

City of Martins Ferry
Audited Financial Statements

December 31, 2008



Mary Taylor, CPA
Auditor of State

Members of Council
City of Martins Ferry
P. O. Box 386
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, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 13, 2009

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**CITY OF MARTINS FERRY
BELMONT COUNTY**

DECEMBER 31, 2008

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Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020
New Philadelphia, OH 44663-5120

June 19, 2009

Mayor and Members of Council
City of Martins Ferry
Martins Ferry, OH 43935

Independent Auditor's Report

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 (the "City"), Belmont County, Ohio as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, Ohio as of December 31, 2008, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Fire and Ambulance Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 19, 2009 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

City of Martins Ferry, Ohio
Independent Auditor's Report
June 19, 2009
Page 2

Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hea & Associates, Inc.

City of Martins Ferry
Management's Discussion and Analysis
For the Year Ended December 31, 2008

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, 2008. 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 2008 are as follows:

- General Revenues accounted for \$2,312,238 in revenue or 28 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$5,881,706 or 72 percent of total revenues of \$8,193,944.
- Total program expenses were \$7,675,635; \$3,892,502 in governmental activities and \$3,783,133 in business-type activities.
- In total, net assets increased \$518,309. Net assets of governmental activities increased \$396,887, which represents a 6.31 percent increase from 2007. Net assets of business-type activities increased \$121,422 or 1.12 percent from 2007.
- Outstanding debt decreased from \$9,814,944 to \$9,783,538 due to payment of debt.

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 operations, as they prefer.

The Statement of Net Assets and the Statement of Changes in Net Assets provide information from a summary perspective showing the effects of the operations for the year 2008 and how they affected the operations of the City as a whole.

Reporting the City of Martins Ferry as a Whole

Statement of Net Assets and the Statement of Activities

The *Statement of Net Assets 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 Martins Ferry, the general, fire and ambulance and permanent improvement funds are the most significant governmental funds. The water and sanitation funds are the significant enterprise funds.

City of Martins Ferry
Management's Discussion and Analysis
For the Year Ended December 31, 2008

A question typically asked about the City's finances "How did we do financially during 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's *net assets and changes in those assets*. This change in net assets 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, required educational programs, and other factors.

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

- ü **Governmental Activities** - Most of the City's programs and services are reported here, including general government, security of persons and property, public health and services, community environment, leisure time activities and transportation.
- ü **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 business-type activities are water, sanitation, sewer, parking meter and off street parking.

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, fire and ambulance, and permanent improvement fund.

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, street maintenance, fire and ambulance and permanent improvement funds, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. The City adopts an annual appropriated budget for each of its funds. A budgetary comparison statement has been provided for the general fund and each major special revenue fund to demonstrate compliance with this budget.

City of Martins Ferry
Management's Discussion and Analysis
For the Year Ended December 31, 2008

Proprietary Funds - Proprietary funds use the same basis of accounting as business-type activities (water, sanitation, sewer, off street parking and parking meter); therefore, these statements will essentially match.

The City of Martins Ferry as a Whole

Recall that the Statement of Net Assets provides the perspective of the City as a whole.

Table 1 provides a summary of the City's net assets for 2008 compared to 2007:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	(Restated)		(Restated)		(Restated)	
	2008	2007	2008	2007	2008	2007
Assets						
Current and Other Assets	\$ 4,735,883	\$ 4,641,475	\$ 494,868	\$ 724,567	\$ 5,230,751	\$ 5,366,042
Capital Assets	3,053,157	2,961,549	13,717,812	13,455,784	16,770,969	16,417,333
Total Assets	7,789,040	7,603,024	14,212,680	14,180,351	22,001,720	21,783,375
Liabilities						
Long-Term Liabilities	566,636	663,005	9,408,144	9,351,281	9,974,780	10,014,286
Other Liabilities	537,355	651,857	158,599	304,555	695,954	956,412
Total Liabilities	1,103,991	1,314,862	9,566,743	9,655,836	10,670,734	10,970,698
Net Assets						
Invested in Capital Assets Net of Debt	2,755,886	2,570,776	4,416,924	4,220,730	7,172,810	6,791,506
Restricted	3,112,724	2,908,193	0	0	3,112,724	2,908,193
Unrestricted	816,439	809,193	229,013	303,785	1,045,452	1,112,978
Total Net Assets	\$ 6,685,049	\$ 6,288,162	\$ 4,645,937	\$ 4,524,515	\$ 11,330,986	\$ 10,812,677

City of Martins Ferry
Management's Discussion and Analysis
For the Year Ended December 31, 2008

Total assets increased by \$218,345 with governmental assets increasing \$186,016 and business-type assets increasing \$32,329. An increase of \$353,636 in total capital assets reflects additional purchases exceeding depreciation expense. Total liabilities decreased by \$299,964 with governmental liabilities decreasing \$210,871 and business-type assets increasing \$89,093.

Total net assets increased by \$518,309. This increase reflects an increase of \$396,887 in governmental activities and an increase of \$121,422 in the net assets of the business-type activities. Program revenues in the areas of charges for services and operating grants increased from 2007 to 2008.

Table 2 shows the changes in net assets for fiscal year 2008. This table presents two fiscal years in side-by-side comparison. This will enable the reader to draw further conclusion about the City's financial status and possibly project future problems.

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City of Martins Ferry
Management's Discussion and Analysis
For the Year Ended December 31, 2008

(Table 2)
Changes in Net Assets

	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activities	Activities		Activities	Activities	
	2008	2008	2008	(Restated) 2007	(Restated) 2007	2007
Revenues						
<i>Program Revenues:</i>						
Charges for Services and Sales	\$ 997,539	\$ 3,751,680	\$ 4,749,219	\$ 749,771	\$ 3,813,626	\$ 4,563,397
Operating Grants and Contributions	972,696	0	972,696	603,924	0	603,924
Capital Grants and Contributions	159,791	0	159,791	60,164	296,892	357,056
<i>General Revenue:</i>						
Property Taxes	326,937	0	326,937	465,245	0	465,245
Income Taxes	1,249,955	0	1,249,955	1,278,022	0	1,278,022
Grants and Entitlements	522,183	0	522,183	387,966	0	387,966
Investment Earnings	75,167	0	75,167	116,378	0	116,378
Miscellaneous	90,098	47,898	137,996	57,034	55,879	112,913
Total Revenues	4,394,366	3,799,578	8,193,944	3,718,504	4,166,397	7,884,901
Program Expenses						
General Government	643,602	0	643,602	594,542	0	594,542
Security of Persons and Property	2,312,428	0	2,312,428	2,257,524	0	2,257,524
Transportation	478,266	0	478,266	712,679	0	712,679
Public Health Services	63,921	0	63,921	77,220	0	77,220
Community and Economic Development	302,641	0	302,641	301,542	0	301,542
Leisure Time Activities	75,017	0	75,017	92,841	0	92,841
Interest and Fiscal Charges	16,627	0	16,627	28,447	0	28,447
<i>Enterprise Operations:</i>						
Off Street Parking	0	685	685	0	2,979	2,979
Parking Meter	0	53,691	53,691	0	57,967	57,967
Water	0	2,858,631	2,858,631	0	3,040,404	3,040,404
Sewer	0	241,844	241,844	0	255,565	255,565
Sanitation	0	628,282	628,282	0	650,335	650,335
Total Program Expenses	3,892,502	3,783,133	7,675,635	4,064,795	4,007,250	8,072,045
Change in Net Assets						
Before Transfers	501,864	16,445	518,309	(346,291)	159,147	(187,144)
Transfers In (Out)	(104,977)	104,977	0	(95,346)	95,346	0
Change in Net Assets	396,887	121,422	518,309	(441,637)	254,493	(187,144)
<i>Net Assets, Beginning of Year</i>	<u>6,288,162</u>	<u>4,524,515</u>	<u>10,812,677</u>	<u>6,729,799</u>	<u>4,270,022</u>	<u>10,999,821</u>
Net Assets, End of Year	\$ 6,685,049	\$ 4,645,937	\$ 11,330,986	\$ 6,288,162	\$ 4,524,515	\$ 10,812,677

City of Martins Ferry
Management's Discussion and Analysis
For the Year Ended December 31, 2008

Governmental Activities

The funding for the governmental activities comes from several different sources. Prominent sources are property taxes, grants and entitlements, and charges for services.

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

Security of persons and property represents the largest expense of the governmental activities. This expense of \$2,312,428 represents 59.4 percent of the total governmental activities expenses. This department operates out of the general fund.

Business-Type Activities

Business-type activities include water, sewer, sanitation, parking meter and off street parking operations. The revenues are generated primarily from charges for services. In 2008, charges for services of \$3,751,680 accounted for 98.7 percent of the business-type revenues. The total expenses for business-type activities were \$3,783,133.

The City's Funds

Information about the City's governmental funds begins on page 13. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$4,142,420 (exclusive of other financing sources) and expenditures of \$4,308,183 (exclusive of other financing uses). The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

Information about the proprietary funds starts on page 19. These funds are accounted for on an accrual basis. All business type funds had operating expenses of \$3,584,215 which was less than operating revenues of \$3,799,578 by \$215,363 or 5.67 percent of operating revenues.

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 2008, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the general fund, actual receipts were more than the final budgeted revenues by \$9,599.

Actual disbursements and other financing uses of the general fund were \$60,521 below the final budgeted amount of \$2,125,104. The primary factor contributing to this was disbursements for security of persons and property and general government being \$60,521 below budgeted amounts.

City of Martins Ferry
Management's Discussion and Analysis
For the Year Ended December 31, 2008

Capital Assets and Debt Administration

Capital Assets

At the end of year 2008, the City had \$16,770,969 invested in land, buildings, construction in progress, improvements, machinery and equipment, infrastructure and vehicles. A total of \$3,053,157 of this was for governmental activities with the remainder attributable to business-type activities. Table 3 shows fiscal year 2008 balances compared with 2007.

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

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 1,051,873	\$ 892,720	\$ 158,570	\$ 158,570	\$ 1,210,443	\$ 1,051,290
Buildings	624,936	657,236	4,022,002	4,170,075	4,646,938	4,827,311
Buildings Improvements	166,781	179,769	1,494,290	1,464,292	1,661,071	1,644,061
Machinery and Equipment	103,491	116,322	2,063,765	2,229,347	2,167,256	2,345,669
Vehicles	425,646	462,374	72,275	41,110	497,921	503,484
Infrastructure	620,430	653,128	5,802,505	5,010,041	6,422,935	5,663,169
Construction in Progress	60,000	0	104,405	382,349	164,405	382,349
Totals	\$ 3,053,157	\$ 2,961,549	\$ 13,717,812	\$ 13,455,784	\$ 16,770,969	\$ 16,417,333

The \$353,636 increase in capital assets was attributable to additional purchases exceeding depreciation expense. Note 10 provides more information regarding capital asset activity during 2008.

City of Martins Ferry
Management's Discussion and Analysis
For the Year Ended December 31, 2008

Debt

The outstanding debt for the City as of December 31, 2008 was \$9,783,538 with \$1,015,684 due within one year. Table 4 summarizes outstanding debt.

(Table 4)
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
OPWC Loans	\$ 7,271	\$ 7,773	\$ 479,433	\$ 317,623	\$ 486,704	\$ 325,396
OWDA Loans	0	0	8,771,455	8,857,430	8,771,455	8,857,430
Police and Fire Pension	185,379	189,118	0	0	185,379	189,118
Notes Payable	290,000	383,000	50,000	60,000	340,000	443,000
<i>Total</i>	<u>\$ 482,650</u>	<u>\$ 579,891</u>	<u>\$ 9,300,888</u>	<u>\$ 9,235,053</u>	<u>\$ 9,783,538</u>	<u>\$ 9,814,944</u>

Additional information concerning the City's debt can be found in Note 16 to the basic financial statements.

Current Issues

The City had an increase in revenue for 2008 due to the extra efforts made to collect income tax revenue from businesses and individuals that were not aware of their requirement to pay.

The City received the sixteenth CHIP grant for the Division of Development for home owners to have repairs made to their homes if they qualify.

Renovations will begin in 2009 on the water softening system in the water plant. A zero percent loan and a grant have been secured for this purpose. The water line replacement project, replacing lines to outlying areas, was completed.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Rita Randall, Auditor of Martins Ferry, Ohio, City Building, Martins Ferry, or mfauditor@1st.net.

City of Martins Ferry
Statement of Net Assets
December 31, 2008

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 922,745	\$ 361,407	\$ 1,284,152
Investments	1,418,871	0	1,418,871
Taxes Receivable	949,881	0	949,881
Accounts Receivable	329,685	225,320	555,005
Accrued Interest Receivable	463	0	463
Intergovernmental Receivable	927,171	0	927,171
Internal Balances	143,182	(143,182)	0
Loans Receivable	39,854	0	39,854
Materials and Supplies Inventory	4,031	44,339	48,370
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	0	6,984	6,984
Non-Depreciable Capital Assets	1,111,873	262,975	1,374,848
Depreciable Capital Assets, Net	1,941,284	13,454,837	15,396,121
<i>Total Assets</i>	<u>7,789,040</u>	<u>14,212,680</u>	<u>22,001,720</u>
Liabilities			
Accounts Payable	21,422	17,043	38,465
Accrued Wages	46,943	29,903	76,846
Contracts Payable	60,000	48,685	108,685
Intergovernmental Payable	112,860	55,127	167,987
Customer Deposits Payable	0	6,984	6,984
Accrued Interest Payable	4,969	857	5,826
Deferred Revenue	291,161	0	291,161
Long-Term Liabilities:			
Due Within One Year	294,400	721,284	1,015,684
Due in More Than One Year	272,236	8,686,860	8,959,096
<i>Total Liabilities</i>	<u>1,103,991</u>	<u>9,566,743</u>	<u>10,670,734</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	2,755,886	4,416,924	7,172,810
Restricted for Capital Outlay	1,406,946	0	1,406,946
Restricted for Other Purposes	1,705,778	0	1,705,778
Unrestricted	816,439	229,013	1,045,452
<i>Total Net Assets</i>	<u>\$ 6,685,049</u>	<u>\$ 4,645,937</u>	<u>\$ 11,330,986</u>

The accompanying notes are an integral part of these financial statements.

City of Martins Ferry
Statement of Activities
For the Year Ended December 31, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 643,602	\$ 95,444	\$ 0	\$ 159,791	\$ (388,367)	\$ 0	\$ (388,367)
Security of Persons and Property	2,312,428	860,725	158,364	0	(1,293,339)	0	(1,293,339)
Public Health Services	63,921	41,370	0	0	(22,551)	0	(22,551)
Leisure Time Activities	75,017	0	0	0	(75,017)	0	(75,017)
Community and Economic Development	302,641	0	428,588	0	125,947	0	125,947
Transportation	478,266	0	385,744	0	(92,522)	0	(92,522)
Interest and Fiscal Charges	16,627	0	0	0	(16,627)	0	(16,627)
<i>Total Governmental Activities</i>	<u>3,892,502</u>	<u>997,539</u>	<u>972,696</u>	<u>159,791</u>	<u>(1,762,476)</u>	<u>0</u>	<u>(1,762,476)</u>
Business-Type Activities:							
Water	2,858,631	2,685,828	0	0	0	(172,803)	(172,803)
Sanitation	628,282	728,918	0	0	0	100,636	100,636
Sewer	241,844	276,677	0	0	0	34,833	34,833
Parking Meter	53,691	50,058	0	0	0	(3,633)	(3,633)
Off Street Parking	685	10,199	0	0	0	9,514	9,514
<i>Total Business-Type Activities</i>	<u>3,783,133</u>	<u>3,751,680</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(31,453)</u>	<u>(31,453)</u>
<i>Total - Primary Government</i>	<u>\$ 7,675,635</u>	<u>\$ 4,749,219</u>	<u>\$ 972,696</u>	<u>\$ 159,791</u>	<u>(1,762,476)</u>	<u>(31,453)</u>	<u>(1,793,929)</u>
General Revenues:							
Property Taxes Levied for:							
General Purposes					175,524	0	175,524
Other Purposes					151,413	0	151,413
Income Taxes Levied for General Purposes					1,249,955	0	1,249,955
Grants and Entitlements not Restricted to Specific Programs					522,183	0	522,183
Investment Earnings					75,167	0	75,167
Miscellaneous					90,098	47,898	137,996
<i>Total General Revenues</i>					<u>2,264,340</u>	<u>47,898</u>	<u>2,312,238</u>
Transfers					<u>(104,977)</u>	<u>104,977</u>	<u>0</u>
<i>Total General Revenues and Transfers</i>					<u>2,159,363</u>	<u>152,875</u>	<u>2,312,238</u>
<i>Change in Net Assets</i>					<u>396,887</u>	<u>121,422</u>	<u>518,309</u>
<i>Net Assets Beginning of Year (Restated - See Note 3)</i>					<u>6,288,162</u>	<u>4,524,515</u>	<u>10,812,677</u>
<i>Net Assets End of Year</i>					<u>\$ 6,685,049</u>	<u>\$ 4,645,937</u>	<u>\$ 11,330,986</u>

The accompanying notes are an integral part of these financial statements.

City of Martins Ferry
Balance Sheet
Governmental Funds
December 31, 2008

	General	Fire & Ambulance	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and					
Cash Equivalents	\$ 163,071	\$ 387,445	\$ 0	\$ 372,229	\$ 922,745
Investments	0	0	1,263,764	155,107	1,418,871
Taxes Receivable	708,607	0	0	241,274	949,881
Accounts Receivable	63,900	265,785	0	0	329,685
Accrued Interest Receivable	82	0	0	381	463
Intergovernmental Receivable	249,970	0	0	677,201	927,171
Loans Receivable	39,854	0	0	0	39,854
Materials and Supplies Inventory	350	0	0	3,681	4,031
Advances to Other Funds	0	0	143,182	0	143,182
<i>Total Assets</i>	<u>\$ 1,225,834</u>	<u>\$ 653,230</u>	<u>\$ 1,406,946</u>	<u>\$ 1,449,873</u>	<u>\$ 4,735,883</u>
Liabilities					
Accounts Payable	\$ 3,660	\$ 4,532	\$ 0	\$ 13,230	\$ 21,422
Accrued Wages	30,549	9,704	0	6,690	46,943
Contracts Payable	0	0	0	60,000	60,000
Intergovernmental Payable	78,052	19,923	0	14,885	112,860
Deferred Revenue	657,251	240,767	0	770,036	1,668,054
<i>Total Liabilities</i>	<u>769,512</u>	<u>274,926</u>	<u>0</u>	<u>864,841</u>	<u>1,909,279</u>
Fund Balances					
Reserved for Encumbrances	1,262	2,856	8,785	23,402	36,305
Reserved for Advances	0	0	143,182	0	143,182
Reserved for Loans Receivable	39,854	0	0	0	39,854
Unreserved, Undesignated, Reported in:					
General Fund	415,206	0	0	0	415,206
Special Revenue Funds	0	375,448	0	561,630	937,078
Capital Projects Funds	0	0	1,254,979	0	1,254,979
<i>Total Fund Balances</i>	<u>456,322</u>	<u>378,304</u>	<u>1,406,946</u>	<u>585,032</u>	<u>2,826,604</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,225,834</u>	<u>\$ 653,230</u>	<u>\$ 1,406,946</u>	<u>\$ 1,449,873</u>	<u>\$ 4,735,883</u>

The accompanying notes are an integral part of these financial statements.

City of Martins Ferry
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2008*

Total Governmental Fund Balances \$ 2,826,604

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

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds. 3,053,157

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

Property Taxes	\$ 196,399
Income Taxes	216,279
Intergovernmental	723,448
Charges for Services	<u>240,767</u>

Total 1,376,893

Accrued interest payable is not due and payable in the current
 period and therefore is not reported in the funds. (4,969)

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

OPWC Loan	(7,271)
Long - Term Bond Anticipation Notes	(290,000)
Police and Fire Pension	(185,379)
Compensated Absences	<u>(83,986)</u>

Total (566,636)

Net Assets of Governmental Activities \$ 6,685,049

The accompanying notes are an integral part of these financial statements.

City of Martins Ferry
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	General	Fire & Ambulance	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$ 168,724	\$ 0	\$ 0	\$ 184,235	\$ 352,959
Income Taxes	1,269,841	0	0	0	1,269,841
Charges for Services	0	794,006	0	45,637	839,643
Licenses and Permits	124,150	0	0	9,203	133,353
Fines and Forfeitures	31,066	0	0	1,158	32,224
Intergovernmental	465,861	0	0	883,332	1,349,193
Interest	71,028	0	0	4,139	75,167
Other	27,936	10,328	0	51,776	90,040
<i>Total Revenues</i>	<u>2,158,606</u>	<u>804,334</u>	<u>0</u>	<u>1,179,480</u>	<u>4,142,420</u>
Expenditures					
Current:					
General Government	594,912	0	0	505	595,417
Security of Persons and Property	1,283,420	635,303	0	210,574	2,129,297
Public Health Services	20,780	0	0	38,313	59,093
Lesiure Time Activities	0	0	0	43,230	43,230
Community and Economic Development	0	0	0	301,229	301,229
Transportation	0	0	0	439,395	439,395
Capital Outlay	0	116,758	102,837	109,541	329,136
Debt Service:					
Principal Retirement	0	0	0	387,241	387,241
Interest and Fiscal Charges	0	0	0	24,145	24,145
<i>Total Expenditures</i>	<u>1,899,112</u>	<u>752,061</u>	<u>102,837</u>	<u>1,554,173</u>	<u>4,308,183</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>259,494</u>	<u>52,273</u>	<u>(102,837)</u>	<u>(374,693)</u>	<u>(165,763)</u>
Other Financing Sources (Uses)					
Proceeds of Notes	0	0	0	290,000	290,000
Premium on Debt Issued	0	0	0	58	58
Transfers In	0	0	0	153,000	153,000
Transfers Out	(168,000)	0	0	0	(168,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(168,000)</u>	<u>0</u>	<u>0</u>	<u>443,058</u>	<u>275,058</u>
<i>Net Change in Fund Balance</i>	91,494	52,273	(102,837)	68,365	109,295
<i>Fund Balance Beginning of Year (Restated, See Note 3)</i>	<u>364,828</u>	<u>326,031</u>	<u>1,509,783</u>	<u>516,667</u>	<u>2,717,309</u>
<i>Fund Balance End of Year</i>	<u>\$ 456,322</u>	<u>\$ 378,304</u>	<u>\$ 1,406,946</u>	<u>\$ 585,032</u>	<u>\$ 2,826,604</u>

The accompanying notes are an integral part of these financial statements.

City of Martins Ferry
*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, 2008*

Net Change in Fund Balances - Total Governmental Funds \$ 109,295

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

Governmental funds report capital outlays as expenditures.

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

Capital Asset Additions	\$ 406,032	
Current Year Depreciation	(308,430)	
Total		97,602

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.

(5,994)

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

Delinquent Property Taxes	(26,022)	
Deferred Income Taxes	(19,886)	
Charges for Services	(7,681)	
Intergovernmental	145,686	
Total		92,097

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

General Obligation Bond Anticipation Notes Principal	383,000	
OPWC Loan Principal	502	
Police and Fire Pension Principal	3,739	
Total		387,241

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

7,518

Note proceeds in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenues in the statement of activities.

(290,000)

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

(872)

Change in Net Assets of Governmental Activities

\$ 396,887

The accompanying notes are an integral part of these financial statements.

City of Martins Ferry
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Property Taxes	\$ 169,012	\$ 169,012	\$ 168,724	\$ (288)
Income Taxes	1,166,479	1,224,474	1,236,360	11,886
Charges for Services	11	12	0	(12)
Licenses and Permits	57,471	60,328	60,250	(78)
Fines and Forfeitures	28,024	29,417	31,066	1,649
Intergovernmental	444,556	466,658	470,542	3,884
Interest	64,913	68,140	71,328	3,188
Other	39,534	41,500	30,870	(10,630)
<i>Total Revenues</i>	1,970,000	2,059,541	2,069,140	9,599
Expenditures				
Current:				
General Government	623,232	633,345	596,828	36,517
Security of Persons and Property	1,316,767	1,302,979	1,278,975	24,004
Public Health Services	22,000	20,780	20,780	0
<i>Total Expenditures</i>	1,961,999	1,957,104	1,896,583	60,521
<i>Excess of Revenues Over Expenditures</i>	8,001	102,437	172,557	70,120
Other Financing Sources (Uses)				
Transfers Out	(100,000)	(168,000)	(168,000)	0
<i>Net Change in Fund Balance</i>	(91,999)	(65,563)	4,557	70,120
<i>Fund Balance Beginning of Year</i>	127,623	127,623	127,623	0
Prior Year Encumbrances Appropriated	26,371	26,371	26,371	0
<i>Fund Balance End of Year</i>	\$ 61,995	\$ 88,431	\$ 158,551	\$ 70,120

The accompanying notes are an integral part of these financial statements.

City of Martins Ferry
*Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire and Ambulance Fund
For the Year Ended December 31, 2008*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for Services	\$ 692,636	\$ 692,636	\$ 854,369	\$ 161,733
Other	7,364	7,364	10,328	2,964
<i>Total Revenues</i>	<u>700,000</u>	<u>700,000</u>	<u>864,697</u>	<u>164,697</u>
Expenditures				
Current:				
Security of Persons and Property	629,619	697,619	637,593	60,026
Capital Outlay	<u>100,000</u>	<u>200,000</u>	<u>116,758</u>	<u>83,242</u>
<i>Total Expenditures</i>	<u>729,619</u>	<u>897,619</u>	<u>754,351</u>	<u>143,268</u>
<i>Net Change in Fund Balance</i>	(29,619)	(197,619)	110,346	307,965
<i>Fund Balance Beginning of Year</i>	265,856	265,856	265,856	0
Prior Year Encumbrances Appropriated	<u>5,339</u>	<u>5,339</u>	<u>5,339</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 241,576</u>	<u>\$ 73,576</u>	<u>\$ 381,541</u>	<u>\$ 307,965</u>

The accompanying notes are an integral part of these financial statements.

City of Martins Ferry
Statement of Fund Net Assets
Proprietary Funds
December 31, 2008

	Water	Sanitation	Other Enterprise Funds	Totals
Assets:				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$ 133,638	\$ 56,815	\$ 170,954	\$ 361,407
Accounts Receivable	170,896	41,543	12,881	225,320
Materials and Supplies Inventory	43,888	0	451	44,339
<i>Total Current Assets</i>	<u>348,422</u>	<u>98,358</u>	<u>184,286</u>	<u>631,066</u>
<i>Non-Current Assets:</i>				
<i>Restricted Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	4,723	1,685	576	6,984
Non-Depreciable Capital Assets	153,570	109,405	0	262,975
Depreciable Capital Assets, Net	13,216,029	175,800	63,008	13,454,837
<i>Total Non-Current Assets</i>	<u>13,374,322</u>	<u>286,890</u>	<u>63,584</u>	<u>13,724,796</u>
<i>Total Assets</i>	<u>13,722,744</u>	<u>385,248</u>	<u>247,870</u>	<u>14,355,862</u>
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	16,527	285	231	17,043
Accrued Wages	19,497	8,489	1,917	29,903
Contracts Payable	0	48,685	0	48,685
Customer Deposits Payable	4,723	1,685	576	6,984
Intergovernmental Payable	35,896	13,189	6,042	55,127
Accrued Interest Payable	857	0	0	857
Note Payable	50,000	0	0	50,000
Advances From Other Funds	0	143,182	0	143,182
OPWC Loans Payable	23,378	0	0	23,378
OWDA Loans Payable	647,906	0	0	647,906
<i>Total Current Liabilities</i>	<u>798,784</u>	<u>215,515</u>	<u>8,766</u>	<u>1,023,065</u>
<i>Long-Term Liabilities:</i>				
Compensated Absences Payable - Net of Current Portion	86,129	16,799	4,328	107,256
OPWC Loans Payable - Net of Current Portion	456,055	0	0	456,055
OWDA Loans Payable - Net of Current Portion	8,123,549	0	0	8,123,549
<i>Total Long-Term Liabilities</i>	<u>8,665,733</u>	<u>16,799</u>	<u>4,328</u>	<u>8,686,860</u>
<i>Total Liabilities</i>	<u>9,464,517</u>	<u>232,314</u>	<u>13,094</u>	<u>9,709,925</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	4,068,711	285,205	63,008	4,416,924
Unrestricted	189,516	(132,271)	171,768	229,013
<i>Total Net Assets</i>	<u>\$ 4,258,227</u>	<u>\$ 152,934</u>	<u>\$ 234,776</u>	<u>\$ 4,645,937</u>

The accompanying notes are an integral part of these financial statements.

City of Martins Ferry
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2008

	Enterprise Funds			Totals
	Water	Sanitation	Other Enterprise Funds	
Operating Revenues				
Charges for Services	\$ 2,685,828	\$ 728,918	\$ 336,934	\$ 3,751,680
Other	14,237	17,558	16,103	47,898
<i>Total Operating Revenues</i>	<u>2,700,065</u>	<u>746,476</u>	<u>353,037</u>	<u>3,799,578</u>
Operating Expenses				
Personal Services	1,119,892	372,911	197,621	1,690,424
Contractual Services	660,056	200,455	28,874	889,385
Materials and Supplies	272,762	39,333	55,699	367,794
Depreciation	607,003	15,583	14,026	636,612
<i>Total Operating Expenses</i>	<u>2,659,713</u>	<u>628,282</u>	<u>296,220</u>	<u>3,584,215</u>
<i>Operating Income</i>	<u>40,352</u>	<u>118,194</u>	<u>56,817</u>	<u>215,363</u>
Non-Operating Expenses				
Interest and Fiscal Charges	(198,918)	0	0	(198,918)
<i>Income (Loss) Before Transfers and Contributions</i>	(158,566)	118,194	56,817	16,445
Other Financing Sources (Uses)				
Capital Contributions from Governmental Activities	89,977	0	0	89,977
Transfer In	0	0	15,000	15,000
<i>Total Other Financing Sources (Uses)</i>	<u>89,977</u>	<u>0</u>	<u>15,000</u>	<u>104,977</u>
<i>Change in Net Assets</i>	(68,589)	118,194	71,817	121,422
<i>Net Assets Beginning of Year (Restated - See Note 3)</i>	<u>4,326,816</u>	<u>34,740</u>	<u>162,959</u>	<u>4,524,515</u>
<i>Net Assets End of Year</i>	<u>\$ 4,258,227</u>	<u>\$ 152,934</u>	<u>\$ 234,776</u>	<u>\$ 4,645,937</u>

The accompanying notes are an integral part of these financial statements.

City of Martins Ferry
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2008

	Enterprise Funds			Totals
	Water	Sanitation	Other Enterprise Funds	
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 2,730,043	\$ 727,157	\$ 341,003	\$ 3,798,203
Other Operating Receipts	14,237	17,558	16,103	47,898
Cash Payments to Suppliers for Goods and Services	(240,830)	(40,161)	(63,169)	(344,160)
Cash Payments for Employees Services and Benefits	(1,133,306)	(377,764)	(210,771)	(1,721,841)
Cash Payments for Contractual Services	(660,056)	(200,455)	(28,874)	(889,385)
<i>Net Cash from Operating Activities</i>	<u>710,088</u>	<u>126,335</u>	<u>54,292</u>	<u>890,715</u>
Cash Flows from Noncapital Financing Activities				
Advances In	0	55,720	0	55,720
Transfers In	0	0	15,000	15,000
Advances Out	0	(80,000)	0	(80,000)
<i>Net Cash from Noncapital Financing Activities</i>	<u>0</u>	<u>(24,280)</u>	<u>15,000</u>	<u>(9,280)</u>
Cash Flows from Capital and Related Financing Activities				
Intergovernmental Receipts	61,832	0	0	61,832
Proceeds from Note	50,000	0	0	50,000
Proceeds from OWDA Loans	477,935	0	0	477,935
Proceeds from OPWC Loans	179,187	0	0	179,187
Acquisition of Capital Assets	(672,683)	(59,442)	(27,853)	(759,978)
Principal Payments on OWDA Loans	(563,910)	0	0	(563,910)
Principal Payments on OPWC Loans	(17,377)	0	0	(17,377)
Principal Payments on Note	(60,000)	0	0	(60,000)
Interest Payments on All Debt	(200,017)	0	0	(200,017)
<i>Net Cash From Capital and Related Financing Activities</i>	<u>(745,033)</u>	<u>(59,442)</u>	<u>(27,853)</u>	<u>(832,328)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(34,945)	42,613	41,439	49,107
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>173,306</u>	<u>15,887</u>	<u>130,091</u>	<u>319,284</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 138,361</u>	<u>\$ 58,500</u>	<u>\$ 171,530</u>	<u>\$ 368,391</u>
Reconciliation of Operating Income To Net Cash from Operating Activities:				
Operating Income	\$ 40,352	\$ 118,194	\$ 56,817	\$ 215,363
Adjustments:				
Depreciation	607,003	15,583	14,026	636,612
(Increase) Decrease in Assets:				
Accounts Receivable	44,691	(1,431)	4,169	47,429
Materials and Supplies Inventory	25,117	679	567	26,363
Increase (Decrease) in Liabilities:				
Accounts Payable	6,815	(1,507)	(8,037)	(2,729)
Customers Deposits	(476)	(330)	(100)	(906)
Accrued Wages	2,045	868	(791)	2,122
Compensated Absences Payable	189	105	(9,266)	(8,972)
Intergovernmental Payable	(15,648)	(5,826)	(3,093)	(24,567)
<i>Net Cash from Operating Activities</i>	<u>\$ 710,088</u>	<u>\$ 126,335</u>	<u>\$ 54,292</u>	<u>\$ 890,715</u>

Noncash Capital Financing Activities:

During 2008, capital contributions were made by the permanent improvement fund to the water enterprise fund in the amount of \$89,977.

The accompanying notes are an integral part of these financial statements.

City of Martins Ferry
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
December 31, 2008

	<u>Agency</u>
Assets	
Cash and Cash Equivalents in Segregated Accounts	\$ <u>4,453</u>
Liabilities	
Undistributed Monies	\$ <u>4,453</u>

The accompanying notes are an integral part of these financial statements.

City of Martins Ferry
Notes to the Basic Financial Statements
December 31, 2008

NOTE 1: REPORTING ENTITY AND BASIS OF PRESENTATION

The City of Martins Ferry (the "City") is a home rule municipal corporation organized under the laws of the State of Ohio which operates under its own charter. The City is located in Belmont County, in Eastern Ohio, on the Ohio River and is the largest city in Belmont County. The City became a settlement in 1835 and was chartered as a city in 1865. Martins Ferry has a land area of 4,352 square acres and a 2001 census population of 7,226.

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.

Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all agencies, departments, and organizations making up the City (the primary government) and its potential component units consistent with Government Accounting Standards Board Statements No. 14, "The Financial Reporting Entity" and No. 39, "Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14."

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

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

The City is involved with the Belmont Metropolitan Housing Authority, Eastern Ohio Regional Transit Authority, Ohio Mid-Eastern Governments Association, Jefferson-Belmont Joint Solid Waste Authority, Belmont County Sewer Authority, and Bel-O-Mar Regional Council which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 18.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The entity has elected not to apply FASB pronouncements and Interpretations issued after November 30, 1989, to its business-type activities and enterprise funds. The most significant of the City's accounting policies are described below.

A. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net assets 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 assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

The statement of net assets 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.

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 two categories of funds: governmental and proprietary.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the City's major governmental funds:

General Fund The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Permanent Improvement Fund The permanent improvement capital projects fund is used to account for financial resources for the acquisition and construction of improvements to the City.

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The following is the City's proprietary funds type:

Enterprise Funds Enterprise funds may be using to account for any activity for which a fee is charged to external users for goods or services. The water and sanitation funds are the City's major enterprise funds.

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

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

The other enterprise funds of the City account for the sewer, off street parking and parking meter operations.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the City are included on the statement of net assets. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing resources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of revenues, expenses and changes in fund net assets presents increases (i.e. revenues) and decreases (i.e. expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary fund activities.

D. Basis of Accounting

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

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 mean that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of the fiscal year-end.

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

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

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Data

All 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.

F. Pooled Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents." Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating certificates of deposit and repurchase agreements, which are reported at cost.

During fiscal year 2008, the City's investments were limited to certificates of deposit and money market funds.

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 2008 amounted to \$71,028, which includes \$66,505 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.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

G. Materials and Supplies Inventory

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

H. Restricted Assets

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

I. Capital Assets

General capital assets are capital assets which 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 assets 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 assets and in the respective funds.

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

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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	40-50 Years	40-50 Years
Building Improvements	20-50 Years	20-50 Years
Infrastructure	15-50 Years	15-50 Years
Equipment and Machinery	3-25 Years	3-25 Years
Vehicles	5-10 Years	5-10 Years

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

J. Interfund Balances

On fund financial statements, long-term interfund loans are classified as "advances to/from other funds" on the balance sheet and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and long-term loans are recognized as a liability on the governmental fund financial statements when due.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences

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

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

M. Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves have been established for encumbrances, loans receivable and advances.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are 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. At December 31, 2008, none of the City's net assets were restricted by enabling legislation.

Net assets restricted for other purposes include recreation, street construction and repair, and the operation of the police and fire departments.

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

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are primarily for charges for services for water 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.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Interfund Activity

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

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2008.

R. Estimates

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

S. Implementation of New Accounting Policies

For 2008, the City has implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 provides guidance on all aspects of OPEB reporting by employers.

GASB Statement No. 49 provides guidance on calculating and reporting the costs and obligations associated with pollution cleanup efforts.

GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits.

The implementation of GASB Statement No. 45, No. 49, and No. 50 did not affect the presentation of the financial statements of the City.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 3: RESTATEMENT OF NET ASSETS / FUND BALANCES

In the prior year, delinquent real estate and personal property taxes receivable were overstated by \$459,256. In prior years, the permanent improvement capital projects fund purchased capital assets for the sanitation fund in the amount of \$167,462. In 2008, the City legislated that the sanitation fund would be required to repay the permanent improvement fund for those purchases.

To adjust for these items, the beginning net assets and fund balances have been restated as follows:

	Governmental Activities	Business-Type Activities
Previously Reported Net Assets at 12/31/07	\$ 6,579,956	\$ 4,691,977
Taxes Receivable	(459,256)	0
Advances to Other Funds	167,462	0
Advances from Other Funds	0	(167,462)
Restated Net Assets at 01/01/08	\$ 6,288,162	\$ 4,524,515

	Permanent Improvement
Previously Reported Fund Balance at 12/31/07	\$ 1,342,321
Advances to Other Funds	167,462
Restated Fund Balance at 01/01/08	\$ 1,509,783

	Sanitation
Previously Reported Net Assets at 12/31/07	\$ 202,202
Advances from Other Funds	(167,462)
Restated Net Assets at 01/01/08	\$ 34,740

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 4: BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation 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 the fire and ambulance special revenue fund.

Net Change in Fund Balance

	General	Fire and Ambulance
GAAP Basis	\$ 91,494	\$ 52,273
Revenue Accruals	(89,467)	60,363
Expenditure Accruals	7,050	3,614
Encumbrances	(4,520)	(5,904)
Budget Basis	\$ 4,557	\$ 110,346

NOTE 5: DEPOSITS AND INVESTMENTS

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

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

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

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

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

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

According to State law, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for uninsured public deposits and investments to be maintained in the City's name. During 2008, the City and public depositories complied with the provisions of these statutes.

Deposits with Financial Institutions

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

At fiscal year-end, the carrying amount of the City's deposits was \$2,714,460. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of December 31, 2008, \$2,391,272 of the City's bank balance of \$2,802,694 was exposed to custodial risk as discussed above, while \$411,422 was covered by Federal Deposit Insurance Corporation.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 6: INTERFUND ACTIVITY

A. Interfund Transfers

Following is a summary of transfers in and out for all funds for 2008:

<u>Fund</u>	<u>Transfer To</u>	<u>Transfer From</u>	<u>Net</u>
Governmental:			
General	\$ 0	\$ 168,000	
Permanent Improvement	0	89,977	
Nonmajor Funds:			
Street	67,000	0	
Recreation	50,000	0	
Safety Service	31,000	0	
Division of Development	5,000		
	<u>\$ 153,000</u>	<u>\$ 257,977</u>	<u>\$(104,977)</u>
Business Type:			
Water	89,977	0	
Parking Meter	15,000	0	
Total	<u>\$ 104,977</u>	<u>\$ 0</u>	<u>\$ 104,977</u>

The general fund transferred monies to various other funds to provide additional resources for current operations. The permanent improvement fund transferred capital assets in the amount of \$89,977 to the water fund.

B. Interfund Balances

Interfund balances at December 31, 2008 consisted of the following:

	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
Permanent Improvement	\$ 143,182	\$ 0
Sanitation	0	143,182
Total	<u>\$ 143,182</u>	<u>\$ 143,182</u>

In prior years, the permanent improvement fund advanced \$167,462 to the sanitation fund to purchase capital assets. During 2008, the permanent improvement fund advanced an additional \$55,720 to the sanitation fund. During 2008, the sanitation fund repaid \$80,000, leaving a remaining balance of \$143,182.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 7: PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2008 for real and public utility property taxes represent collections of 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) are for 2008 taxes.

2008 real property taxes are levied after October 1, 2008 on the assessed value as of January 1, 2008, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2009.

Real property taxes are payable annually or semi-annually. If paid annually, the 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 established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2008 public utility property taxes which became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes.

2008 tangible personal property taxes are levied after October 1, 2007, on the value as of December 31, 2007. Collections are made in 2008. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all City operations for the year ended December 31, 2008, was \$9.10 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real Property	\$ 60,791,900
Tangible Personal Property	3,281,350
Public Utilities	<u>63,760</u>
Total	<u><u>\$ 64,137,010</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Martins Ferry. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which became measurable as of December 31, 2008, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2008 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 8: RECEIVABLES

Receivables at December 31, 2008 consisted of taxes, accounts (billings for user charged services), mortgage loans, accrued interest, advances to other funds and intergovernmental receivables arising from entitlements and shared revenues. All receivables are deemed collectible in full.

The general fund reflects mortgage loans receivable of \$39,854. These mortgage loans receivable are for financing of the sale of City property to individuals as a home mortgage. The mortgages bear interest at annual rates between five and seven percent. The mortgages are to be repaid over periods ranging from five to thirty years.

NOTE 9: INCOME TAXES

The City levies a municipal income tax of .75 percent on substantially all income earned within the City. In addition, the residents of the City are required to pay income tax on income earned outside the City; however, the City allows a credit for income taxes paid to another municipality up to 100 percent of the City's current rate.

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

Income tax proceeds are to be used for the purpose of general municipal operations, maintenance, new equipment, extension and enlargement of municipal services, facilities and capital improvements of the City as determined by City Council. In 2008, the proceeds were allocated to the General Fund.

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City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 10: CAPITAL ASSETS

A summary of changes in capital assets during 2008 follows:

	<u>Balance 12/31/2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2007</u>
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 892,720	\$ 159,791	\$ (638)	\$ 1,051,873
Construction in Progress	<u>0</u>	<u>60,000</u>	<u>0</u>	<u>60,000</u>
<i>Total Capital Assets Not Being Depreciated</i>	<u>892,720</u>	<u>219,791</u>	<u>(638)</u>	<u>1,111,873</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings	1,722,241	0	0	1,722,241
Building Improvements	893,894	0	0	893,894
Equipment and Machinery	459,491	11,000	0	470,491
Infrastructure	693,525	0	0	693,525
Vehicles	<u>2,866,516</u>	<u>175,241</u>	<u>(72,088)</u>	<u>2,969,669</u>
<i>Total Capital Assets, Being Depreciated</i>	<u>6,635,667</u>	<u>186,241</u>	<u>(72,088)</u>	<u>6,749,820</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(1,065,005)	(32,300)	0	(1,097,305)
Building Improvements	(714,125)	(12,988)	0	(727,113)
Equipment and Machinery	(343,169)	(23,831)	0	(367,000)
Infrastructure	(40,397)	(32,698)	0	(73,095)
Vehicles	<u>(2,404,142)</u>	<u>(206,613)</u>	<u>66,732</u>	<u>(2,544,023)</u>
<i>Total Accumulated Depreciation</i>	<u>(4,566,838)</u>	<u>(308,430)</u>	<u>66,732</u>	<u>(4,808,536)</u>
<i>Total Capital Assets, Being Depreciated, Net</i>	<u>2,068,829</u>	<u>(122,189)</u>	<u>(5,356)</u>	<u>1,941,284</u>
<i>Total Governmental Activities Capital Assets, Net</i>	<u>\$ 2,961,549</u>	<u>\$ 97,602</u>	<u>\$ (5,994)</u>	<u>\$ 3,053,157</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 49,318
Security of Persons and Property	165,455
Public Health Services	4,941
Transportation	54,962
Community and Economic Development	1,220
Leisure Time Activities	<u>32,534</u>
Total	<u>\$ 308,430</u>

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 10: CAPITAL ASSETS (Continued)

	Balance 12/31/2007	Additions	Reductions	Balance 12/31/2008
Business-Type Activities				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 158,570	\$ 0	\$ 0	\$ 158,570
Construction in Progress	382,349	361,132	(639,076)	104,405
<i>Total Capital Assets Not Being Depreciated</i>	<u>540,919</u>	<u>361,132</u>	<u>(639,076)</u>	<u>262,975</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings	5,892,172	0	0	5,892,172
Building Improvements	1,790,751	120,343	0	1,911,094
Equipment and Machinery	6,528,078	7,373	0	6,535,451
Infrastructure	5,612,194	996,668	0	6,608,862
Vehicles	715,888	52,200	0	768,088
<i>Total Capital Assets, Being Depreciated</i>	<u>20,539,083</u>	<u>1,176,584</u>	<u>0</u>	<u>21,715,667</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(1,722,097)	(148,073)	0	(1,870,170)
Building Improvements	(326,459)	(90,345)	0	(416,804)
Equipment and Machinery	(4,298,731)	(172,955)	0	(4,471,686)
Infrastructure	(602,153)	(204,204)	0	(806,357)
Vehicles	(674,778)	(21,035)	0	(695,813)
<i>Total Accumulated Depreciation</i>	<u>(7,624,218)</u>	<u>(636,612)</u>	<u>0</u>	<u>(8,260,830)</u>
<i>Total Capital Assets, Being Depreciated, Net</i>	<u>12,914,865</u>	<u>539,972</u>	<u>0</u>	<u>13,454,837</u>
<i>Total Business-Type Capital Assets, Net</i>	<u>\$ 13,455,784</u>	<u>\$ 901,104</u>	<u>\$ (639,076)</u>	<u>\$ 13,717,812</u>

NOTE 11: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; employee injuries, and natural disasters. To address these various risks, 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 insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 11: RISK MANAGEMENT (Continued)

Casualty Coverage

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risks up to \$350,000 per claim, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage, up to \$10,000,000, from the General Reinsurance Corporations, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides "excess of funds available" coverage up to \$5,000,000 per year, subject to the annual aggregate limit of \$10,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

On January 1, 2005, APEEP established a risk-sharing property program. Under the new program, Travelers will reinsure specific losses exceeding \$250,000 up to \$600,000,000 per occurrence. The amount was increased to \$300,000 in 2007. APEEP will reinsure members for specific losses in excess of \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined Members' Total Insurable Value. If the stop-loss is reached by payment of losses between \$100,000 and \$300,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600,000,000 per occurrence limit. The aggregate stop-loss limit for 2007 and 2006 was \$2,014,547 and \$1,901,127, respectively.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claim payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform to generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
<u>Casualty and Property Coverage</u>		
Assets	\$37,560,071	\$36,123,194
Liabilities	<u>(17,340,825)</u>	<u>(16,738,904)</u>
Retained Earnings	<u>\$20,219,246</u>	<u>\$19,384,290</u>

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 11: RISK MANAGEMENT (Continued)

At December 31, 2007 and 2006, respectively, casualty coverage liabilities noted above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The City's share of these unpaid claims collectible in future years is approximately \$110,000. This payable includes the subsequent year's contribution due if the City terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to determine the historical contributions required to be made to PEP for each year of membership are as follows:

<u>Contributions to PEP</u>	
2005	\$ 55,423
2006	54,796
2007	55,170

After completing one year of membership, members may withdraw on each anniversary date of the date they joined PEP, provided they give written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligations to the pool. 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 withdrawal.

There was no reduction in insurance coverage from the prior year and insurance was sufficient to cover settlements in 2006, 2007 and 2008.

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.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 12: DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained 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 statutory authority for member and employer contributions. For the year ended December 31, 2008, members in State and local classifications contributed 10.0 percent of covered payroll and public safety members and law enforcement members contributed 10.1 percent.

The City's contribution rate for 2008 was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.4 percent of covered payroll. For 2008, a portion of the City's contribution equal to 7.0 percent of covered payroll was allocated to fund the post-employment health care plan. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$141,860, \$180,449, and \$188,858, respectively; 92.6 percent has been contributed for 2008 and 100 percent for 2007 and 2006. Contributions to the member-directed plan for 2008 were \$420 made by the City and \$300 made by the plan members.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 12: DEFINED BENEFIT PENSION PLANS (Continued)

B. Ohio Police and Fire Pension Fund

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24.0 percent for firefighters. Contributions are authorized by State statute. For 2008, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The City's contributions to OP&F for police were \$110,238, \$113,290 and \$109,362 for the years ended December 31, 2008, 2007 and 2006, respectively. The full amount has been contributed for 2007 and 2006. 76.87 percent has been contributed for police for 2008. The City's firefighters are volunteer.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. As of December 31, 2008, the unfunded liability of the City was \$185,379, payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary.

NOTE 13: POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222- 5601 or (800) 222-7377.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 13: POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund postemployment health care through contributions to OPERS. A portion of each employer’s contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14.0 percent of covered payroll (17.4 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 7.0 percent of covered payroll for 2008.

The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree’s surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and coverage selected. Active members do not make contributions to the post-employment health care plan.

The City’s contributions allocated to fund post-employment health care benefits for the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$141,860, \$119,248, and \$92,376, respectively. Contributions to fund post-employment health care benefits for the member-directed plan for 2008 were \$210. 92.6 percent has been contributed for 2008 and 100 percent for 2007 and 2006.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

Plan Description – The City contributes to the OP&F sponsored healthcare program, a cost-sharing multiple-employer defined post-employment healthcare plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B premium reimbursement and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability or survivor benefit or is a spouse or eligible dependent child of such person.

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 13: POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy – OP&F’s post-employment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2008, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees’ primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare 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. Active members do not make contributions to the OPEB Plan.

The City’s contributions to OP&F which were allocated to fund post-employment health care benefits for police were \$38,142, \$39,198 and \$43,464 for the years ended December 31, 2008, 2007 and 2006, respectively. The full amount has been contributed for 2007 and 2006. 76.9 percent has been contributed for police for 2008.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by a State Retirement System have an option to choose social security or the appropriate state system. As of December 31, 2008, no City employees have elected social security.

NOTE 14: OTHER EMPLOYEE BENEFITS

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

The City contracts with a local Health Management Organization, Health Plan of the Upper Ohio Valley, for hospitalization insurance for all employees. The City pays \$1,021.31 of the total monthly premiums of \$1,134.77 for family coverage and \$392.82 of the monthly premiums of \$436.46 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries. City AFSCME Union employees and full-time police pay \$113.46 for family coverage and \$43.64 for single coverage.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 14: OTHER EMPLOYEE BENEFITS (Continued)

The City contracts with Met Life for dental insurance for all supervisors and police. The City pays 100 percent of the total monthly premiums of \$80.27 for family coverage, \$46.66 for employees with only one dependent, and \$24.08 for single coverage. Premiums are paid from the same funds that pay the employees' salaries. The City contracts with Ohio AFSCME Care Plan for dental insurance for all union employees. The City pays 100 percent of the total monthly premiums of \$34.00 per union employee. Premiums are paid from the same funds that pay the employees' salaries.

NOTE 15: COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn vacation and sick leave at different rates depending upon length of service and type of employment. Vacation leave benefits are lost at year end if employees do not use these balances during the year unless prior approval has been obtained from the department head. Upon retirement or death, employees are paid to a maximum of 480 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 480 hours. As of December 31, 2008, the liability for unpaid compensated absences was \$191,242.

NOTE 16: LONG-TERM OBLIGATIONS

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

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Governmental Activities:			
St. Route 647 OPWC Loan - 2003	0.00	\$ 10,029	July 1, 2023
Long-Term Bond Anticipation Notes:			
Truck Acquisition Note - 2008	2.65	60,000	May 9, 2009
Aerial Fire Truck Note - 2008	2.65	230,000	May 9, 2009
Business-Type Activities:			
Ferryview/Sharon Road Waterlines OWDA Loan - 2003	2.00	3,697,909	January 1, 2025
Water Treatment Plant OWDA Loan - 1995	2.00	10,369,123	January 1, 2022
Woodmont Pump Station OPWC Loan - 2003	0.00	20,000	July 1, 2023
Water Tank OPWC Loan - 2006	0.02	255,000	July 1, 2027
Woodmont Street Pump Project OPWC Loan - 2007	0.00	240,000	July 1, 2027
Long-Term Bond Anticipation Notes:			
Water System Improvement Note - 2008	2.65	50,000	May 9, 2009

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 16: LONG-TERM OBLIGATIONS (Continued)

A schedule of changes in long-term obligations of the City during 2008 follows:

	Outstanding 12/31/2007	Additions	Deletions	Outstanding 12/31/2008	Due in One Year
Governmental Activities:					
OPWC Loan:					
State Route 647	\$ 7,773	\$ 0	\$ (502)	\$ 7,271	\$ 501
Long-Term Bond Anticipation Notes:					
Truck Acquisition	130,000	60,000	(130,000)	60,000	60,000
Aerial Fire Truck	253,000	230,000	(253,000)	230,000	230,000
<i>Total Long-Term Bond Anticipation Notes</i>	383,000	290,000	(383,000)	290,000	290,000
Police and Fire Pension	189,118	0	(3,739)	185,379	3,899
Compensated Absences	83,114	872	0	83,986	0
<i>Total Governmental Activities</i>	<u>\$ 663,005</u>	<u>\$ 290,872</u>	<u>\$ (387,241)</u>	<u>\$ 566,636</u>	<u>\$ 294,400</u>
Business-Type Activities:					
OWDA Loans:					
Ferryview/Sharon Road Waterlines	\$ 2,427,558	\$ 477,935	\$ (161,396)	\$ 2,744,097	\$ 237,342
Water Treatment Plant	6,429,872	0	(402,514)	6,027,358	410,564
<i>Total OWDA Loans</i>	8,857,430	477,935	(563,910)	8,771,455	647,906
OPWC Loans:					
Woodmont Street Pump Project	52,339	179,187	(5,788)	225,738	11,576
Woodmont Pump Station	15,500	0	(1,000)	14,500	1,000
Water Tank	249,784	0	(10,589)	239,195	10,802
<i>Total OPWC Loans</i>	317,623	179,187	(17,377)	479,433	23,378
Long-Term Bond Anticipation Note:					
Water System Improvement	60,000	50,000	(60,000)	50,000	50,000
Compensated Absences	116,228	1,878	(10,850)	107,256	0
<i>Total Business-Type Activities</i>	<u>\$ 9,351,281</u>	<u>\$ 709,000</u>	<u>\$ (652,137)</u>	<u>\$ 9,408,144</u>	<u>\$ 721,284</u>

The OWDA loans will be repaid with water fund revenues. The OPWC loans for Woodmont Pump Station and the water tank will be paid from water fund revenues. The OPWC loan for the repair of State Route 647 road slippage will be repaid from general fund local government revenues. The bond anticipation notes were issued to purchase equipment and will be paid from general fund local government revenues. The police and fire pension liability will be paid from general property tax revenues. Compensated absences will be paid from the fund from which the employee's salaries are paid.

The Ohio Water Development Authority (OWDA) approved a \$3,697,909 loan to the City on March 28, 2003 for improvements to the City's waterlines. \$3,479,485 has been drawn down by the City as of December 31, 2008. Upon completion of the project, the loan will be repaid over a period of twenty years. The City began to repay this loan as of July 2006, but the OWDA has not completed an amortization schedule, therefore, the loan is not included in the following amortization schedule. As of December 31, 2008, the balance of this loan is \$2,744,097.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 16: LONG-TERM OBLIGATIONS (Continued)

The long-term bond anticipation notes issued on May 9, 2008 for \$340,000 were used to partially retire the \$443,000 bond anticipation notes issued May 10, 2007. These notes were issued for the purpose of fire equipment and water system improvements. These notes are set to mature May 8, 2009, and are not included in the amortization schedules.

Principal and interest requirements to retire governmental activities debt at December 31, 2008 are as follows:

Year	Police and Fire Pension		OPWC Loan	Total	
	Principal	Interest	Principal	Principal	Interest
2009	\$ 3,899	\$ 7,837	\$ 501	\$ 4,400	\$ 7,837
2010	4,067	7,670	501	4,568	7,670
2011	4,241	7,495	501	4,742	7,495
2012	4,423	7,313	501	4,924	7,313
2013	4,613	7,122	501	5,114	7,122
2014-2018	26,215	32,468	2,508	28,723	32,468
2019-2023	32,350	26,334	2,258	34,608	26,334
2024-2028	39,920	18,763	0	39,920	18,763
2029-2033	49,252	9,431	0	49,252	9,431
2034-2035	16,399	690	0	16,399	690
Totals	<u>\$ 185,379</u>	<u>\$ 125,123</u>	<u>\$ 7,271</u>	<u>\$ 192,650</u>	<u>\$ 125,123</u>

Principal and interest requirements to retire business-type activities debt at December 31, 2008 are as follows:

Year	OWDA Loan		OPWC Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 410,564	\$ 128,597	\$ 23,378	\$ 4,730	\$ 433,942	\$ 133,327
2010	418,775	120,547	23,595	4,513	442,370	125,060
2011	427,151	112,336	23,816	4,292	450,967	116,628
2012	435,694	103,960	24,043	4,065	459,737	108,025
2013	444,408	95,417	24,274	3,835	468,682	99,252
2014-2018	2,358,968	342,841	124,990	15,553	2,483,958	358,394
2019-2023	1,531,798	101,983	130,987	9,055	1,662,785	111,038
2024-2027	0	0	104,350	2,111	104,350	2,111
Totals	<u>\$ 6,027,358</u>	<u>\$ 1,005,681</u>	<u>\$ 479,433</u>	<u>\$ 48,154</u>	<u>\$ 6,506,791</u>	<u>\$ 1,053,835</u>

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 17: CONTRACTUAL COMMITMENTS

As of December 31, 2008 the City had contractual commitments for the following projects:

	<u>Contractual Commitment</u>	<u>Expended</u>	<u>Balance 12/31/2008</u>
Finley Fire Equipment			
Mobils Cascade Compressor	\$ 80,000	\$ 20,000	\$ 60,000
Navistar, Inc.			
2009 International Truck	<u>103,910</u>	<u>55,720</u>	<u>48,190</u>
 Total	 <u>\$ 183,910</u>	 <u>\$ 75,720</u>	 <u>\$ 108,190</u>

NOTE 18: JOINTLY GOVERNED ORGANIZATIONS

A. Belmont Metropolitan Housing Authority

Belmont Metropolitan Housing Authority is a non-profit organization established to provide adequate public housing for low income individuals and is statutorily created as a separate and distinct political subdivision of the State. The Authority is operated by a five member board of commissioners. Two members are appointed by the Mayor of Martins Ferry, one member is appointed by the Belmont County Commissioners, one member is appointed by the judge of the probate court, and one member is appointed by the judge of the court of common pleas. The City did not contribute any amounts to the Authority during 2008. The continued existence of the Authority is not dependent on the City's continued participation and no equity interest exists. The Authority has no outstanding debt for which the City of Martins Ferry is responsible.

B. Eastern Ohio Regional Transit Authority

Eastern Ohio Regional Transit Authority was established to provide transportation to the residents of the Ohio Valley and is statutorily created as a separate and distinct political subdivision of the State. The Authority is operated by a board of directors that is appointed by the nine Mayors of the municipalities served by the Authority. The City did not contribute any amounts to the Authority during 2008. The continued existence of the Authority is not dependent on the City's continued participation and no equity interest exists. The Authority has no outstanding debt for which the City of Martins Ferry is responsible.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 18: JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 2008, OMEGA received \$1,084 from the City of Martins Ferry for an annual fee. The continued existence of OMEGA is not dependent on the City's continued participation and no equity interest exists. OMEGA has no outstanding debt.

D. Jefferson-Belmont Joint Solid Waste Authority

Jefferson-Belmont Joint Solid Waste Authority is established by state statutes and is operated to provide solid waste services to Jefferson and Belmont counties. The Authority is governed by a fourteen member board of directors of which the Mayor of the City of Martins Ferry is a member. The Authority is not dependent on the City of Martins Ferry for its continued existence, no debt exists, and the City does not maintain an equity interest. The City does not make any monetary contributions to the Authority.

E. Belmont County Sewer Authority

Belmont County Sewer Authority is established by Ohio Revised Code Section 6119, serving the municipalities of Bellaire, Brookside, and Martins Ferry. The Authority is operated by a four member Board of Trustees. One member of the Board is appointed by the Mayor of Martins Ferry. The Authority is not dependent on the City of Martins Ferry for its continued existence and the City does not maintain an equity interest. The City does not make any monetary contributions to the District.

F. Bel-O-Mar Regional Council

Bel-O-Mar Regional Council is operated as a non-profit organization formed to provide planning and administrative services to all local governments in a four county region comprised of Belmont County, Ohio and three counties in West Virginia. The governing board is comprised of 58 officials from the four county service area of which three members and one alternate member are appointed by Belmont County and one member is appointed by each local government within Belmont County. The Mayor of the City of Martins Ferry serves as the City's representative on the board. The Council is not dependent upon the City of Martins Ferry for its continued existence, no debt exists, and the City does not maintain an equity interest. During 2008, Bel-O-Mar Regional Council received \$2,385 from the City of Martins Ferry for annual fees and grant administration services.

City of Martins Ferry
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 19: 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, 2008.

B. Litigation

The City of Martins Ferry is currently party to several claims and lawsuits. In the opinion of the City Law Director, the outcome of these claims will not have a material effect on the financial statements of the City of Martins Ferry.



Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020
New Philadelphia, OH 44663-5120

June 19, 2009

Mayor and Members of Council
City of Martins Ferry
Martins Ferry, OH 43935

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the City of Martins Ferry (the "City") as of and for the year ended December 31, 2008, and have issued our report thereon dated June 19, 2009. 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.

Internal Control over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected in the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

City of Martins Ferry, Ohio
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
June 19, 2009
Page 2

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting and its operation that we consider to be material weaknesses, as defined above. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the City in a separate letter dated June 19, 2009.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated June 19, 2009.

This report is intended solely for the information and use of the Mayor, management, and City Council and is not intended to be and should not be used by anyone other than those specified parties.

Hea & Associates, Inc.



Mary Taylor, CPA
Auditor of State

CITY OF MARTINS FERRY

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 25, 2009**