of \$133,404, and the sanitation fund was a deficit of \$533,654. Total change in net position for these funds was a decrease of \$369,417, an increase of \$122,488 and an increase of \$20,899, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the business-type activities.

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 2020, 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.

City of Martins Ferry
Belmont County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
(Unaudited)

Original Budget Compared to Final Budget During the year, there was no need to make significant amendments to budgeted appropriations. There was a need to make an amendment to increase estimated revenues for income tax collections that were higher than anticipated. Other financing uses were increased as additional funds were needed to support operations in other funds.

Final Budget Compared to Actual Results A review of actual revenues compared to the revenues of the final budget revealed no significant variances. However, the City did receive more revenue than anticipated with the highest variance associated with income taxes.

A review of actual expenditures compared to the appropriations in the final budget revealed a significant variance in security of persons and property as the City utilized funds from the Coronavirus Relief fund for expenditures related to the City's response to the COVID-19 pandemic.

Capital Assets and Debt Administration

Capital Assets

Table 3 shows 2020 balances compared with 2019.

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 712,451	\$ 712,451	\$ 171,440	\$ 171,440	\$ 883,891	\$ 883,891
Construction in Progress	-	20,000	171,787	-	171,787	20,000
Buildings	611,737	654,507	2,728,055	2,863,156	3,339,792	3,517,663
Buildings Improvements	127,157	130,009	527,779	589,633	654,936	719,642
Machinery and Equipment	283,265	261,635	2,007,072	2,284,169	2,290,337	2,545,804
Infrastructure	2,037,642	1,730,512	7,289,020	7,553,162	9,326,662	9,283,674
Vehicles	849,477	862,569	913,053	978,230	1,762,530	1,840,799
<i>Total</i>	<u>\$ 4,621,729</u>	<u>\$ 4,371,683</u>	<u>\$ 13,808,206</u>	<u>\$ 14,439,790</u>	<u>\$ 18,429,935</u>	<u>\$ 18,811,473</u>

See Note 8 for additional information about the capital assets of the City.

City of Martins Ferry
Belmont County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
(Unaudited)

Debt

Table 4 summarizes outstanding debt. See Note 14 for additional details.

Table 4
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Bonds	\$ 172,428	\$ 254,955	\$ 89,000	\$ 124,000	\$ 261,428	\$ 378,955
Police and Fire Pension	125,789	131,982	-	-	125,789	131,982
ODOT Loan	293,430	295,406	-	-	293,430	295,406
Street Sweeper 2019	69,136	81,453	103,702	122,178	172,838	203,631
USDA Loans	216,243	230,758	512,024	548,218	728,267	778,976
OPWC Loans	84,557	108,581	392,407	459,743	476,964	568,324
OWDA Loans	-	-	4,565,240	5,373,829	4,565,240	5,373,829
Vacall Loan	-	-	214,824	253,588	214,824	253,588
Packer Loan	-	-	90,687	111,131	90,687	111,131
<i>Total</i>	<u>\$ 961,583</u>	<u>\$ 1,103,135</u>	<u>\$ 5,967,884</u>	<u>\$ 6,992,687</u>	<u>\$ 6,929,467</u>	<u>\$ 8,095,822</u>

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Rita Randall, Auditor of Martins Ferry, Ohio, at 35 South 5th Street, Martins Ferry, Ohio 43935 or mfauditor@yahoo.com.

City of Martins Ferry
Belmont County, Ohio
Statement of Net Position
December 31, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Investments	\$ 1,629,286	\$ 1,454,016	\$ 3,083,302
Investments in Segregated Accounts	182,722	-	182,722
Accounts Receivable	231,327	596,255	827,582
Intergovernmental Receivable	367,656	-	367,656
Taxes Receivable	1,141,305	-	1,141,305
Income Taxes Receivable	589,433	-	589,433
Internal Balances	102,741	(102,741)	-
Materials and Supplies Inventory	7,938	48,748	56,686
Restricted Cash and Cash Equivalents	-	12,800	12,800
Non-Depreciable Capital Assets	712,451	343,227	1,055,678
Depreciable Capital Assets, net	3,909,278	13,464,979	17,374,257
<i>Total Assets</i>	<u>8,874,137</u>	<u>15,817,284</u>	<u>24,691,421</u>
Deferred Outflows of Resources			
Pension	725,766	347,449	1,073,215
OPEB	443,463	237,196	680,659
<i>Total Deferred Outflows of Resources</i>	<u>1,169,229</u>	<u>584,645</u>	<u>1,753,874</u>
Liabilities			
Accounts Payable	20,337	17,618	37,955
Accrued Wages	77,947	50,755	128,702
Contracts Payable	-	171,787	171,787
Intergovernmental Payable	41,536	22,815	64,351
Accrued Interest Payable	-	17,048	17,048
Refundable Deposits	-	12,800	12,800
Unearned Revenue	77,940	-	77,940
Long-Term Liabilities:			
Due Within One Year	293,287	1,109,360	1,402,647
Due In More Than One Year:			
Net Pension Liability	3,890,110	2,060,621	5,950,731
Net OPEB Liability	1,449,596	1,376,715	2,826,311
Other Amounts Due in More Than One Year	1,157,666	5,105,336	6,263,002
<i>Total Liabilities</i>	<u>7,008,419</u>	<u>9,944,855</u>	<u>16,953,274</u>
Deferred Inflows of Resources			
Property Taxes Levied for the Next Year	971,094	-	971,094
Pension	595,838	471,543	1,067,381
OPEB	288,021	217,105	505,126
<i>Total Deferred Inflows of Resources</i>	<u>1,854,953</u>	<u>688,648</u>	<u>2,543,601</u>
Net Position			
Net Investment in Capital Assets	3,501,947	7,594,914	11,096,861
Restricted for:			
Capital Outlay	291,817	-	291,817
Other Purposes	1,052,062	-	1,052,062
Unrestricted	(3,665,832)	(1,826,488)	(5,492,320)
<i>Total Net Position</i>	<u>\$ 1,179,994</u>	<u>\$ 5,768,426</u>	<u>\$ 6,948,420</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, 2020

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 936,937	\$ 328,770	\$ 77,419	\$ -	\$ (530,748)	\$ -	\$ (530,748)
Security of Persons and Property	3,157,235	589,858	523,415	8,401	(2,035,561)	-	(2,035,561)
Public Health	62,010	38,935	35,816	-	12,741	-	12,741
Leisure Time Services	38,530	-	-	-	(38,530)	-	(38,530)
Community Development	786	-	158	-	(628)	-	(628)
Transportation	858,831	31,850	486,305	383,304	42,628	-	42,628
Interest and Fiscal Charges	49,684	-	-	-	(49,684)	-	(49,684)
<i>Total Governmental Activities</i>	<u>5,104,013</u>	<u>989,413</u>	<u>1,123,113</u>	<u>391,705</u>	<u>(2,599,782)</u>	<u>-</u>	<u>(2,599,782)</u>
Business-Type Activities							
Water	4,167,404	3,610,683	-	-	-	(556,721)	(556,721)
Sanitation	951,442	916,128	-	-	-	(35,314)	(35,314)
Sewer	655,888	718,689	31,001	-	-	93,802	93,802
<i>Total Business-Type Activities</i>	<u>5,774,734</u>	<u>5,245,500</u>	<u>31,001</u>	<u>-</u>	<u>-</u>	<u>(498,233)</u>	<u>(498,233)</u>
<i>Total</i>	<u>\$ 10,878,747</u>	<u>\$ 6,234,913</u>	<u>\$ 1,154,114</u>	<u>\$ 391,705</u>	<u>(2,599,782)</u>	<u>(498,233)</u>	<u>(3,098,015)</u>
General Revenues							
Property Taxes Levied for:							
General Purposes					195,277	-	195,277
Capital Outlay					62,968	-	62,968
Police and Fire					821,342	-	821,342
Income Taxes Levied for:							
General Purposes					1,418,845	-	1,418,845
Street Maintenance and Repair					47,155	-	47,155
Grants and Entitlements not Restricted to Specific Programs					230,350	-	230,350
Other Local Taxes					86,369	-	86,369
Gain from Sale of Capital Assets					6,372	25,939	32,311
Investment Earnings					7,170	-	7,170
Miscellaneous					421,802	246,264	668,066
<i>Total General Revenues</i>					<u>3,297,650</u>	<u>272,203</u>	<u>3,569,853</u>
<i>Change in Net Position</i>					697,868	(226,030)	471,838
<i>Net Position Beginning of Year</i>					482,126	5,994,456	6,476,582
<i>Net Position End of Year</i>					<u>\$ 1,179,994</u>	<u>\$ 5,768,426</u>	<u>\$ 6,948,420</u>

See accompanying notes to the basic financial statements.

City of Martins Ferry
Belmont County, Ohio
Balance Sheet
Governmental Funds
December 31, 2020

	General	Street Maintenance and Repair	Fire and Ambulance	Coronavirus Relief	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Investments	\$ 509,678	\$ 171,097	\$ 335,835	\$ 87,581	\$ 525,095	\$ 1,629,286
Investments in Segregated Accounts	-	-	-	-	182,722	182,722
Accounts Receivable	59,873	-	171,454	-	-	231,327
Intergovernmental Receivable	109,372	209,446	6,008	-	42,830	367,656
Taxes Receivable	214,809	-	249,157	-	677,339	1,141,305
Income Taxes Receivable	542,278	47,155	-	-	-	589,433
Advances to Other Funds	-	-	-	-	123,976	123,976
Materials and Supplies Inventory	-	7,938	-	-	-	7,938
<i>Total Assets</i>	<u>\$ 1,436,010</u>	<u>\$ 435,636</u>	<u>\$ 762,454</u>	<u>\$ 87,581</u>	<u>\$ 1,551,962</u>	<u>\$ 4,273,643</u>
Liabilities						
Accounts Payable	\$ 3,386	\$ 6,406	\$ 1,110	\$ 8,350	\$ 1,085	\$ 20,337
Accrued Wages	50,913	13,831	13,203	-	-	77,947
Intergovernmental Payable	28,509	3,068	6,788	1,291	1,880	41,536
Advances from Other Funds	8,734	12,501	-	-	-	21,235
Unearned Revenue	-	-	-	77,940	-	77,940
<i>Total Liabilities</i>	<u>91,542</u>	<u>35,806</u>	<u>21,101</u>	<u>87,581</u>	<u>2,965</u>	<u>238,995</u>
Deferred Inflows of Resources						
Property Taxes Levied for the Next Year	183,680	-	213,050	-	574,364	971,094
Unavailable Revenue	395,105	137,616	183,827	-	130,973	847,521
<i>Total Deferred Inflows of Resources</i>	<u>578,785</u>	<u>137,616</u>	<u>396,877</u>	<u>-</u>	<u>705,337</u>	<u>1,818,615</u>
Fund Balances						
Nonspendable	-	7,938	-	-	306,698	314,636
Restricted	-	254,276	-	-	536,962	791,238
Committed	29,579	-	344,476	-	-	374,055
Assigned	261,511	-	-	-	-	261,511
Unassigned	474,593	-	-	-	-	474,593
<i>Total Fund Balance</i>	<u>765,683</u>	<u>262,214</u>	<u>344,476</u>	<u>-</u>	<u>843,660</u>	<u>2,216,033</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 1,436,010</u>	<u>\$ 435,636</u>	<u>\$ 762,454</u>	<u>\$ 87,581</u>	<u>\$ 1,551,962</u>	<u>\$ 4,273,643</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, 2020

Total Governmental Fund Balances		\$ 2,216,033
<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.		4,621,729
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Delinquent Property Taxes	\$ 164,576	
Income Tax	313,319	
Intergovernmental	227,914	
Accounts	141,712	847,521
The net pension liability and net OPEB liability are not due and payable in the current period, therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred Outflows - Pension	725,766	
Deferred Outflows - OPEB	443,463	
Net Pension Liability	(3,890,110)	
Net OPEB Liability	(1,449,596)	
Deferred Inflows - Pension	(595,838)	
Deferred Inflows - OPEB	(288,021)	(5,054,336)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Fire Truck Bond	(172,428)	
OPWC Loans	(84,557)	
ODOT Loan	(293,430)	
USDA Loans	(216,243)	
Street Sweeper Loan	(69,136)	
Police and Fire Pension	(125,789)	
Capital Leases	(327,551)	
Compensated Absences	(161,819)	(1,450,953)
<i>Net Position of Governmental Activities</i>		\$ 1,179,994

See accompanying notes to the basic financial statements.

City of Martins Ferry
Belmont County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2020

	General	Street Maintenance and Repair	Fire and Ambulance	Coronavirus Relief	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$ 202,097	\$ -	\$ 234,160	\$ -	\$ 638,409	\$ 1,074,666
Income Taxes	1,478,415	20,257	-	-	-	1,498,672
Other Local Taxes	-	-	-	-	86,369	86,369
Charges for Services	312,984	-	469,421	-	48,992	831,397
Licenses and Permits	60,376	-	-	-	12,723	73,099
Fines and Forfeitures	63,184	-	-	-	9,050	72,234
Intergovernmental	234,194	408,804	19,988	557,681	212,234	1,432,901
Investment Income	7,170	332	-	111	5,051	12,664
Rent	3,600	-	-	-	-	3,600
Contributions and Donations	-	-	-	-	300	300
Miscellaneous	238,592	46,726	66,722	-	69,762	421,802
<i>Total Revenues</i>	<u>2,600,612</u>	<u>476,119</u>	<u>790,291</u>	<u>557,792</u>	<u>1,082,890</u>	<u>5,507,704</u>
Expenditures						
Current:						
General Government	842,614	-	-	69,866	118	912,598
Security of Persons and Property	1,259,103	-	549,314	468,827	513,742	2,790,986
Public Health	13,154	-	-	-	38,865	52,019
Leisure Time Services	-	-	-	-	39	39
Transportation	-	488,964	-	19,099	176,828	684,891
Capital Outlay	-	4,019	6,395	-	65,276	75,690
Debt Service:						
Principal Retirement	102,060	278	17,525	-	104,614	224,477
Interest and Fiscal Charges	26,851	554	2,389	-	19,890	49,684
<i>Total Expenditures</i>	<u>2,243,782</u>	<u>493,815</u>	<u>575,623</u>	<u>557,792</u>	<u>919,372</u>	<u>4,790,384</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>356,830</u>	<u>(17,696)</u>	<u>214,668</u>	<u>-</u>	<u>163,518</u>	<u>717,320</u>
Other Financing Sources (Uses)						
Proceeds from Sale of Capital Assets	-	-	-	-	6,372	6,372
Proceeds of Loans	-	-	-	-	4,365	4,365
Inception of Capital Lease	111,888	17,429	58,231	-	-	187,548
Transfers In	-	147,659	-	-	5,000	152,659
Transfers Out	(152,659)	-	-	-	-	(152,659)
<i>Total Other Financing Sources (Uses)</i>	<u>(40,771)</u>	<u>165,088</u>	<u>58,231</u>	<u>-</u>	<u>15,737</u>	<u>198,285</u>
<i>Net Change in Fund Balances</i>	316,059	147,392	272,899	-	179,255	915,605
<i>Fund Balances Beginning of Year</i>	<u>449,624</u>	<u>114,822</u>	<u>71,577</u>	<u>-</u>	<u>664,405</u>	<u>1,300,428</u>
<i>Fund Balances End of Year</i>	<u>\$ 765,683</u>	<u>\$ 262,214</u>	<u>\$ 344,476</u>	<u>\$ -</u>	<u>\$ 843,660</u>	<u>\$ 2,216,033</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, 2020*

Increase in Fund Balances - Total Governmental Funds	\$	915,605
<i>Items reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	\$ 710,574	
Current Year Depreciation	<u>(460,528)</u>	250,046
Items in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	4,921	
Income Tax	(32,672)	
Intergovernmental	(82,108)	
Charges for Services	<u>9,083</u>	(100,776)
Items in the statement of activities that are reported as revenues in the funds, but the expenditure is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Fire Truck Bond	82,527	
OPWC Loans	24,024	
ODOT Loan	6,341	
USDA Loans	14,515	
Street Sweeper Loan	12,317	
Police and Fire Pension	6,193	
Capital Lease	<u>78,560</u>	224,477
Items in the statement of activities that are reported as revenues in the funds, but the expenditure is an expenditure in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues.		
ODOT Loan		(4,365)
Items in the statement of activities that are reported as revenues in the funds, but the expenditure is an expenditure in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues.		
Capital Lease		(187,548)
Items in the statement of activities that are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	332,564	
OPEB	<u>4,246</u>	336,810
Items in the statement of activities that are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension	(571,721)	
OPEB	<u>(160,097)</u>	(731,818)
Items in the statement of activities that are reported as expenditures in governmental funds, but the expenditure is an expenditure in the governmental funds that do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated Absences		<u>(4,563)</u>
<i>Net Position of Governmental Activities</i>		<u>\$ 697,868</u>
Items in the statement of activities that are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Items in the statement of activities that are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.		

City of Martins Ferry
Belmont County, Ohio
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Property Taxes	\$ 189,965	\$ 200,841	\$ 202,097	\$ 1,256
Income Taxes	1,380,353	1,437,949	1,468,510	30,561
Charges for Services	326,301	277,814	278,715	901
Licenses and Permits	57,855	61,170	61,550	380
Fines and Forfeitures	59,391	64,431	63,184	(1,247)
Intergovernmental	224,328	246,907	238,655	(8,252)
Investment Income	6,740	7,162	7,170	8
Rent	3,384	3,578	3,600	22
Miscellaneous	159,951	208,415	238,592	30,177
<i>Total Revenues</i>	<u>2,408,268</u>	<u>2,508,267</u>	<u>2,562,073</u>	<u>53,806</u>
Expenditures				
Current:				
General Government	895,668	905,435	867,642	37,793
Security of Persons and Property	1,526,824	1,429,803	1,140,915	288,888
Public Health	15,500	13,200	13,154	46
Debt Service:				
Principal Retirement	39,751	114,321	102,060	12,261
Interest and Fiscal Charges	13,241	26,543	26,851	(308)
<i>Total Expenditures</i>	<u>2,490,984</u>	<u>2,489,302</u>	<u>2,150,622</u>	<u>338,680</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(82,716)</u>	<u>18,965</u>	<u>411,451</u>	<u>392,486</u>
Other Financing Sources (Uses)				
Advances Out	-	-	(2,108)	(2,108)
Transfers Out	(53,050)	(156,226)	(152,659)	3,567
<i>Total Other Financing Sources (Uses)</i>	<u>(53,050)</u>	<u>(156,226)</u>	<u>(154,767)</u>	<u>1,459</u>
<i>Net Change in Fund Balance</i>	(135,766)	(137,261)	256,684	393,945
<i>Fund Balance Beginning of Year</i>	152,849	152,849	152,849	-
Prior Year Encumbrances Appropriated	47,020	47,020	47,020	-
<i>Fund Balance End of Year</i>	<u>\$ 64,103</u>	<u>\$ 62,608</u>	<u>\$ 456,553</u>	<u>\$ 393,945</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 and Actual (Budget Basis)
Street Maintenance and Repair Fund
For the Year Ended December 31, 2020

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 315,145	\$ 384,870	\$ 418,125	\$ 33,255
Investment Income	250	377	332	(45)
Miscellaneous	35,218	36,008	46,726	10,718
<i>Total Revenues</i>	<u>350,613</u>	<u>421,255</u>	<u>465,183</u>	<u>43,928</u>
Expenditures				
Current:				
Transportation	425,439	491,450	480,005	11,445
Capital Outlay	-	18,182	18,181	1
Debt Service:				
Principal Retirement	93,759	94,185	93,480	705
Interest and Fiscal Charges	52	26	554	(528)
<i>Total Expenditures</i>	<u>519,250</u>	<u>603,843</u>	<u>592,220</u>	<u>11,623</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(168,637)</u>	<u>(182,588)</u>	<u>(127,037)</u>	<u>55,551</u>
Other Financing Sources (Uses)				
Advances Out	-	-	(2,000)	(2,000)
Transfers In	109,387	131,620	147,659	16,039
<i>Total Other Financing Sources (Uses)</i>	<u>109,387</u>	<u>131,620</u>	<u>145,659</u>	<u>14,039</u>
<i>Net Change in Fund Balance</i>	(59,250)	(50,968)	18,622	69,590
<i>Fund Balance Beginning of Year</i>	1,112	1,112	1,112	-
Prior Year Encumbrances Appropriated	29,914	29,914	29,914	-
<i>Fund Balance End of Year</i>	<u>\$ (28,224)</u>	<u>\$ (19,942)</u>	<u>\$ 49,648</u>	<u>\$ 69,590</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 and Actual (Budget Basis)
Fire and Ambulance Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Property Taxes	\$ 239,030	\$ 240,260	\$ 234,160	\$ (6,100)
Charges for Services	472,456	450,305	462,831	12,526
Intergovernmental	20,404	20,509	19,988	(521)
Miscellaneous	68,110	38,927	66,722	27,795
<i>Total Revenues</i>	<u>800,000</u>	<u>750,001</u>	<u>783,701</u>	<u>33,700</u>
Expenditures				
Current:				
Security of Persons and Property	632,493	653,688	486,312	167,376
Capital Outlay	-	6,395	6,395	-
Debt Service:				
Principal Retirement	17,057	19,957	17,525	2,432
Interest and Fiscal Charges	3,450	3,450	2,389	1,061
<i>Total Expenditures</i>	<u>653,000</u>	<u>683,490</u>	<u>512,621</u>	<u>170,869</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>147,000</u>	<u>66,511</u>	<u>271,080</u>	<u>204,569</u>
<i>Net Change in Fund Balance</i>	147,000	66,511	271,080	204,569
<i>Fund Balance Beginning of Year</i>	58,877	58,877	58,877	-
Prior Year Encumbrances Appropriated	<u>3,614</u>	<u>3,614</u>	<u>3,614</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 209,491</u>	<u>\$ 129,002</u>	<u>\$ 333,571</u>	<u>\$ 204,569</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 and Actual (Budget Basis)
Coronavirus Relief Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ 635,374	\$ 635,621	\$ 247
Investment Income	-	-	111	111
<i>Total Revenues</i>	-	635,374	635,732	358
Expenditures				
Current:				
General Government	-	78,562	93,604	(15,042)
Security of Persons and Property	-	534,674	461,274	73,400
Transportation	-	22,138	19,099	3,039
<i>Total Expenditures</i>	-	635,374	573,977	61,397
<i>Excess of Receipts Over (Under) Disbursements</i>	-	-	61,755	61,755
<i>Net Change in Fund Balance</i>	-	-	61,755	61,755
<i>Fund Balance Beginning of Year</i>	-	-	-	-
Prior Year Encumbrances Appropriated	-	-	-	-
<i>Fund Balance End of Year</i>	\$ -	\$ -	\$ 61,755	\$ 61,755

See accompanying notes to the basic financial statements.

City of Martins Ferry
Belmont County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2020

	Enterprise Funds			
	Water	Sanitation	Sewer	Total
Assets				
<i>Current Assets:</i>				
Equity in Pooled Cash and Investments	\$ 969,425	\$ 174,604	\$ 309,987	\$ 1,454,016
Accounts Receivable	363,744	132,901	99,610	596,255
Materials and Supplies Inventory	48,748	-	-	48,748
<i>Total Current Assets</i>	<u>1,381,917</u>	<u>307,505</u>	<u>409,597</u>	<u>2,099,019</u>
<i>Non-Current Assets:</i>				
<i>Restricted Assets:</i>				
Equity in Pooled Cash and Investments	7,184	4,414	1,202	12,800
Non-Depreciable Capital Assets	338,227	5,000	-	343,227
Depreciable Capital Assets, Net	11,877,242	525,628	1,062,109	13,464,979
<i>Total Non-Current Assets</i>	<u>12,222,653</u>	<u>535,042</u>	<u>1,063,311</u>	<u>13,821,006</u>
<i>Total Assets</i>	<u>13,604,570</u>	<u>842,547</u>	<u>1,472,908</u>	<u>15,920,025</u>
Deferred Outflows of Resources				
Pension	240,792	71,820	34,837	347,449
OPEB	163,514	49,447	24,235	237,196
<i>Total Deferred Outflows of Resources</i>	<u>404,306</u>	<u>121,267</u>	<u>59,072</u>	<u>584,645</u>
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	4,012	12,243	1,363	17,618
Accrued Wages	35,075	12,292	3,388	50,755
Contracts Payable	171,787	-	-	171,787
Intergovernmental Payable	15,782	4,847	2,186	22,815
Accrued Interest Payable	1,275	4,311	11,462	17,048
Compensated Absences Payable	30,042	4,708	6,087	40,837
Capital Leases Payable	39,601	5,054	-	44,655
Loans Payable	13,718	39,265	64,985	117,968
OPWC Loans Payable	45,272	-	-	45,272
OWDA Loans Payable	815,832	-	8,796	824,628
General Obligation Bonds Payable	20,000	-	16,000	36,000
<i>Total Current Liabilities</i>	<u>1,192,396</u>	<u>82,720</u>	<u>114,267</u>	<u>1,389,383</u>
<i>Long-Term Liabilities:</i>				
Refundable Deposits	7,184	4,414	1,202	12,800
Compensated Absences Payable - Net of Current Portion	84,499	-	12,211	96,710
Capital Leases Payable - Net of Current Portion	43,938	20,672	-	64,610
Loans Payable - Net of Current Portion	28,804	305,196	469,269	803,269
OPWC Loans Payable - Net of Current Portion	347,135	-	-	347,135
OWDA Loans Payable - Net of Current Portion	3,588,621	-	151,991	3,740,612
General Obligation Bonds Payable - Net of Current Portion	20,000	-	33,000	53,000
Advances from Other Funds	-	18,372	84,369	102,741
Net Pension Liability	1,386,236	449,590	224,795	2,060,621
Net OPEB Liability	926,154	300,374	150,187	1,376,715
<i>Total Long-Term Liabilities</i>	<u>6,432,571</u>	<u>1,098,618</u>	<u>1,127,024</u>	<u>8,658,213</u>
<i>Total Liabilities</i>	<u>7,624,967</u>	<u>1,181,338</u>	<u>1,241,291</u>	<u>10,047,596</u>
Deferred Inflows of Resources				
Pension	294,050	105,897	71,596	471,543
OPEB	132,884	49,792	34,429	217,105
<i>Total Deferred Inflows of Resources</i>	<u>426,934</u>	<u>155,689</u>	<u>106,025</u>	<u>688,648</u>
Net Position				
Net Investment in Capital Assets	\$ 7,116,405	\$ 160,441	\$ 318,068	\$ 7,594,914
Unrestricted	(1,159,430)	(533,654)	(133,404)	(1,826,488)
<i>Total Net Position</i>	<u>\$ 5,956,975</u>	<u>\$ (373,213)</u>	<u>\$ 184,664</u>	<u>\$ 5,768,426</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, 2020

	Enterprise			
	Water	Sanitation	Sewer	Total
Operating Revenues				
Charges for Services	\$ 3,610,683	\$ 916,128	\$ 718,689	\$ 5,245,500
Other	161,365	56,213	28,686	246,264
<i>Total Operating Revenues</i>	<u>3,772,048</u>	<u>972,341</u>	<u>747,375</u>	<u>5,491,764</u>
Operating Expenses				
Personal Services	1,949,362	612,793	387,391	2,949,546
Contractual Services	634,941	184,592	105,259	924,792
Materials and Supplies	661,745	83,610	44,901	790,256
Depreciation	818,603	57,201	91,722	967,526
<i>Total Operating Expenses</i>	<u>4,064,651</u>	<u>938,196</u>	<u>629,273</u>	<u>5,632,120</u>
<i>Operating Income (Loss)</i>	<u>(292,603)</u>	<u>34,145</u>	<u>118,102</u>	<u>(140,356)</u>
Non-Operating Revenues (Expenses)				
Intergovernmental	-	-	31,001	31,001
Gain on Sale of Capital Assets	25,939	-	-	25,939
Interest	(102,753)	(13,246)	(26,615)	(142,614)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(76,814)</u>	<u>(13,246)</u>	<u>4,386</u>	<u>(85,674)</u>
<i>Change in Net Position</i>	<u>(369,417)</u>	<u>20,899</u>	<u>122,488</u>	<u>(226,030)</u>
<i>Net Position Beginning of Year</i>	<u>6,326,392</u>	<u>(394,112)</u>	<u>62,176</u>	<u>5,994,456</u>
<i>Net Position End of Year</i>	<u>\$ 5,956,975</u>	<u>\$ (373,213)</u>	<u>\$ 184,664</u>	<u>\$ 5,768,426</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, 2020

	Enterprise Funds			
	Water	Sanitation	Sewer	Total
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 3,979,132	\$ 911,882	\$ 712,436	\$ 5,603,450
Cash Received from Other Operating Receipts	161,365	56,213	28,686	246,264
Cash Payments to Suppliers for Goods and Services	(655,011)	(78,994)	(43,901)	(777,906)
Cash Payments to Employees for Services and Benefits	(1,730,312)	(557,953)	(359,844)	(2,648,109)
Cash Payments for Contractual Services	(634,941)	(184,592)	(105,259)	(924,792)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>1,120,233</u>	<u>146,556</u>	<u>232,118</u>	<u>1,498,907</u>
Cash Flows from Noncapital Financing Activities				
Intergovernmental Revenue	-	-	42,513	42,513
Principal Payments on Noncapital Debt	(19,460)	-	-	(19,460)
Interest Payments on Noncapital Debt	(1,531)	-	-	(1,531)
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>(20,991)</u>	<u>-</u>	<u>42,513</u>	<u>21,522</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition of Capital Assets	(138,012)	-	(4,900)	(142,912)
Advances In	-	-	34,000	34,000
Advances Out	-	(3,297)	(15,246)	(18,543)
Proceeds from Sale of Capital Assets	25,939	-	-	25,939
Principal Payments on Debt	(919,130)	(38,260)	(86,377)	(1,043,767)
Interest Payments on Debt	(101,548)	(13,510)	(28,108)	(143,166)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(1,132,751)</u>	<u>(55,067)</u>	<u>(100,631)</u>	<u>(1,288,449)</u>
<i>Net Increase (Decrease) in Cash and Investments</i>	(33,509)	91,489	174,000	231,980
<i>Cash and Investments Beginning of Year</i>	<u>1,010,118</u>	<u>87,529</u>	<u>137,189</u>	<u>1,234,836</u>
<i>Cash and Investments End of Year</i>	<u>\$ 976,609</u>	<u>\$ 179,018</u>	<u>\$ 311,189</u>	<u>\$ 1,466,816</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating Income (Loss)	\$ (292,603)	\$ 34,145	\$ 118,102	\$ (140,356)
Adjustments:				
Depreciation	818,603	57,201	91,722	967,526
(Increase) Decrease in Assets and Deferred Outflows:				
Accounts Receivable	371,492	(6,124)	(6,218)	359,150
Materials and Supplies Inventory	11,191	-	-	11,191
Deferred Outflows - Pension/OPEB	291,726	94,889	74,101	460,716
Increase (Decrease) in Liabilities and Deferred Inflows:				
Accounts Payable	(4,457)	4,616	1,000	1,159
Accrued Wages	4,627	117	(357)	4,387
Intergovernmental Payable	(460)	(710)	(153)	(1,323)
Refundable Deposits	(3,043)	1,878	(35)	(1,200)
Compensated Absences Payable	14,335	37	4,140	18,512
Deferred Inflows - Pension/OPEB	369,601	109,949	99,488	579,038
Net Pension Liability	(520,797)	(168,907)	(135,995)	(825,699)
Net OPEB Liability	60,018	19,465	(13,677)	65,806
<i>Net Cash Provided by (Used For) Operating Activities</i>	<u>\$ 1,120,233</u>	<u>\$ 146,556</u>	<u>\$ 232,118</u>	<u>\$ 1,498,907</u>

Noncash Capital Financing Activities:

The City entered into a capital lease agreement for a vehicle in the amount of \$26,143 in the sanitation fund in 2020.
The sewer fund purchased capital assets on account in the amount of \$4,900 in 2019.
The water fund purchased capital assets on account in the amount of \$171,787 in 2020.

See accompanying notes to the basic financial statements.

City of Martins Ferry
Belmont County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2020

	<u>Custodial</u>
Assets	
Equity in Pooled Cash and Investments	\$ 55,325
Cash in Segregated Accounts	<u>130</u>
<i>Total Assets</i>	<u>55,455</u>
Net Position	
Restricted for Individuals, Organizations, and Other Governments	55,455
<i>Total Net Position</i>	<u>\$ 55,455</u>

See accompanying notes to the basic financial statements.

City of Martins Ferry
Belmont County, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2020

	Custodial
Additions	
Fines and Forfeitures for Other Governments	\$ 37,915
<i>Total Additions</i>	37,915
Deductions	
Fines and Forfeitures Distributions to Other Governments	38,227
<i>Total Deductions</i>	38,227
<i>Change in Net Position</i>	(312)
<i>Net Position Beginning of Year</i>	55,767
<i>Net Position End of Year</i>	\$ 55,455

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, 2020

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, 2020

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.

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

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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

Coronavirus Relief Fund This fund accounts for federal emergency relief grants related to the Coronavirus (COVID-19) pandemic.

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 custodial 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. The City's custodial 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 court collections of the Mayor's Court that are distributed to other entities.

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.

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.

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Like the government-wide statements, all proprietary funds and fiduciary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows and resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. For proprietary funds 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 enterprise activities.

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from custodial funds.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on 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 use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred outflows/inflows of resources and in the presentation 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, income taxes, state-levied locally shared taxes (including gasoline tax, motor vehicle license tax, and homestead and rollback), and fines and forfeitures.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 11 and 12.

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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 as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2020, but which were levied to finance 2021 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 may include 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. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balances to net position of governmental activities. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 11 and 12)

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 custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level within each department. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time the final appropriations were passed by Council.

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

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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.

The City also has two accounts that are maintained separately from the City's deposits. These depository accounts are presented on the financial statements as "investments in segregated accounts" and "cash in segregated accounts."

During fiscal year 2020, the City's investments were limited to a certificate 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 2020 amounted to \$7,170, which includes \$6,150 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, 2020 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.

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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."

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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 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 fiscal year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

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/Other Postemployment Benefits (OPEB)

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

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

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

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

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

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

P. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions, enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

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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 2020.

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.

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).

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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	Sreet Maintenance and Repair	Fire and Ambulance	Coronavirus Relief
GAAP Basis	\$ 316,059	\$ 147,392	\$ 272,899	\$ -
Net Adjustment for Revenue Accruals	(116,158)	(28,365)	(64,821)	77,940
Net Adjustment for Expenditure Accruals	109,524	21,043	65,265	9,640
Funds Budgeted Elsewhere*	(29,579)	-	-	-
Adjustment for Encumbrances	(23,162)	(121,448)	(2,263)	(25,825)
Budget Basis	<u>\$ 256,684</u>	<u>\$ 18,622</u>	<u>\$ 271,080</u>	<u>\$ 61,755</u>

* As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes unclaimed monies, police severance and fire severance funds.

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.

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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);
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days and two hundred and seventy days, respectively, 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.

The Mayor's Court fund is maintained separately from the City's deposits. The carrying amount of the deposits is reported as "Cash in Segregated Accounts." The cemetery endowment fund has a non-negotiable certificate of deposit that is maintained separately from the City's deposits. The carrying amount of the certificate of deposit is reported as "Investment in Segregated Accounts."

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Deposits

At year-end, the carrying amount of the City’s deposits was \$706,583 and the bank balance was \$899,317.

Of the bank balance:

1. \$432,819 was covered by Federal depository insurance, by collateral held by the City, or by collateral held by the City’s agent in the name of the City; and
2. \$466,498 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions’ trust department in the City’s name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments

As of December 31, 2020, the City had the following investment and maturity:

<u>Investment Type</u>	<u>Measurement Amount</u>	<u>6 Months or Less</u>	<u>Percent of Total</u>
Cost:			
Repurchase Agreement	\$ 2,627,696	\$ 2,627,696	100.00%

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

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in possession of an outside party.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

- Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
- 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. OPCS required the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

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.

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

NOTE 5 - INTERFUND ACTIVITY

A. Interfund Balances

Interfund balances at December 31, 2020 consisted of the following:

	Advances to Other Funds	Advances from Other Funds
Governmental:		
General Fund	\$ -	\$ 8,734
Street Maintenance & Repair	-	12,501
Nonmajor Governmental Funds	123,976	-
Business-Type:		
Sanitation	-	18,372
Sewer	-	84,369
Totals	\$ 123,976	\$ 123,976

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.

During 2018, the permanent improvement fund advanced \$25,090 to the sanitation fund for the first payment on a new packer. This advance will be repaid in monthly installments over 7 years at an interest rate of 4.18 percent.

During 2018, the permanent improvement fund advanced \$47,512 to the sewer fund for the first payment on a new vacall sewer cleaner. This advance will be repaid in monthly installments over 7 years at an interest rate of 3.28 percent.

During 2019, the permanent improvement fund advanced \$15,473 and \$23,209 to the street maintenance and repair fund and sewer fund, respectively, for the first payment on a new street sweeper. These advance will be repaid in monthly installments over 7 years at an interest rate of 3.88 percent.

During 2020, the permanent improvement fund advanced \$34,000 sewer fund for the City share of the TurfCare Lift Station project. This advance will be repaid in monthly installments over 5 years at an interest rate of 2.0 percent.

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B. Interfund Transfers

Interfund transfers for the year ended December 31, 2020, consisted of the following:

Fund	Transfers Out	Transfers In
Governmental:		
General	\$ 152,659	\$ -
Street Maintenance and Repair	-	147,659
Nonmajor Governmental Funds:		
Cemetery	-	5,000
Totals	\$ 152,659	\$ 152,659

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 2020 for real and public utility property taxes represents collections of the 2019 taxes.

2020 real property taxes were levied after October 1, 2020 on the assessed value as of January 1, 2020, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2020 real property taxes are collected in and intended to finance 2021.

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. 2020 public utility property taxes which became a lien December 31, 2019, are levied after October 1, 2020, and are collected in 2021 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2020, was \$16.10 per \$1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2020 property tax receipts were based are as follows:

Category	Assessed Value
Real Property	\$ 73,880,220
Public Utilities - Real	67,930
Public Utilities - Personal	4,816,970
Total Assessed Value	\$ 78,765,120

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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, 2020, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2020 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 2020, the proceeds were receipted to the general fund and the street and maintenance and repair fund.

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NOTE 8 - CAPITAL ASSETS

A summary of changes in capital assets during 2020 follows:

	Balance 12/31/2019	Additions	Reductions	Transfers and Adjustments	Balance 12/31/2020
Governmental Activities:					
<i>Capital Assets Not Being Depreciated:</i>					
Land	\$ 712,451	\$ -	\$ -	\$ -	\$ 712,451
Construction in Progress	20,000	-	(20,000)	-	-
<i>Total Capital Assets Not Being Depreciated</i>	<u>732,451</u>	<u>-</u>	<u>(20,000)</u>	<u>-</u>	<u>712,451</u>
<i>Capital Assets, Being Depreciated:</i>					
Buildings	2,178,398	-	-	-	2,178,398
Building Improvements	975,458	6,395	-	-	981,853
Equipment and Machinery	1,164,567	85,023	(80,594)	-	1,168,996
Infrastructure	2,410,003	437,689	-	-	2,847,692
Vehicles	4,421,213	201,467	(1,271,112)	76,842	3,428,410
<i>Total Capital Assets, Being Depreciated</i>	<u>11,149,639</u>	<u>730,574</u>	<u>(1,351,706)</u>	<u>76,842</u>	<u>10,605,349</u>
<i>Less Accumulated Depreciation:</i>					
Buildings	(1,523,891)	(42,770)	-	-	(1,566,661)
Building Improvements	(845,449)	(9,247)	-	-	(854,696)
Equipment and Machinery	(902,932)	(63,393)	80,594	-	(885,731)
Infrastructure	(679,491)	(130,559)	-	-	(810,050)
Vehicles	(3,558,644)	(214,559)	1,271,112	(76,842)	(2,578,933)
<i>Total Accumulated Depreciation</i>	<u>(7,510,407)</u>	<u>(460,528)</u>	<u>1,351,706</u>	<u>(76,842)</u>	<u>(6,696,071)</u>
<i>Total Capital Assets, Being Depreciated, Net</i>	<u>3,639,232</u>	<u>270,046</u>	<u>-</u>	<u>-</u>	<u>3,909,278</u>
<i>Total Governmental Activities Capital Assets, Net</i>	<u>\$ 4,371,683</u>	<u>\$ 270,046</u>	<u>\$ (20,000)</u>	<u>\$ -</u>	<u>\$ 4,621,729</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 35,687
Leisure Time Activities	32,240
Security of Persons and Property	218,441
Transportation	168,487
Community and Economic Development	658
Public Health	5,015
Total	<u>\$ 460,528</u>

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	Balance 12/31/2019	Additions	Reductions	Transfers and Adjustments	Balance 12/31/2020
Business-Type Activities					
<i>Capital Assets Not Being Depreciated:</i>					
Land	\$ 171,440	\$ -	\$ -	\$ -	\$ 171,440
Construction in Progress	-	171,787	-	-	171,787
<i>Total Capital Assets Not Being Depreciated</i>	<u>171,440</u>	<u>171,787</u>	<u>-</u>	<u>-</u>	<u>343,227</u>
<i>Capital Assets, Being Depreciated:</i>					
Buildings	6,306,545	19,980	-	-	6,326,525
Building Improvements	2,024,094	29,500	-	-	2,053,594
Equipment and Machinery	9,110,752	14,783	(73,646)	-	9,051,889
Infrastructure	10,525,642	-	-	-	10,525,642
Vehicles	1,949,473	99,892	(227,579)	(76,838)	1,744,948
<i>Total Capital Assets, Being Depreciated</i>	<u>29,916,506</u>	<u>164,155</u>	<u>(301,225)</u>	<u>(76,838)</u>	<u>29,702,598</u>
<i>Less Accumulated Depreciation:</i>					
Buildings	(3,443,389)	(155,081)	-	-	(3,598,470)
Building Improvements	(1,434,461)	(91,354)	-	-	(1,525,815)
Equipment and Machinery	(6,826,583)	(291,880)	73,646	-	(7,044,817)
Infrastructure	(2,972,480)	(264,142)	-	-	(3,236,622)
Vehicles	(971,243)	(165,069)	227,579	76,838	(831,895)
<i>Total Accumulated Depreciation</i>	<u>(15,648,156)</u>	<u>(967,526)</u>	<u>301,225</u>	<u>76,838</u>	<u>(16,237,619)</u>
<i>Total Capital Assets, Being Depreciated, Net</i>	<u>14,268,350</u>	<u>(803,371)</u>	<u>-</u>	<u>-</u>	<u>13,464,979</u>
<i>Total Business-Type Capital Assets, Net</i>	<u>\$ 14,439,790</u>	<u>\$ (631,584)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,808,206</u>

Depreciation expense was charged to the programs as follows:

Water	\$ 818,603
Sanitation	57,201
Sewer	<u>91,722</u>
Total	<u>\$ 967,526</u>

NOTE 9 - RECEIVABLES

Receivables at December 31, 2020, consisted of taxes, accounts (billings for user charged services), advances to other funds and intergovernmental receivables arising from entitlements and shared revenues. All receivables are deemed collectible in full.

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.

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2019 (most recent available), PEP retained \$500,000 for casualty claims and \$250,000 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, 2019 (most recent available):

	<u>2019</u>
<u>Casualty and Property Coverage</u>	
Assets	\$ 54,973,597
Liabilities	<u>(16,440,940)</u>
Net Position	<u>\$ 38,532,657</u>

At December 31, 2019 (most recent available), the liabilities above include approximately \$14.7 million of estimated incurred claims payable. The assets above also include approximately \$13.7 million of unpaid claims to be billed. The Pool's membership increased to 553 members in 2019. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2020, the City's share of these unpaid claims collectible in future years is approximately \$76,136.

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>	
2018	\$	120,451
2019		120,243
2020		120,850

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

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

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability

Pensions and OPEB are components of exchange transactions - between an employer and its employees - of salaries and benefits for employee services. Pensions and OPEB 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 net pension liability and the net OPEB liability represent the City's proportionate share of each pension/OPEB 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/OPEB 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/OPEB are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 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). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients.

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

The remainder of this note includes the pension disclosures. See Note 12 for the OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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 combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. 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, including requirements for reduced and unreduced benefits):

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

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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. The initial amount of a member’s pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a benefit recipient has received benefits for 12 months, current law provides for an annual cost-of-living adjustment (COLA). 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 cost of living adjustment is 3 percent. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

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

	State and Local
2019 Statutory Maximum Contribution Rates	
Employer	14.00 %
Employee	10.00 %
2019 Actual Contribution Rates	
Employer:	
Pension	14.00 %
Post-Employment Health Care Benefits	0.00 %
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 \$380,497 for 2020. Of this amount, \$42,820 is reported as an intergovernmental payable.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F 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.

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OP&F Comprehensive Annual Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F 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, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index 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 3 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
2020 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee	12.25 %
 2020 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 OP&F was \$161,341 for 2020. Of this amount, \$19,161 is reported as an intergovernmental payable.

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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, 2020, the specific liability of the City was \$125,789 payable in semi-annual payments through the year 2035.

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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2019, and was determined by rolling forward the total pension liability as of January 1, 2019, to December 31, 2019. 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>OP&F</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Period	0.018955%	0.032719%	
Prior Measurement Period	<u>0.018819%</u>	<u>0.031053%</u>	
Change in Proportion	<u><u>0.000136%</u></u>	<u><u>0.001666%</u></u>	
Proportionate Share of the Net			
Pension Liability	\$ 3,746,584	\$ 2,204,147	\$ 5,950,731
Pension Expense	\$ 594,139	\$ 314,143	\$ 908,282

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, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between Expected and			
Actual Experience	\$ -	\$ 83,433	\$ 83,433
Changes of Assumptions	200,112	54,107	254,219
Changes in Proportionate Share	60,972	132,753	193,725
City Contributions Subsequent			
to the Measurement Date	<u>380,497</u>	<u>161,341</u>	<u>541,838</u>
Total Deferred Outflows of Resources	<u><u>\$ 641,581</u></u>	<u><u>\$ 431,634</u></u>	<u><u>\$ 1,073,215</u></u>

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Deferred Inflows of Resources

Differences between Expected and Actual Experience	\$ 47,371	\$ 113,676	\$ 161,047
Net Difference between Projected and Actual			
Earnings on Pension Plan Investments	747,359	106,477	853,836
Changes in Proportionate Share	<u>45,878</u>	<u>6,620</u>	<u>52,498</u>
Total Deferred Inflows of Resources	<u>\$ 840,608</u>	<u>\$ 226,773</u>	<u>\$ 1,067,381</u>

\$541,838 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, 2021. 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:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2021	\$ (78,755)	\$ 11,338	\$ (67,417)
2022	(234,966)	28,704	(206,262)
2023	30,947	78,550	109,497
2024	(296,750)	(73,108)	(369,858)
2025	-	(1,964)	(1,964)
	<u>\$ (579,524)</u>	<u>\$ 43,520</u>	<u>\$ (536,004)</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, 2019, using the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2019 are presented below.

<u>Actuarial Information</u>	<u>Traditional Pension Plan</u>
Wage Inflation	3.25 percent
Future Salary Increases, including wage inflation	3.25 percent to 10.75 percent (including wage inflation)
Investment Rate of Return	
Current Measurement Date	7.20 percent
Prior Measurement Date	7.20 percent
Actuarial Cost Method	Individual Entry Age
Cost-of-Living Adjustments	Pre-1/7/2013 Retirees: 3.00 percent Simple Post-1/7/2013 Retirees: 3.00 percent Simple through 2020, then 2.15 percent Simple

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In October 2019, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from three percent simple through 2018 then 2.15 simple to 1.4 percent simple through 2020 then 2.15 percent simple.

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. 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. 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 was 17.2 percent for 2019.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The 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. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	25.00 %	1.83 %
Domestic Equities	19.00	5.75
Real Estate	10.00	5.20
Private Equity	12.00	10.70
International Equities	21.00	7.66
Other Investments	<u>13.00</u>	<u>4.98</u>
Total	<u>100.00 %</u>	<u>5.61 %</u>

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Discount Rate The discount rate used to measure the total pension liability was 7.20 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the 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 benefit 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 7.20 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 (6.20 percent) or one-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's Proportionate Share of the Net Pension Liability	\$ 6,179,330	\$ 3,746,584	\$ 1,559,617

Actuarial Assumptions – OP&F

OP&F’s total pension liability as of December 31, 2019 is based on the results of an actuarial valuation date of January 1, 2019, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing 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. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2019, are presented below:

Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00 percent
Projected Salary Increases	3.75 percent to 10.50 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of inflation rate of 2.75 percent plus productivity increase rate of 0.50 percent
Cost-of-Living Adjustments	3.00 percent simple; 2.20 percent simple for increases based on the lesser of the increase in CPI and 3.00 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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<u>Age</u>	<u>Police</u>
67 or less	77 %
68-77	105
78 and up	115

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>
59 or less	35 %
60-69	60
70-79	75
80 and up	100

The most recent experience study was completed for the five year period ended December 31, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. 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 real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2019, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Real Rate of Return**</u>	<u>30 Year Expected Real Rate of Return**</u>
Cash and Cash Equivalents	- %	0.10 %	1.00 %
Domestic Equity	16.00	3.90	5.40
Non-U.S. Equity	16.00	4.70	5.80
Private Markets	8.00	6.10	8.00
Core Fixed Income*	23.00	1.10	2.70
High Yield Fixed Income	7.00	2.50	4.70
Private Credit	5.00	4.80	5.50
U.S. Inflation Linked Bonds*	17.00	0.40	2.50
Midstream Energy Infrastructure	8.00	5.80	6.60
Real Assets	8.00	6.90	7.40
Private Real Estate	12.00	5.40	6.40
Total	<u>120.00 %</u>		

Note: Assumptions are geometric.

* Levered 2x

** Numbers are net of expected inflation

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F'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.

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Discount Rate The total pension liability was calculated using the discount rate of 8.00 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 8.00 percent. Based on those assumptions, OP&F's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.00 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 (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's Proportionate Share of the Net Pension Liability	\$ 3,054,871	\$ 2,204,147	\$ 1,492,601

NOTE 12 - DEFINED BENEFIT OPEB PLANS

See Note 11 for a description of the net OPEB liability.

Plan Description – Ohio Public Employees Retirement System (OPERS)

OPERS administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care 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 separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. 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 75. See OPERS Comprehensive Annual Financial Report referenced below for additional information.

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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.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, 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. For 2020, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. 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 2020 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2020.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F 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.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2020, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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

The City's contractually required contribution to OP&F was \$4,246 for 2020. Of this amount, \$504 is reported as an intergovernmental payable.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2019, and was determined by rolling forward the total OPEB liability as of January 1, 2019, to December 31, 2019. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

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	OPERS	OP&F	Total
Proportion of the Net OPEB Liability:			
Current Measurement Period	0.018122%	0.032719%	
Prior Measurement Period	0.017955%	0.031053%	
Change in Proportion	0.000167%	0.001666%	
Proportionate Share of the Net			
OPEB Liability	\$ 2,503,119	\$ 323,192	\$ 2,826,311
OPEB Expense	\$ 269,341	\$ 43,330	\$ 312,671

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$ 67	\$ -	\$ 67
Changes of Assumptions	396,218	188,950	585,168
Changes in Proportionate Share	38,515	52,663	91,178
City Contributions Subsequent to the Measurement Date	-	4,246	4,246
Total Deferred Outflows of Resources	\$ 434,800	\$ 245,859	\$ 680,659
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$ 228,922	\$ 34,756	\$ 263,678
Net Difference between Projected and Actual			
Earnings on OPEB Plan Investments	127,460	14,871	142,331
Changes of Assumptions	-	68,877	68,877
Changes in Proportionate Share	30,240	-	30,240
Total Deferred Inflows of Resources	\$ 386,622	\$ 118,504	\$ 505,126

\$4,246 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2021	\$ 67,418	\$ 22,655	\$ 90,073
2022	35,125	22,657	57,782
2023	100	25,704	25,804
2024	(54,465)	20,897	(33,568)
2025	-	21,772	21,772
	\$ 48,178	\$ 123,109	\$ 171,287

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.

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Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, Including Inflation	3.25 percent to 10.75 percent (includes wage inflation at 3.25 percent)
Single Discount Rate:	
Current Measurement Date	3.16 percent
Prior Measurement Date	3.96 percent
Investment Rate of Return	
Current Measurement Date	6.00 percent
Prior Measurement Date	6.00 percent
Municipal Bond Rate	
Current Measurement Date	2.75 percent
Prior Measurement Date	3.71 percent
Health Care Cost Trend Rate	
Current Measurement Date	10.50 percent, initial, 3.50 percent ultimate in 2030
Prior Measurement Date	10.00 percent, initial, 3.25 percent ultimate in 2029
Actuarial Cost Method	Individual Entry Age Normal

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contribution are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. 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 Health Care portfolio was 19.7 percent for 2019.

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The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care 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. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	36.00 %	1.53 %
Domestic Equities	21.00	5.75
Real Estate Investment Trusts	6.00	5.69
International Equities	23.00	7.66
Other Investments	<u>14.00</u>	<u>4.90</u>
Total	<u>100.00 %</u>	<u>4.55 %</u>

Discount Rate A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.75 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.16 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's Proportionate Share of the Net OPEB Liability	\$ 3,275,733	\$ 2,503,119	\$ 1,884,507

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Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Trend Rate	1% Increase
City's Proportionate Share of the Net OPEB Liability	\$ 2,429,254	\$ 2,503,119	\$ 2,576,042

Changes between Measurement Date and Reporting Date

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

Actuarial Assumptions – OP&F

OP&F’s total OPEB liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

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Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Projected Salary Increases	3.75 percent to 10.50 percent
Payroll Growth	3.25 percent
Investment Rate of Return	
Current Measurement Date	8.00 percent
Prior Measurement Date	8.00 percent
Single Discount Rate:	
Current Measurement Date	3.56 percent
Prior Measurement Date	4.66 percent
Municipal Bond Rate	
Current Measurement Date	2.75 percent
Prior Measurement Date	4.13 percent
Cost of Living Adjustments	3.00 percent simple; 2.20 percent simple for increases based on the lesser of the increase in CPI and 3.00 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police
67 or less	77 %
68-77	105
78 and up	115

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

Age	Police
59 or less	35 %
60-69	60
70-79	75
80 and up	100

The most recent experience study was completed for the five year period ended December 31, 2016.

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. 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. The target asset allocation and best estimates of geometric real rates of return for each major asset class as of December 31, 2019, are summarized below:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Real Rate of Return**</u>	<u>30 Year Expected Real Rate of Return**</u>
Cash and Cash Equivalents	- %	0.10 %	1.00 %
Domestic Equity	16.00	3.90	5.40
Non-U.S. Equity	16.00	4.70	5.80
Private Markets	8.00	6.10	8.00
Core Fixed Income*	23.00	1.10	2.70
High Yield Fixed Income	7.00	2.50	4.70
Private Credit	5.00	4.80	5.50
U.S. Inflation Linked Bonds*	17.00	0.40	2.50
Midstream Energy Infrastructure	8.00	5.80	6.60
Real Assets	8.00	6.90	7.40
Private Real Estate	12.00	5.40	6.40
Total	120.00 %		

Note: Assumptions are geometric.

* Levered 2x

** Numbers are net of expected inflation

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F'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 For 2019, the total OPEB liability was calculated using the discount rate of 3.56 percent. For 2018, the total OPEB liability was calculated using the discount rate of 4.66 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from 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 of 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.75 percent at December 31, 2019 and 4.13 percent at December 31, 2018, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.56 percent for 2019 and 4.66 percent for 2018. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2034. The long-term expected rate of return on health care investments was applied to projected costs through 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.56 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56 percent), or one percentage point higher (4.56 percent) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's Proportionate Share of the Net OPEB Liability	\$ 400,738	\$ 323,192	\$ 258,758

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Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

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 Stark County Consortium, for hospitalization insurance for all employees. The City pays \$1,856 of the total monthly premiums of \$2,109 for family coverage and \$764 of the monthly premiums of \$868 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries. City AFSCME Union employees and full-time police pay \$253 for family coverage and \$104 for single coverage.

The City contracts with Vision Service Plan for vision insurance for all Employees. Premiums are paid from the same funds that pay the employees' salaries. The City contracts with Ohio AFSCME Care Plan for dental for all union employees, police, and supervisors. The City pays 100 percent of the total monthly dental premiums of \$64 per employee. The City pays 100 percent of total monthly vision premiums of \$36 per family, \$22 for employee plus one, and \$13 for single employee. Premiums are paid from the same funds that pay the employees’ salaries.

NOTE 14 - 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:			
Fire Truck Acquisition Bond - 2017	2.95	\$ 488,616	December 1, 2022
St. Route 647 OPWC Loan - 2003	0.00	10,029	January 1, 2024
Street Paving OPWC Loan - 2015	0.00	97,880	July 1, 2026
First Street Paving OPWC Loan	0.00	57,267	July 20, 2027
USDA Loan- Equipment - 2015	3.25	77,280	November 1, 2023
USDA Loan- Building - 2016	2.875	203,100	June 1, 2046
ODOT - SIB Loan -2018	3.00	291,040	June 19, 2038
Street Sweeper - 2019	3.88	96,930	May 24, 2025

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Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Business-Type Activities:			
Water Treatment System Improvement Bonds - 2013	3.375-4.00	\$ 190,000	December 1, 2022
Storm Sewer Improvement Camera System Bond	3.14	80,000	December 1, 2023
Ferry View/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
Water Meters OWDA Loan - 2011	2.00	953,977	January 1, 2042
County Road 4 Waterline Replacement OWDA Loan - 2015	1.57	2,700,034	July 1, 2046
Cemetery Road Sewer Replacement OWDA Loan - 2016	2.22	198,051	July 1, 2036
Woodmont Street Pump Project OPWC Loan - 2007	0.00	231,526	January 1, 2029
Woodmont Pump Station OPWC Loan - 2004	0.00	20,000	January 1, 2024
Water Tank OPWC Loan - 2007	2.00	255,000	January 1, 2028
Water Treatment Plant and Well Field Project OPWC Loan - 2009	0.00	379,600	July 1, 2032
USDA Loan- Equipment - 2015	3.25	198,720	November 1, 2023
USDA Loan- Building - 2016	2.875	473,900	June 1, 2046
Street Sweeper - 2019	3.88	145,394	May 24, 2025
Packer - 2018	4.18	155,845	November 14, 2024
Vacall Sewer Truck - 2018	3.45	337,569	April 15, 2025

A schedule of changes in long-term obligations of the City during 2020 follows:

	Outstanding 12/31/2019	Additions	Deletions	Outstanding 12/31/2020	Due in One Year
Governmental Activities:					
<i>Direct Placement:</i>					
Fire Truck Bond	\$ 254,955	\$ -	\$ (82,527)	\$ 172,428	\$ 84,961
<i>Total General Obligation Bonds</i>	<u>254,955</u>	<u>-</u>	<u>(82,527)</u>	<u>172,428</u>	<u>84,961</u>
<i>Direct Borrowings:</i>					
OPWC Loans:					
State Route 647	2,007	-	(752)	1,255	501
Street Paving	63,622	-	(14,682)	48,940	9,788
First Street Paving	42,952	-	(8,590)	34,362	5,726
<i>Total OPWC Loans</i>	<u>108,581</u>	<u>-</u>	<u>(24,024)</u>	<u>84,557</u>	<u>16,015</u>
USDA Loans:					
Equipment Loan	41,104	-	(9,772)	31,332	10,108
Building Loan	189,654	-	(4,743)	184,911	4,880
<i>Total USDA Loans</i>	<u>230,758</u>	<u>-</u>	<u>(14,515)</u>	<u>216,243</u>	<u>14,988</u>
Street Sweeper Loan 2019	81,453	-	(12,317)	69,136	12,795
ODOT - SIB Loan	295,406	4,365	(6,341)	293,430	12,969
<i>Total Direct Borrowings</i>	<u>716,198</u>	<u>4,365</u>	<u>(57,197)</u>	<u>663,366</u>	<u>56,767</u>
<i>Other Long-term Obligations</i>					
Police and Fire Pension	131,982	-	(6,193)	125,789	6,459
Capital Leases	218,563	187,548	(78,560)	327,551	96,622
Compensated Absences	157,256	60,206	(55,643)	161,819	48,478
Net Pension Liability	4,802,568	-	(912,458)	3,890,110	-
Net OPEB Liability	1,312,784	136,812	-	1,449,596	-
<i>Total Other Long-term Obligations</i>	<u>6,623,153</u>	<u>384,566</u>	<u>(1,052,854)</u>	<u>5,954,865</u>	<u>151,559</u>
<i>Total Governmental Activities</i>	<u>\$ 7,594,306</u>	<u>\$ 388,931</u>	<u>\$ (1,192,578)</u>	<u>\$ 6,790,659</u>	<u>\$ 293,287</u>

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	Outstanding 12/31/2019	Additions	Deletions	Outstanding 12/31/2020	Due in One Year
Business-Type Activities:					
<i>Direct Placement:</i>					
Water Treatment System Improvement Bond	\$ 60,000	\$ -	\$ (20,000)	\$ 40,000	\$ 20,000
Storm Sewer Improvement Camera System	64,000	-	(15,000)	49,000	16,000
<i>Total Direct Placements</i>	<u>124,000</u>	<u>-</u>	<u>(35,000)</u>	<u>89,000</u>	<u>36,000</u>
<i>Direct Borrowings:</i>					
OWDA Loans:					
Ferry View/Sharon Road Waterlines	972,336	-	(186,805)	785,531	190,560
Water Treatment Plant	1,031,324	-	(510,485)	520,839	520,839
Water Meters	754,492	-	(27,608)	726,884	28,162
County Rd 4 Waterline Replacement	2,446,286	-	(75,087)	2,371,199	76,271
Cemetery Road Sewer Replacement	169,391	-	(8,604)	160,787	8,796
<i>Total OWDA Loans</i>	<u>5,373,829</u>	<u>-</u>	<u>(808,589)</u>	<u>4,565,240</u>	<u>824,628</u>
OPWC Loans:					
Woodmont Street Pump Project	104,190	-	(17,364)	86,826	11,576
Woodmont Pump Station	4,000	-	(1,500)	2,500	1,000
Water Tank	114,303	-	(20,002)	94,301	13,716
Water Treatment Plant and Well Field	237,250	-	(28,470)	208,780	18,980
<i>Total OPWC Loans</i>	<u>459,743</u>	<u>-</u>	<u>(67,336)</u>	<u>392,407</u>	<u>45,272</u>
USDA Loans:					
Equipment Loan	105,696	-	(25,128)	80,568	25,992
Building Loan	442,522	-	(11,066)	431,456	11,384
<i>Total USDA Loans</i>	<u>548,218</u>	<u>-</u>	<u>(36,194)</u>	<u>512,024</u>	<u>37,376</u>
Street Sweeper Loan 2019	122,178	-	(18,476)	103,702	19,192
Packer Loan	111,131	-	(20,444)	90,687	21,299
Vacall Sewer Truck Loan	253,588	-	(38,764)	214,824	40,101
<i>Total Direct Borrowings</i>	<u>6,868,687</u>	<u>-</u>	<u>(989,803)</u>	<u>5,878,884</u>	<u>987,868</u>
<i>Other Long-term Obligations</i>					
Capital Leases	121,546	26,143	(38,424)	109,265	44,655
Compensated Absences	119,035	63,708	(45,196)	137,547	40,837
Net Pension Liability - OPERS	2,886,320	-	(825,699)	2,060,621	-
Net OPEB Liability - OPERS	1,310,909	65,806	-	1,376,715	-
<i>Total Other Long-term Obligations</i>	<u>4,437,810</u>	<u>155,657</u>	<u>(909,319)</u>	<u>3,684,148</u>	<u>85,492</u>
<i>Total Business-Type Activities</i>	<u>\$ 11,430,497</u>	<u>\$ 155,657</u>	<u>\$ (1,934,122)</u>	<u>\$ 9,652,032</u>	<u>\$ 1,109,360</u>

Governmental Activities:

Direct Placement

During 2017, the City issued bonds for the purchase of a fire truck. The bonds will be repaid in annual installments over a 6 year period from the fire apparatus levy III fund.

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Direct Borrowings

During 2015, the City entered into a loan agreement with the United States Department of Agriculture (USDA) for the purchase of an ambulance and various equipment for water and sewer. In the event of default, as defined by the debt agreement, the amounts payable by the City may become due. If payments are not made, the USDA may retake possession of the ambulance and equipment and hold the City liable for amounts payable.

During 2016, the City entered into a loan agreement with the United States Department of Agriculture (USDA) for the purchase of service garage to be used by the street, sanitation, and sewer departments. In the event of default, as defined by the debt agreement, the amounts payable by the City may become due. If payments are not made, the USDA may retake possession of the ambulance and equipment and hold the City liable for amounts payable.

During 2018, the City entered into a loan agreement with the Ohio Department of Transportation (ODOT) for the repair of streets, walkways, utilities, and retaining walls damaged by a landslide. In the event of default, as defined by the debt agreement, the amounts payable by the City may become due. If payments are not made, the City will be liable for all reasonable attorney fees and expenses that ODOT may incur while attempting to collect amounts due.

During 2019, the City entered into a loan agreement with KS State Bank for the purchase of a street sweeper to be used by the street and sewer departments. In the event of default, as defined by the debt agreement, the amounts payable by the City may become due. If payments are not made, the bank may retake possession of the ambulance and equipment and hold the City liable for amounts payable.

Business-Type Activities

Direct Placements

During 2013, the City issued in bonds for waste water system improvements. The bonds will be repaid in annual installments over a 10 year period from the water fund.

During 2019, the City issued in bonds for a storm sewer improvement camera system. The bonds will be repaid in annual installments over a 5 year period from the sewer fund.

Direct Borrowings

During 2018, the City entered into a loan agreement with KS State Bank for the purchase of a garbage truck. The loan will be repaid from the sanitation fund.

During 2018, the City entered into a loan agreement with KS State Bank for the purchase of a Vacall sewer truck. The loan will be repaid from the sewer fund.

There are no repayment schedules for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are primarily made from the general fund and water, sewer, and sanitation funds. For additional information related to the net pension liability and net OPEB liability see Notes 11 and 12.

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The OWDA loan for the Cemetery Road sewer replacement will be paid from the sewer fund. The OPWC loan for street paving and the repair of State Route 647 road slippage will be repaid from the state highway fund. All other OWDA and business-type OPWC loans will be paid from the water fund. The USDA equipment loan will be repaid from the fire and ambulance, water and sanitation funds. The USDA building loan will be repaid from the general, 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, fire apparatus III, fire apparatus IV, sanitation and water funds. The Fire Truck Acquisition bond will be repaid from the fire apparatus V and fire apparatus III funds. The ODOT loan will be repaid from the general fund. The packer loan will be repaid from the sanitation fund. The Vacall loan will be repaid from the sewer fund. The street sweeper loan will be repaid from the general and sewer funds. The storm sewer improvement camera system bond will be repaid from the sewer 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.

In the event of default, as defined by each OPWC loan agreement, the amount of default will be subject to 8 percent interest on all amounts due from date of default. Additionally, the Lender may declare all amounts immediately due and payable or require the City to pay the amounts due from funds appropriated to the City's street and water funds. The lender will also be entitled to collect any cost incurred in the event of default.

In the event of default, as defined by each OWDA loan agreement, the lender may declare the full amount of the unpaid Project Participation Principal amount immediately due and payable and require the City to pay any fines or penalties incurred with interest.

Principal and interest requirements to retire governmental activities debt at December 31, 2020 are as follows:

Year	Fire Truck Bond		Police and Fire Pension		USDA Loans		Street Sweeper Loan	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 84,961	\$ 5,086	\$ 6,459	\$ 5,278	\$ 14,988	\$ 6,334	\$ 12,795	\$ 2,682
2022	87,467	2,580	6,736	5,001	15,463	5,866	13,291	2,186
2023	-	-	7,025	4,711	15,944	5,382	13,807	1,670
2024	-	-	7,327	4,410	5,312	4,897	14,343	1,135
2025	-	-	7,642	4,095	5,465	4,730	14,900	578
2026-2030	-	-	43,424	15,260	29,774	21,214	-	-
2031-2035	-	-	47,176	5,020	34,307	16,679	-	-
2036-2040	-	-	-	-	39,530	11,459	-	-
2041-2045	-	-	-	-	45,549	5,430	-	-
2046	-	-	-	-	9,911	285	-	-
Totals	<u>\$ 172,428</u>	<u>\$ 7,666</u>	<u>\$ 125,789</u>	<u>\$ 43,775</u>	<u>\$ 216,243</u>	<u>\$ 82,276</u>	<u>\$ 69,136</u>	<u>\$ 8,251</u>

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Year	ODOT -SIB		OPWC Loans	Total	
	Principal	Interest	Principal	Principal	Interest
2021	\$ 12,969	\$ 8,706	\$ 16,015	\$ 148,187	\$ 28,086
2022	13,360	8,314	16,016	152,333	23,947
2023	13,764	7,911	15,764	66,304	19,674
2024	14,180	7,495	15,514	56,676	17,937
2025	14,610	7,066	15,514	58,131	16,469
2026-2030	79,941	28,432	5,734	158,873	64,906
2031-2035	92,773	15,599	-	174,256	37,298
2036-2040	51,833	2,357	-	91,363	13,816
2041-2045	-	-	-	45,549	5,430
2046	-	-	-	9,911	285
Totals	<u>\$ 293,430</u>	<u>\$ 85,880</u>	<u>\$ 84,557</u>	<u>\$ 961,583</u>	<u>\$ 227,848</u>

The City has pledged future water revenue, sewer revenue and sanitation revenue, net of specified operating expenses to repay \$5,469,671 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 19.7 percent. The total principal and interest remaining to be paid on the loans is \$6,429,403. Principal and interest paid for the current year and total net revenues were \$1,034,616 and \$884,110, respectively.

Principal and interest requirements to retire business-type activities debt at December 31, 2020 are as follows:

Year	OWDA Loans		OPWC Loans		Water Treatment System Improvement Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 824,628	\$ 79,883	\$ 45,272	\$ 1,952	\$ 20,000	\$ 1,350
2022	309,583	63,815	45,548	1,679	20,000	675
2023	315,490	57,909	45,329	1,401	-	-
2024	321,511	51,889	45,116	1,117	-	-
2025	121,298	46,779	45,408	827	-	-
2026-2030	638,856	201,530	146,754	1,838	-	-
2031-2035	696,406	143,985	18,980	-	-	-
2036-2040	701,290	83,674	-	-	-	-
2041-2045	524,296	27,664	-	-	-	-
2046	111,882	1,319	-	-	-	-
Totals	<u>\$ 4,565,240</u>	<u>\$ 758,447</u>	<u>\$ 392,407</u>	<u>\$ 8,814</u>	<u>\$ 40,000</u>	<u>\$ 2,025</u>

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Year	KS State Bank-Packer		KS State Bank-Vacall		Street Sweeper	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 21,299	\$ 3,791	\$ 40,101	\$ 7,411	\$ 19,192	\$ 4,024
2022	22,189	2,900	41,484	6,028	19,937	3,279
2023	23,117	1,973	42,916	4,597	20,711	2,506
2024	24,082	1,007	44,396	3,116	21,514	1,702
2025	-	-	45,927	1,585	22,348	867
2026-2030	-	-	-	-	-	-
2031-2035	-	-	-	-	-	-
2036-2040	-	-	-	-	-	-
2041-2045	-	-	-	-	-	-
2046	-	-	-	-	-	-
Totals	\$ 90,687	\$ 9,671	\$ 214,824	\$ 22,737	\$ 103,702	\$ 12,378

Year	USDA Loans		Storm Sewer Camera System		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 37,376	\$ 15,023	\$ 16,000	\$ 1,539	\$ 1,023,868	\$ 114,973
2022	38,568	13,852	16,000	1,036	513,309	93,264
2023	39,770	12,640	17,000	534	504,333	81,560
2024	12,394	11,426	-	-	469,013	70,257
2025	12,752	11,038	-	-	247,733	61,096
2026-2030	69,472	49,500	-	-	855,082	252,868
2031-2035	80,050	38,918	-	-	795,436	182,903
2036-2040	92,236	26,738	-	-	793,526	110,412
2041-2045	106,282	12,670	-	-	630,578	40,334
2046	23,124	666	-	-	135,006	1,985
Totals	\$ 512,024	\$ 192,471	\$ 49,000	\$ 3,109	\$ 5,967,884	\$ 1,009,652

NOTE 15 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During 2018, the City entered into leases for seven vehicles. The leases meet the criteria of a capital lease as they transfer benefits and risks of ownership to the lessee. Four of the assets acquired by the leases were capitalized in governmental activities in the amount of \$181,161. Accumulated depreciation was \$87,561 as of December 31, 2020, leaving a current book value of \$93,600. The remaining three assets acquired by the leases were capitalized in the water fund in the amount of \$107,581. Accumulated depreciation was \$57,011 as of December 31, 2020, leaving a current book value of \$50,570. These amounts were equal to the present value of the future minimum lease payments at the time of acquisition. Corresponding liabilities were recorded and are reduced for each required principal payment. Payments will be paid from the general fund and water fund, respectively. In the event of default, as defined by the lease agreements, the Lessor may demand the immediate payment of amounts due. If payments are not made, the Lessor may take immediate possession of any or all of the vehicles and hold the City liable for amounts payable.

In December 2019, the City entered into a lease for a Nissan Pathfinder. The lease meets the criteria of a capital lease as they transfer benefits and risks of ownership to the lessee. The asset acquired by the lease were capitalize in governmental activities in the amount of \$26,967. Accumulated depreciation was \$5,843 as of December 31, 2020, leaving a current book value of \$21,124. In the event of default, as defined by the lease agreement, the Lessor may demand the immediate payment of amounts due. If payments are not made, the Lessor may take immediate possession of the vehicle and hold the City liable for amounts payable.

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During 2020, the City entered into leases for six vehicles. The leases meet the criteria of a capital lease as they transfer benefits and risks of ownership to the lessee. The assets acquired by the leases were capitalized in governmental activities in the amount of \$201,469 and in business-type activities in the amount of \$26,143. Accumulated depreciation for governmental activities and business-type activities was \$23,853 and \$290, respectively, as of December 31, 2020, leaving a current book value of \$177,616 and \$25,853, respectively. These amounts were equal to the present value of the future minimum lease payments at the time of acquisition. Corresponding liabilities were recorded and are reduced for each required principal payment. Payments will be paid from the general fund and water fund, respectively. In the event of default, as defined by the lease agreements, the Lessor may demand the immediate payment of amounts due. If payments are not made, the Lessor may take immediate possession of any or all of the vehicles and hold the City liable for amounts payable.

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, 2020:

	Governmental Activities	Business-Type Activities
2021	\$ 114,350	\$ 47,890
2022	107,933	42,644
2023	76,106	13,496
2024	51,088	5,467
2025	18,432	5,011
	367,909	114,508
Less amount representing interest	40,358	5,243
Present value of minimum lease payments	\$ 327,551	\$ 109,265

NOTE 16 - 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 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 2020. 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.

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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 2020. The continued existence of the Authority is not dependent on the City's continued participation and no equity interest exists. The Authority has no outstanding debt for which the City of Martins Ferry is responsible.

C. Ohio Mid-Eastern Governments Association (OMEGA)

Ohio Mid-Eastern Governments Association (OMEGA) is a ten-county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum, and Tuscarawas Counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a sixteen member executive board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. The mayor of the City of Martins Ferry serves as the City's representative on the board. The board has total control over budgeting, personnel, and financial matters. Each member currently pays a per capita membership fee based upon the most recent United States census. During 2020, OMEGA received \$2,114 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 2020, the City did not contribute any amounts to the Council.

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 18 - 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:

	<u>General</u>	<u>Street Maintenance and Repair</u>	<u>Fire and Ambulance</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable for:					
Inventory	\$ -	\$ 7,938	\$ -	\$ -	\$ 7,938
Long Term Advances	-	-	-	123,976	123,976
Endowment	-	-	-	182,722	182,722
Total Nonspendable	<u>-</u>	<u>7,938</u>	<u>-</u>	<u>306,698</u>	<u>314,636</u>
Restricted for:					
Street, Highway, City Improvement	-	254,276	-	29,227	283,503
Public Safety/Law Enforcement	-	-	-	284,073	284,073
Community Development	-	-	-	31,925	31,925
Permanent Improvement	-	-	-	156,821	156,821
Recreation	-	-	-	630	630
Other Purposes	-	-	-	34,286	34,286
Total Restricted	<u>-</u>	<u>254,276</u>	<u>-</u>	<u>536,962</u>	<u>791,238</u>
Committed for:					
Public Safety/Law Enforcement	29,579	-	344,476	-	374,055
Total Committed	<u>29,579</u>	<u>-</u>	<u>344,476</u>	<u>-</u>	<u>374,055</u>
Assigned for:					
Encumbrances:					
General Government	16,721	-	-	-	16,721
Security of Persons and Property	3,249	-	-	-	3,249
Subsequent Year Appropriations	241,541	-	-	-	241,541
Total Assigned	<u>261,511</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>261,511</u>
Unassigned	474,593	-	-	-	474,593
Total Fund Balance	<u>\$ 765,683</u>	<u>\$ 262,214</u>	<u>\$ 344,476</u>	<u>\$ 843,660</u>	<u>\$ 2,216,033</u>

NOTE 19 - SIGNIFICANT COMMITMENTS

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

<u>Fund</u>	<u>Amount</u>
General	\$ 19,970
Street Maintenance and Repair	115,139
Fire and Ambulance	1,153
Other Governmental Funds	25,801
Totals	<u>\$ 162,063</u>

City of Martins Ferry
Belmont County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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, 2020.

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 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. The City's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated. Additional funding will be available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Ohio Public Employees' Retirement System (OPERS)				
City's Proportion of the Net Pension Liability	0.018955%	0.018819%	0.018872%	0.019305%
City's Proportionate Share of the Net Pension Liability	\$ 3,746,584	\$ 5,154,143	\$ 2,960,574	\$ 4,383,822
City's Covered Payroll	\$ 2,666,950	\$ 2,541,836	\$ 2,493,893	\$ 2,495,558
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	140.48%	202.77%	118.71%	175.67%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	74.70%	84.66%	77.25%
Ohio Police and Fire Pension Fund (OPF)				
City's Proportion of the Net Pension Liability	0.032719%	0.031053%	0.030642%	0.029703%
City's Proportionate Share of the Net Pension Liability	\$ 2,204,147	\$ 2,534,745	\$ 1,880,663	\$ 1,881,370
City's Covered Payroll	\$ 854,354	\$ 775,379	\$ 743,692	\$ 709,605
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	257.99%	326.90%	252.88%	265.13%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.89%	63.07%	70.91%	68.36%

(1) Although this schedule is intended to reflect information for ten years, 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.

See accompanying notes to the required supplementary information.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
	0.020403%	0.020679%	0.020679%
\$	3,534,057	\$ 2,494,119	\$ 2,437,785
\$	2,539,275	\$ 2,535,233	\$ 2,001,838
	139.18%	98.38%	121.78%
	81.08%	86.45%	86.36%
	0.029764%	0.030339%	0.030339%
\$	1,914,739	\$ 1,571,702	\$ 1,477,619
\$	672,031	\$ 666,532	\$ 411,538
	284.92%	235.80%	359.05%
	66.77%	72.20%	73.00%

See accompanying notes to the required supplementary information.

City of Martins Ferry
Belmont County, Ohio
Required Supplementary Information
Schedule of the City's Contributions - Pension
Last Ten Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>				
Contractually Required Contribution	\$ 380,497	\$ 373,373	\$ 355,857	\$ 324,206
Contributions in Relation to the Contractually Required Contribution	<u>(380,497)</u>	<u>(373,373)</u>	<u>(355,857)</u>	<u>(324,206)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 2,717,836	\$ 2,666,950	\$ 2,541,836	\$ 2,493,893
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%
<i>Ohio Police and Fire Pension Fund (OPF)</i>				
Contractually Required Contribution	\$ 161,341	\$ 162,327	\$ 147,322	\$ 141,302
Contributions in Relation to the Contractually Required Contribution	<u>(161,341)</u>	<u>(162,327)</u>	<u>(147,322)</u>	<u>(141,302)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 849,166	\$ 854,354	\$ 775,379	\$ 743,692
Contributions as a Percentage of Covered Payroll	19.00%	19.00%	19.00%	19.00%

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

See accompanying notes to the required supplementary information.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 299,467	\$ 304,713	\$ 304,228	\$ 260,239	n/a	n/a
<u>(299,467)</u>	<u>(304,713)</u>	<u>(304,228)</u>	<u>(260,239)</u>	n/a	n/a
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	n/a	n/a
\$ 2,495,558	\$ 2,539,275	\$ 2,535,233	\$ 2,001,838	n/a	n/a
12.00%	12.00%	12.00%	13.00%	n/a	n/a
\$ 134,825	\$ 127,686	\$ 126,968	\$ 64,735	\$ 122,405	\$ 103,552
<u>(134,825)</u>	<u>(127,686)</u>	<u>(126,968)</u>	<u>(64,735)</u>	<u>(122,405)</u>	<u>(103,552)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 709,605	\$ 672,031	\$ 666,532	\$ 411,538	\$ 960,039	\$ 812,173
19.00%	19.00%	19.05%	15.73%	12.75%	12.75%

See accompanying notes to the required supplementary information.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>			
City's Proportion of the Net OPEB Liability	0.018122%	0.017955%	0.018036%
City's Proportionate Share of the Net OPEB Liability	\$ 2,503,119	\$ 2,340,908	\$ 1,958,606
City's Covered Payroll	\$ 2,666,950	\$ 2,541,836	\$ 2,493,893
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	93.86%	92.10%	78.54%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.80%	46.33%	54.14%
<i>Ohio Police and Fire Pension Fund (OPF)</i>			
City's Proportion of the Net OPEB Liability	0.032719%	0.031053%	0.030642%
City's Proportionate Share of the Net OPEB Liability	\$ 323,192	\$ 282,785	\$ 1,736,161
City's Covered Payroll	\$ 854,354	\$ 775,379	\$ 743,692
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	37.83%	36.47%	233.45%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.08%	46.57%	14.13%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

City of Martins Ferry
Belmont County, Ohio
Required Supplementary Information
Schedule of the City's Contributions - OPEB
Last Ten Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>				
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ 24,939
Contributions in Relation to the Contractually Required Contribution	-	-	-	(24,939)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll (1)	\$ 2,717,836	\$ 2,666,950	\$ 2,541,836	\$ 2,493,893
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	1.00%
<i>Ohio Police and Fire Pension Fund (OPF)</i>				
Contractually Required Contribution	\$ 4,246	\$ 4,272	\$ 3,877	\$ 3,718
Contributions in Relation to the Contractually Required Contribution	(4,246)	(4,272)	(3,877)	(3,718)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 849,166	\$ 854,354	\$ 775,379	\$ 743,692
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%

(n/a) Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.

(1) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan.

See accompanying notes to the required supplementary information.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 49,911	n/a	n/a	n/a	n/a	n/a
<u>(49,911)</u>	n/a	n/a	n/a	n/a	n/a
<u>\$ -</u>	n/a	n/a	n/a	n/a	n/a
\$ 2,495,558	n/a	n/a	n/a	n/a	n/a
2.00%	n/a	n/a	n/a	n/a	n/a
\$ 3,548	\$ 3,360	\$ 3,333	\$ 34,272	\$ 42,371	\$ 35,845
<u>(3,548)</u>	<u>(3,360)</u>	<u>(3,333)</u>	<u>(34,272)</u>	<u>(42,371)</u>	<u>(35,845)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 709,605	\$ 672,031	\$ 666,532	\$ 411,538	\$ 960,039	\$ 812,173
0.50%	0.50%	0.50%	8.33%	4.41%	4.41%

See accompanying notes to the required supplementary information.

City of Martins Ferry
Belmont County, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2020

Note 1 - Net Pension Liability

Changes in Assumptions – OPERS

For fiscal year 2019, the single discount rate changed from 7.50 percent to 7.20 percent.

Amounts reported in calendar year 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 percent to 7.50 percent
- Wage inflation rate from 3.75 percent to 3.25 percent
- Price inflation from 3.00 percent to 2.50 percent

Changes in Benefit Terms – OPERS

In October 2019, the OPERS Board adopted a change in COLA for post-January 7, 2013 retirees, changing it from three percent simple through 2018 then 2.15 simple to 1.4 percent simple through 2020 then 2.15 percent simple.

Changes in Assumptions – OP&F

For 2018, the single discount rate changed from 8.25 percent to 8.00 percent.

Changes in Benefit Terms – OP&F

No significant changes in benefit terms.

Note 2 - Net OPEB Liability

Changes in Assumptions - OPERS

For calendar year 2020, the following changes were made to the actuarial assumptions:

- Discount rate from 3.96 percent to 3.16 percent
- Municipal bond rate from 3.71 percent to 2.75 percent
- Health Care Cost Trend Rate from 10.00 percent to 10.50 percent

For calendar year 2019, the following changes were made to the actuarial assumptions:

- Discount rate from 3.85 percent to 3.96 percent
- Investment rate of return from 6.50 percent to 6.00 percent
- Municipal bond rate from 3.31 percent to 3.71 percent
- Health Care Cost Trend Rate from 7.50 percent to 10.00 percent

For calendar year 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

City of Martins Ferry
Belmont County, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2020

Changes in Benefit Terms – OPERS

No significant changes in benefit terms.

Changes in Assumptions – OP&F

For calendar year 2020, the single discount rate decreased from 4.66 percent to 3.56 percent and the municipal bond rate from 4.13 percent to 2.75 percent.

For calendar year 2019, the discount rate increased from 3.24 percent to 4.66 percent and the municipal bond rate from 3.16 percent to 4.13 percent.

For calendar year 2018, the single discount rate changed from 3.79 percent to 3.24 percent.

Changes in Benefit Terms – OP&F

Beginning January 1, 2019 OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

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

To the Members of Council and Management
City of Martins Ferry
Belmont County, Ohio
35 South 5th Street
Martins Ferry, OH 43935

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Martins Ferry, Belmont County, Ohio (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 28, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying *Schedule of Findings* as items 2020-001 and 2020-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *Schedule of Findings* as item 2020-002.

The City's Response to Findings

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

Purpose of this Report

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



Rea & Associates, Inc.
New Philadelphia, Ohio
July 28, 2021

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020**

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

FINDING NUMBER 2020-001

Material Weakness - Payroll

Criteria: 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.

Condition/Cause: 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.
- 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.
- 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 is currently in the process of updating personnel files for all employees.
- Management does have a process to communicate changes to the payroll clerk regarding the fund and account coding that employees are paid from however there is no secondary review of actual payroll processing to verify employees are being paid from the correct fund and account. The lack of review increases the risk that errors could occur and remain undetected.
- In testing, we noted several instances in which employee hours were not formally approved by a supervisor.

Effect: The lack of internal controls over the payroll process could result in inaccurate or improper employee pay.

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 (Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2020-001 (Continued)

Material Weakness - Payroll

Recommendation: The City should take the following steps:

- Pay rates input into the system should be reviewed by management to ensure they are entered accurately 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.
- Complete personnel files should be maintained for all employees. Personnel files should contain all relevant information to support various stipends and pay changes.
- Management should review payroll account coding as part of payroll processing to verify all employees are being paid from the appropriate fund and account code.
- All employee hours should be formally approved by a supervisor.

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

FINDING NUMBER 2020-002

Material Noncompliance and Material Weakness - Utilities

Criteria: The City's management has a responsibility to design and maintain internal control over financial reporting. Internal controls must exist over the City's utility billing, 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.

Condition: During our testing of adjustments to customer utility bills, we noted the following issues:

- There were 1,675 billing and payment error adjustments totaling \$1,870,975 made during fiscal year 2020 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.
- All adjustments appeared to be for proper purposes and had adequate supporting documentation, however we noted multiple adjustments which did not have documentation of formal approval from a supervisor or the Service Director.

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 (Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2020-002 (Continued)

Material Noncompliance and Material Weakness - Utilities

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

- The City has established a formal rate structure however there was no formal review of the rates input to the system and as a result billing errors occurred.
- There is no formal review and approval of deleted customer billings or voided daily cash transactions.
- All personnel in the billing department process customer payments and have the ability to post correcting adjustments to customer accounts. This presents a segregation of duties issue for the department.
- The City has developed policies and procedures for discontinuance of services in accordance with codified ordinance 933.03, however it does not appear to be applying them consistently. The City did make efforts to collect all aged outstanding employee accounts which were on payment plans. However, the City did not properly monitor the employee's current utility accounts and as a result it was noted that several employees were not making consistent payments and had significant outstanding balances at year end. The City's delinquent customer and shut off policy was not followed in regards to these employees.
- General lack of knowledge regarding the City's utility billing system and proper billing procedures.

Cause: The City has developed written policies and procedures for utility billings, and as a result there have been improvements but there are still deficiencies in internal controls over utility billings and customer adjustments. The City is still working on gaining sufficient knowledge of the utility billing system to manage all aspects of the system.

Effect: 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.

Recommendation: The City should take the following steps:

- Enforce established policies and procedures to address discontinuance of service pursuant to codified ordinance 933.03.
- The City Service Director 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.
- All utility rate changes input into the system should be reviewed by an individual with knowledge and understanding of the billing process and formally approved.
- The City should review procedures performed by personnel in the utility department to ensure proper segregation of duties is maintained, or consider implementing additional monitoring procedures by management to mitigate risk.
- The City should hold employees accountable for account balances, and on-time payment of accounts, as not all employees are receiving the comparable benefit.

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

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, 2020

Finding Number	Finding Summary	Status	Additional Information
2019-001	Noncompliance and Material Weakness- Utility Department	Not Corrected	Repeated as Finding 2020-002
2019-002	Material Noncompliance – Ohio Revised Code § 5705.10(I)	Fully Corrected	Issue was fully corrected.

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OHIO AUDITOR OF STATE KEITH FABER



CITY OF MARTINS FERRY

BELMONT COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 9/14/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov