CITY OF MARTINS FERRY
BELMONT COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2003

Auditor of State
Betty Montgomery

CITY OF MARTINS FERRY
BELMONT COUNTY

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

City of Martins Ferry
Belmont County
Fifth and Walnut Streets
P.O. Box 386
Martins Ferry, Ohio 43935

To Members of City Council:

We have audited the accompanying general purpose financial statements of the City of Martins Ferry, Belmont County, Ohio (the City), as of and for the year ended December 31, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose 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 opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Martins Ferry, Belmont County, as of December 31, 2003, and the results of its operations and the cash flows of its proprietary fund types 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 have also issued our report dated August 31, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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The accompanying federal awards expenditures schedule is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as whole.

Betty Montgomery

Betty Montgomery
Auditor of State

August 31, 2004

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CITY OF MARTINS FERRY

Combined Balance Shee
All Fund Types and Account Groups

For the Year Ended December 31, 200

	Governmental Fund Type			Proprietary Fund Type	Fiduciary Fund Type	Account Groups		
	General	Special Revenue	Capital Projects	Enterprise	Agency	General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)
ASSETS AND OTHER DEBITS								
Assets								
Equity in Pooled Cash								
and Cash Equivalents	$ 162,547	$ 420,487	$ 135,236	$ 200,137	$ 7,695	$ 0	$ 0	$ 926,102
Investments	0	139,660	2,498,000	0	0	0	0	2,637,660
Receivables:								
Taxes	683,468	550,083	0	0	0	0	0	1,233,551
Accounts	46,731	191,234	0	174,865	0	0	0	412,830
Intergovernmenta	221,764	398,570	0	751,100	0	0	0	1,371,434
Accrued Interest	4,393	206	0	0	0	0	0	4,599
Mortgage Loans	0	0	85,712	0	0	0	0	85,712
Advance To Other Funds	100,000	0	0	0	0	0		100,000
Materials and Supplies Inventory	3,547	3,125	0	49,210	0	0	0	55,882
Restricted Assets:								
Equity in Pooled Cash and Cash Equivalent	0	0	0	7,115	0	0	0	7,115
Fixed Assets (Net, where applicable								
of Accumulated Depreciation	0	0	0	9,711,969	0	6,333,309	0	16,045,278
Other Debits								
Amount to be Provided for Retirement of								
General Long-Term Obligation	0	0	0	0	0	0	1,145,764	1,145,764
Total Assets and Other Debits	$ 1,222,450	$ 1,703,365	$ 2,718,948	$ 10,894,396	$ 7,695	$ 6,333,309	$ 1,145,764	24,025,927

See accompanying notes to the general purpose financial statement

CITY OF MARTINS FERRY

Combined Balance Shee
All Fund Types and Account Groups

For the Year Ended December 31, 200:

	Governmental Fund Type			Proprietary Fund Type	Fiduciary Fund Type	Account Groups		
LIABILITIES AND FUND EQUITY	General	Special Revenue	Capital Projects	Enterprise	Agency	General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)
Liabilities								
Accounts Payable	$ 5,519	$ 13,877	$ 9,111	$ 30,604	$ 0	$ 0	$ 0	$ 59,111
Contracts Payable	0	0	0	7,499	0	0	0	7,499
Accrued Wages	36,701	18,178	0	53,500	0	0	0	108,379
Compensated Absences Payable	9,629	9,012	0	93,783	0	0	18,819	131,243
Advance From Other Funds	0	0	0	100,000	0	0		100,000
Intergovernmental Payable	34,880	15,708	0	144,476	0	0	36,446	231,510
Deferred Revenue	646,557	1,017,403	0	0	0	0	0	1,663,960
Undistributed Monies	0	0	0	0	7,695	0	0	7,695
Accrued Interest Payable	0	7,970	0	1,092	0	0	0	9,062
Notes Payable	0	0	0	147,396	0	0	842,157	989,553
Payable from Restricted Assets								
Customer Deposits	0	0	0	7,115	0	0	0	7,115
Police and Fire Pension Liability	0	0	0	0	0	0	202,564	202,564
OWDA Loans Payable	0	0	0	8,067,509	0	0	0	8,067,509
OPWC Loans Payable	0	0	0	19,500	0	0	9,778	29,278
General Obligation Bonds Payable	0	0	0	0	0	0	36,000	36,000
Total Liabilities	733,286	1,082,148	9,111	8,672,474	7,695	0	1,145,764	11,650,478
Fund Equity and Other Credits								
Investment in General Fixed Assets	0	0	0	0	0	6,333,309	0	6,333,309
Contributed Capital	0	0	0	397,844	0	0	0	397,844
Retained Earnings	0	0	0	1,824,078	0	0	0	1,824,078
Fund Balance:								
Reserved for Encumbrances	29,509	11,424	21,650	0	0	0	0	62,583
Reserved for Advances	100,000	0	0	0	0	0	0	100,000
Reserved for Inventory	3,547	3,125	0	0	0	0	0	6,672
Unreserved, Undesignated	356,108	606,668	2,688,187	0	0	0	0	3,650,963
Total Fund Equity (Deficit) and Other Credits	489,164	621,217	2,709,837	2,221,922	0	6,333,309	0	12,375,449
Total Liabilities, Fund Equity and Other Credits	$ 1,222,450	$ 1,703,365	$ 2,718,948	$ 10,894,396	$ 7,695	$ 6,333,309	$ 1,145,764	24,025,927

See accompanying notes to the general purpose financial statement

CITY OF MARTINS FERRY

Combined Statement of Revenues, Expenditures,
and Changes in Fund Balance
All Governmental Fund Types

For the Year Ended December 31, 2003

	Governmental Fund Types				
	General	**Special Revenue**	**Debt Service**	**Capital Projects**	**Totals (Memorandum Only)**
Revenues					
Taxes	$ 1,295,932	$ 238,535	$ 0	$ 0	$ 1,534,467
Charges for Services	73,548	196,651	0	0	270,199
Fines, Licenses and Permits	68,397	13,288	0	0	81,685
Intergovernmental	401,834	590,759	0	212,445	1,205,038
Interest	137,414	3,869	0	5,913	147,196
Other	38,966	41,897	0	0	80,863
Total Revenues	2,016,091	1,084,999	0	218,358	3,319,448
Expenditures					
Current:					
General Government	436,023	0	0	0	436,023
Security of Persons and Property	1,013,172	225,215	0	0	1,238,387
Public Health Services	28,350	74,740	0	0	103,090
Transportation	138	444,487	0	0	444,625
Community Environment	0	159,970	0	31,072	191,042
Leisure Time Activities	0	26,512	0	0	26,512
Capital Outlay	0	57,166	0	320,928	378,094
Debt Service:					
Principal Retirement	11,175	14,244	9,000	0	34,419
Interest and Fiscal Charges	825	16,805	3,319	0	20,949
Total Expenditures	1,489,683	1,019,139	12,319	352,000	2,873,141
Excess of Revenues Over/(Under) Expenditures	526,408	65,860	(12,319)	(133,642)	446,307
Other Financing Sources (Uses)					
Proceeds from Sale of Notes	81,636	730,000	0	0	811,636
Proceeds from OPWC	0	0	0	10,029	10,029
Operating Transfers In	0	787,117	12,319	52,853	852,289
Operating Transfers Out	(267,374)	(625,000)	0	(3,596)	(895,970)
Total Other Financing Sources (Uses)	(185,738)	892,117	12,319	59,286	777,984
Excess of Revenue and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses	340,670	957,977	0	(74,356)	1,224,291
Fund Balances (Deficit) at Beginning Of Year	145,870	(337,305)	0	2,784,193	2,592,758
Increase (Decrease) in Reserve for Inventory	2,624	545	0	0	3,169
Fund Balance (Deficit) at End of Year	$ 489,164	$ 621,217	$ 0	$ 2,709,837	$ 3,820,218

See accompanying notes to the general purpose financial statements.

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CITY OF MARTINS FERRY

Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types

For the Year Ended December 31, 2003

	General Fund			Special Revenue Funds		
	Revised Budget	**Actual**	**Variance Favorable (Unfavorable)**	**Revised Budget**	**Actual**	**Variance Favorable (Unfavorable)**
Revenues:						
Property Taxes	$ 1,115,213	$ 1,195,966	$ 80,753	$ 227,451	$ 238,535	$ 11,084
Charges for Services	73,933	73,548	(385)	122,500	178,277	55,777
Fines, Fees, and Permits	69,890	68,397	(1,493)	16,400	13,288	(3,112)
Intergovernmental	354,400	385,083	30,683	908,127	588,747	(319,380)
Interest	165,000	137,776	(27,224)	9,763	3,858	(5,905)
Mortgage Loans	0	0	0	3,596	3,596	0
Other	0	15,200	15,200	(1,106)	41,897	43,003
Total Revenues	1,778,436	1,875,970	97,534	1,286,731	1,068,198	(218,533)
Expenditures:						
Current:						
General Government	455,486	434,213	21,273	0	0	0
Security of Persons and Property	1,034,403	1,017,120	17,283	281,097	223,519	57,578
Public Health and Welfare	28,350	28,350	0	83,674	74,605	9,069
Transportation	0	0	0	454,357	427,445	26,912
Community Environment	0	0	0	528,637	207,851	320,786
Leisure Time Activities	0	0	0	32,576	26,512	6,064
Capital Outlay	0	0	0	128,000	57,166	70,834
Debt Service:						
Principal Retirement	11,175	11,175	0	807,101	804,244	2,857
Interest and Fiscal Charges	825	825	0	21,171	20,679	492
Total Expenditures	1,530,239	1,491,683	38,556	2,336,613	1,842,021	494,592
Excess of Revenue Over/(Under) Expenditures	248,197	384,287	136,090	(1,049,882)	(773,823)	276,059
Other Financing Sources (Uses):						
Note Proceeds	103,558	81,636	(21,922)	730,000	730,000	0
OPWC Proceeds	0	0	0	0	0	0
Other Financing Sources	0	23,766	23,766	0	0	0
Advances In	0	0	0	0	0	0
Advances Out	(100,000)	(203,841)	(103,841)	0	0	0
Operating Transfers In	0	0	0	786,200	783,521	(2,679)
Operating Transfers Out	(294,500)	(267,374)	27,126	(625,000)	(625,000)	0
Other Financing Sources (Uses)	(290,942)	(365,813)	(74,871)	891,200	888,521	(2,679)
Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(42,745)	18,474	61,219	(158,682)	114,698	273,380
Fund Balance at Beginning of Year	113,148	113,148	0	385,404	385,304	(100)
Prior Year's Encumbrances Appropriated	761	761	0	39,623	39,623	0
Fund Balances at End of Year	$ 71,164	$ 132,383	$ 61,219	$ 266,345	$ 539,625	$ 273,280

See accompanying notes to the general purpose financial statements.

CITY OF MARTINS FERRY

Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types

For the Year Ended December 31, 2003

	Capital Project Funds			Totals (Memorandum Only)		
	Revised Budget	**Actual**	**Variance Favorable (Unfavorable)**	**Revised Budget**	**Actual**	**Variance Favorable (Unfavorable)**
Revenues:						
Property Taxes	$ 0	$ 0	$ 0	$ 1,342,664	$ 1,434,501	$ 91,837
Charges for Services	0	0	0	196,433	251,825	55,392
Fines, Fees, and Permits	0	0	0	86,290	81,685	(4,605)
Intergovernmental	236,143	212,445	(23,698)	1,498,670	1,186,275	(312,395)
Interest	5,913	5,913	0	180,676	147,547	(33,129)
Mortgage Loans	20,377	20,377	0	23,973	23,973	0
Other	8,267	0	(8,267)	7,161	57,097	49,936
Total Revenues	270,700	238,735	(31,965)	3,335,867	3,182,903	(152,964)
Expenditures:						
Current:						
General Government	0	0	0	455,486	434,213	21,273
Security of Persons and Property	0	0	0	1,315,500	1,240,639	74,861
Public Health and Welfare	0	0	0	112,024	102,955	9,069
Transportation	0	0	0	454,357	427,445	26,912
Community Environment	38,933	22,172	16,761	567,570	230,023	337,547
Leisure Time Activities	0	0	0	32,576	26,512	6,064
Capital Outlay	560,213	474,078	86,135	688,213	531,244	156,969
Debt Service:						
Principal Retirement	0	0	0	818,276	815,419	2,857
Interest and Fiscal Charges	0	0	0	21,996	21,504	492
Total Expenditures	599,146	496,250	102,896	4,465,998	3,829,954	636,044
Excess of Revenue Over/(Under) Expenditures	(328,446)	(257,515)	70,931	(1,130,131)	(647,051)	483,080
Other Financing Sources (Uses):						
Note Proceeds	0	0	0	833,558	811,636	(21,922)
OPWC Proceeds	20,000	10,029	(9,971)	20,000	10,029	(9,971)
Other Financing Sources	0	0	0	0	23,766	23,766
Advances In	0	103,841	103,841	0	103,841	103,841
Advances Out	0	0	0	(100,000)	(203,841)	(103,841)
Operating Transfers In	51,000	52,853	1,853	837,200	836,374	(826)
Operating Transfers Out	0	0	0	(919,500)	(892,374)	27,126
Other Financing Sources (Uses)	71,000	166,723	95,723	671,258	689,431	18,173
Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(257,446)	(90,792)	166,654	(458,873)	42,380	501,253
Fund Balance at Beginning of Year	2,569,577	2,569,577	0	3,068,129	3,068,029	(100)
Prior Year's Encumbrances Appropriated	132,590	132,590	0	172,974	172,974	0
Fund Balances at End of Year	$ 2,444,721	$ 2,611,375	$ 166,654	$ 2,782,230	$ 3,283,383	$ 501,153

See accompanying notes to the general purpose financial statements.

CITY OF MARTINS FERRY

Combined Statement of Revenues, Expenses,
and Changes in Fund Equity
All Proprietary Fund Types

For the Year Ended December 31, 2003

	Proprietary Fund Type
	Enterprise
Operating Revenues	
Charges for Services	$ 3,117,870
Fines, Licenses, and Permits	14,796
Other Revenue	18,399
Total Operating Revenues	3,151,065
Operating Expenses	
Personal Services	1,429,746
Contractual Service	822,800
Materials and Supplies	685,192
Depreciation	404,838
Total Operating Expenses	3,342,576
Operating Loss	(191,511)
Non-Operating Revenues (Expenses):	
Intergovernmental Revenue	713,818
Interest Income	187
Interest and Fiscal Charges	(178,070)
Total Non-Operating Revenues (Expense)	535,935
Income Before Operating Transfers	344,424
Operating Transfers In	56,000
Operating Transfers Out	(12,319)
Total Operating Transfers	43,681
Net Income	388,105
Depreciation on Fixed Assets Acquired by Contributed Capital	12,977
Retained Earnings at Beginning of Year	1,422,996
Retained Earnings at End of Year	1,824,078
Contributed Capital at Beginning of Year	410,821
Depreciation on Fixed Assets Acquired by Contributed Capital	(12,977)
Contributed Capital at End of Year	397,844
Fund Equity at Year of End	$ 2,221,922

See accompanying notes to the general purpose financial statements.

CITY OF MARTINS FERRY

Combined Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended December 31, 2003

	Enterprise
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:	
Cash Flows from Operating Activities:	
Cash Received from Customers	$ 3,165,369
Cash Payments for Employee Services and Benefits	(1,581,150)
Cash Payments to Suppliers for Goods and Services	(1,628,890)
Cash Received from/(applied to) Customer Deposits	(1,566)
Other Operating Receipts	18,399
Net Cash Used for Operating Activities	(27,838)
Cash Flows from Non-Capital and Related Financing Activities:	
Cash Received from Intergovernmental Sources	143,956
Other Non-Operating Revenues	187
Advances In	100,000
Operating Transfers In	56,000
Net Cash Provided by Non-Capital and Related Financing Activities	300,143
Cash Flows from Capital and Related Financing Activities:	
Proceeds from Sale of Notes	100,000
Acquisition of Capital Assets	(145,770)
Proceeds from OPWC	20,000
Proceeds of OWDA Loan	180,537
Principal Paid on OWDA Loan	(364,569)
Interest Paid on OWDA Loan	(149,716)
Principal Paid on Notes	(14,965)
Interest Paid on Notes	(2,714)
Principal Paid on Bonds	(192,284)
Interest Paid on Bonds	(28,013)
Net Cash Used for Capital and Related Financing Activities	(597,494)
Net Decrease in Cash and Cash Equivalents	(325,189)
Cash and Cash Equivalents at Beginning of Year	532,441
Cash and Cash Equivalents at End of Year	$ 207,252
Reconciliation of Operating Loss to	
Net Cash Used for Operating Activities:	
Operating Loss	$ (191,511)
Adjustments to Reconcile Operating Loss to	
Net Cash Used for Operating Activities:	
Depreciation	404,838
Change in Assets and Liabilities:	
Decrease in Accounts Receivable	32,703
Increase in Materials and Supplies Inventory	(1,216)
Increase in Accounts Payable	8,722
Decrease in Contracts Payable	(80,117)
Increase in Accrued Wages	328
Increase in Compensated Absences Payable	1,525
Decrease in Claims and Judgements Payable	(203,671)
Increase in Intergovernmental Payable	2,127
Decrease in Customer Deposits Payable	(1,566)
Net Cash Used for Operating Activities	$ (27,838)

See accompanying notes to the general purpose financial statements.

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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.

A. Reporting Entity

The City utilizes the standards of Governmental Accounting Standards Board Statement 14 for determining the reporting entity.

The financial reporting entity consists of a) the primary government, b) component units, which are legally separate organizations which are fiscally dependent on the City or for which the City is financially accountable, and c) governmental organizations for which the primary government is not financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. No separate government units meet the criteria for inclusion as a component unit.

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. These City operations form the legal entity of the City and are included as part of the primary government.

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, Eastern Ohio Regional Wastewater 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 20.

NOTE 1: REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

B. Basis of Presentation - Fund Accounting

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The following are the City's governmental fund types:

General Fund - This fund is the operating fund of the City and is used to account 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.

Special Revenue Funds - These funds are established to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal and interest.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

NOTE 1: REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Proprietary Fund Type:

Proprietary funds are used to account for the City's ongoing activities which are similar to those found in the private sector. The following is the City's proprietary fund type:

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Fund Type:

Fiduciary funds are used to account for the assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other government units, and/or other funds. The following is the City's fiduciary fund:

Agency Fund – This fund is purely custodial and thus does not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - to account for all general fixed assets of the City other than those accounted for in proprietary funds.

General Long-Term Obligations Account Group - to account for all unmatured long-term indebtedness of the City that is not a specific liability of the proprietary funds.

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Measurement Focus and Basis of Accounting

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is typically segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

All governmental fund types and agency funds are accounted for using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year. The available period for the City is sixty days after year end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Property taxes measurable as December 31, 2003; but, are not intended to finance 2003 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 7. Revenue from grants, entitlements and donations are 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 nonexchange transactions must also be available before it can be recognized.

Revenue considered susceptible to accrual at year end includes state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), income tax, local government assistance, grants and estate taxes due from the County. Other revenue including licenses, permits, certain charges for services and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Measurement Focus and Basis of Accounting (Continued)

The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Current and delinquent property taxes measurable as of December 31, 2003, whose availability is indeterminate and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term obligations are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year, and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized when they are earned and become measurable and expenses are recognized when they are incurred, if measurable.

Under the guidelines of Governmental Accounting Standards Board (GASB) Statement Number 20, "Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that Use Proprietary Fund Accounting", the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989, to proprietary activities.

B. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department. Any budgetary modifications at this level may only be made by resolution of the City Council. The City has elected to report budgetary comparisons for governmental fund types only in accordance with GASB codification section 2400.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Budget:

During the first Council meeting in July, the Mayor presents the annual operating budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20, of each year, for the period January 1 to December 31 of the following year.

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by October 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the City Auditor determines, and the Budget Commission agrees that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2003.

Appropriations:

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year only by an ordinance of Council. During the year, several supplemental appropriation measures were passed. None of these supplemental appropriations had any significant affect on the original appropriations. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and need not be reappropriated.

C. Cash and Investments

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. Each fund’s interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" and “Restricted Assets: Equity in Pooled Cash and Cash Equivalents” on the combined balance sheet.

During 2003, investments were limited to certificates of deposit, sweep account repurchase agreements, Federal National Mortgage Association Debenture Bonds, and Federal Home Loan Mortgage Corporation Debenture Bonds. These investments are stated at cost or amortized cost which approximates market. Investment procedures are restricted by the provisions of the Ohio Revised Code.

Following Ohio statutes, the City Council has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during the year 2003 amounted to $137,414, which includes $131,021 assigned from other City funds.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash and Investments (Continued)

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities 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 are reported as investments.

D. Restricted Assets

Restricted assets in the Enterprise Fund represent cash and cash equivalents set aside to refund utility customers' security deposits.

E. Receivables

Receivables are reflected at their gross value reduced by the estimated amount that is expected to be uncollectible.

F. 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 could differ from those estimates.

G. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund type when used. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective funds. All purchased fixed assets are valued at cost when historical records are available and at an estimated historical cost when no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the useful lives of the related fixed assets. Interest incurred during the construction of general fixed assets is also not capitalized.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the City.

Assets in the general fixed assets account group are not depreciated. Depreciation in the proprietary fund types is computed using the straight-line method over the following useful lives:

Buildings	40-50 years
Improvements other than Buildings	10-40 years
Machinery and Equipment	6-10 years
Furniture and Fixtures	6-10 years
Vehicles	5 years

I. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for goods received or services provided are classified as "due from other funds" or "due to other funds" on the balance sheet.

Short-term interfund loans or the short-term portion of advances are classified as "interfund receivables/payables".

Advances to and advances from governmental funds represent noncurrent portions of interfund receivables and payables. The governmental fund making the advance establishes a fund balance reserve equal to the amount of the advance.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the City's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

K. Compensated Absences

GASB Statement 16, Accounting for Compensated Absences, specifies the methods used to accrue liabilities for leave benefits. 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.

For governmental funds, the City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The City records a liability for accumulated unused sick leave for employees after ten years of service. The current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the proprietary funds the entire amount of compensated absences is reported as a fund liability.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Fund Balance Reserves

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Fund balances are reserved for encumbrances and inventories of materials and supplies, and long-term interfund cash advances.

N. Contributed Capital

Contributed capital represents resources provided to the enterprise funds prior to 2001 from other funds, other governments, and private sources that are not subject to repayment. Capital contributions received after 2001 have been recorded as revenues and are reported as increases in retained earnings. These assets are recorded at their fair market value on the date of contribution. Depreciation on those assets acquired or constructed with contributed resources was expensed and closed to unreserved retained earnings at year end except for depreciation on assets acquired through federal and state grants, which is expensed and closed to contributed capital at year end. These assets are recorded at their fair market value on the date of contribution.

Because the City had not prepared financial statements in accordance with generally accepted accounting principles prior to 1992, the exact amount of contributed capital at December 31, 1991 could not be determined. Consequently, only those amounts that have been able to be identified prior to 2001 have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to the proprietary funds have been classified as retained earnings.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis and shared revenues, are recorded as receivables and revenues when all eligibility requirements have been satisfied and available when on a modified basis. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants, entitlements or shared revenues received for proprietary fund operating purposes are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3: BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance/retained earnings 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, appropriations and encumbrances.

The Combined Statement of Revenues, Expenditures and Changes In Fund Balances - Budget and Actual (Non-GAAP Basis) - All Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget and to demonstrate compliance with state statute. 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.

4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).

NOTE 3: BUDGETARY BASIS OF ACCOUNTING (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types

	General	Special Revenue	Capital Projects
GAAP Basis	$ 340,670	$ 957,977	$ (74,356)
Net adjustments for revenue accruals	(116,355)	(16,801)	20,377
Transfers in	0	(3,596)	0
Transfers out	0	0	3,596
Advances in	0	0	103,841
Advances out	(203,841)	0	0
Net adjustments for expenditure accruals	28,164	(8,274)	(122,600)
Debt principal retirement	0	(790,000)	0
Debt interest payment	0	(3,874)	0
Encumbrances	(30,164)	(20,734)	(21,650)
Budget basis	$ 18,474	$ 114,698	$ (90,792)

NOTE 4: ACCOUNTABILITY

A. Fund Deficits

The following fund types had a deficit fund balance in accordance with generally accepted accounting principles:

Special Revenue Fund Type:	
CDBG Formula	$ 700
Capital Projects Fund Type:	
CDBG Downtown Revitalization	8,900
Enterprise Fund Type:	
Sanitation	74,245

The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 5: <u>DEPOSITS AND INVESTMENTS</u>

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

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

Inactive deposits are public deposits that the City has identified as not required for use within the current five-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;

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

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 (STAROhio), and;

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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.

During fiscal year 2003, the City's investments were limited to an overnight sweep account repurchase agreement, Federal Home Loan Mortgage Corporation Debenture Bonds, Federal National Mortgage Association Debenture Bonds, and Certificates of Deposit.

Cash on Hand. At year end, the City had $225 in undeposited cash on hand which is included on the balance sheet of the City as part of "equity in pooled cash and cash equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits. At year-end, the carrying amount of the City's deposits was $2,774,460, and the bank balance was $2,796,529. Of the bank balance:

1. $300,000 was covered by federal depository insurance.

2. $2,496,529 was uninsured and uncollateralized. Although the collateral for the securities was held by the pledging financial institutions' trust department in the City's name and all statutory requirements for the deposit of money had been followed, non-compliance with Federal requirements would potentially subject the City to a successful claim by the FDIC.

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

Investments. City investments are required to be categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the City's name.

	Category			Carrying	Fair
	1	2	3	Amount	Value
Repurchase Agreement	$ 0	$ 0	$ 796,192	$ 796,192	$ 796,192

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statements No. 9. Cash and cash equivalents are defined to include investments with original maturities of three months or less.

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	$ 933,217	$ 2,637,660
Cash on hand	(225)	0
Certificates of deposit with maturities of greater than 3 months	2,637,660	(2,637,660)
Repurchase Agreement	(796,192)	796,192
GASB Statement 3	$ 2,774,460	$ 796,192

NOTE 6: RESTRICTED ASSETS

The City is reporting "Restricted Assets: Equity in Pooled Cash and Cash Equivalents" in the amount of $7,115 for the amount of water and sanitation customer deposits.

NOTE 7: PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property, and tangible personal (used in business) property located in the City. Real property taxes were levied after October 1, 2002 on the assessed value as of January 1, 2002, the lien date, and were collected in 2003. Assessed values for real property are established by State law at 35% of appraised market value. All property is required to be revalued every six years. Public utility property taxes received in 2003 attached as a lien on December 31, 2002, were levied after October 1, 2002 and are collected with real property taxes. Public utility property taxes are assessed on tangible personal property at 88% of true value. 2003 tangible personal property taxes are levied after October 1, 2002, on the value listed as of December 31, 2002 and are collected in 2003. Tangible personal property assessments are 25% of true value.

The assessed value upon which the 2002 taxes were collected was $76,398,540. Real estate represented 68% ($51,841,530) of this total, tangible personal property represented 26% ($20,211,380), and public utilities tangible personal property represented 6% ($4,345,630). The full tax rate for all City operations applied to taxable property for the year ended December 31, 2003 was $8.60 per $1,000 of assessed valuation.

Real and public utility property taxes are payable annually or semi-annually. If paid annually, payment is due February 20. If paid semi-annually, the first payment is due February 20, with the remainder payable by July 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due October 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 October 20.

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which became measurable as of December 31, 2003. Total property tax collections for the next fiscal year are measurable amounts, however, since these tax collections will not be received during the available period nor are they intended to finance 2003 operations, the receivable is offset by a credit to deferred revenue. Property tax receipts for 2003 were $427,856.

NOTE 8: RECEIVABLES

Receivables at December 31, 2003 consisted of taxes, accounts (billings for user charged services), mortgage loans, interest and intergovernmental receivables arising from entitlements and shared revenues. All receivables are deemed collectible in full.

The capital projects funds reflect mortgage loans receivable of $85,712. 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 8: RECEIVABLES (Continued)

A summary of the principal items of intergovernmental receivables follows:

	Amount
Intergovernmental Receivables:	
General Fund:	
Estate tax	$ 23,901
Undivided local government tax	186,703
Homestead and rollback	11,160
Total General Fund	221,764
Special Revenue Funds:	
Gasoline tax	69,655
Motor vehicle license	64,026
City permissive tax	18,345
Homestead and rollback	11,821
Comprehensive Housing Improvement Program Grants	43,666
Community Development Block Grant-Formula	191,057
Total Special Revenue Funds	398,570
Enterprise Funds:	
Community Development Block Grants – Water	53,100
EPA Federal Grant	698,000
Total Enterprise Funds	751,100
Total - All Funds	$ 1,371,434

NOTE 9: INCOME TAX

Effective January 1, 2002, the City levied a municipal income tax of .75% 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% 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 2003, the proceeds were allocated to the General Fund. Income tax collections for 2003 were $1,006,645.

NOTE 10: FIXED ASSETS AND DEPRECIATION

A summary of changes in general fixed assets during 2003 were as follows:

	Balance 1/1/2003	Additions	Reductions	Balance 12/31/2003
Land	$ 860,641	$ 0	$ 0	$ 860,641
Buildings	1,622,660	10,071	0	1,632,731
Improvements other than buildings	887,410	12,052	0	899,462
Machinery and equipment	381,766	44,219	0	425,985
Furniture and fixtures	102,542	0	0	102,542
Vehicles	2,328,402	83,546	0	2,411,948
Total	$ 6,183,421	$ 149,888	$ 0	$ 6,333,309

A summary of the enterprise funds' fixed assets by major classes of fixed assets at December 31, 2003 follows:

Land	$ 158,570
Buildings	5,911,392
Improvements other than buildings	2,276,747
Machinery and equipment	6,498,938
Furniture and fixtures	146,362
Vehicles	662,772
	15,654,781
Less: Accumulated depreciation	(5,942,812)
Net fixed assets	$ 9,711,969

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. There was no reduction in insurance coverage from coverage in the prior year. Also, insurance was sufficient to cover settlements in 2001, 2002 and 2003.

NOTE 11: RISK MANAGEMENT (Continued)

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.

Casualty Coverage
PEP retains casualty risks up to $250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding $250,000, up to $1,750,000 per claim and $5,000,000 in the aggregate per year. Governments can elect additional coverage, from $2,000,000 to $10,000,000, from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to $5,000,000 per year, subject to a per-claim limit of $2,000,000.

Property Coverage
PEP retains property risks, including automobile physical damage up to $100,000 on any specific loss with an annual aggregate of $1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, PEP retains property risks, including automobile physical damage, up to $100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding $100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

Financial Position
PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2003:

Casualty Coverage	2003
Assets	$ 25,288,098
Liabilities	(12,872,985)
Retained Earnings	$ 12,415,113
Property Coverage	
Assets	$ 3,158,813
Liabilities	(792,061)
Retained Earnings	$ 2,366.752

NOTE 12: DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System (OPERS)

City employees, except non-administrative, full-time uniformed police officers and firemen participate 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% 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.

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) 222-6705.

For the year ended December 31, 2003, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5% of their annual covered salaries. The City's contribution rate for pension benefits for 2003 was 8.55% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions. The City's required contributions for pension obligations to OPERS for the years ended December 31, 2003, 2002 and 2001 were $219,227, $197,899 and $188,980, respectively. The full amount has been contributed for 2002 and 2001. 92% has been contributed for 2003 with the remainder being reported as a fund liability.

B. Ohio Police and Fire Pension Fund (OP&F)

The City of Martins Ferry 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.

NOTE 12: DEFINED BENEFIT PENSION PLANS (Continued)

Police are required to contribute 10.0% of their annual covered salary to fund pension obligations while the City is required to contribute 11.75% for police officers. Contributions are authorized by State statute. The City has no paid firefighters. Contributions are authorized by state statute. The City's contributions to the Fund for the year ended December 31, 2003, 2002, and 2001 were $81,214, $76,999 and $69,546, respectively, equal to the required contributions for each year. The full amount has been contributed for 2002 and 2001 and 71% has been contributed for 2003 with the remainder being reported as a liability within the general long-term obligations account group.

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, 2003, the unfunded liability of the City was $202,564, payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary. The liability is reported in the general long-term obligations account group.

NOTE 13: POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional and combined plans is set aside for the funding of postretirement health care based on authority granted by state statute. The 2003 local government employer contribution rate was 13.55% of covered payroll; 5.00% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8.00%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase 4.00% annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 364,881. Actual employer contributions for 2003 which were used to fund post employment benefits were $80,895. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were $10 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $18.7 billion and $8.7 billion, respectively.

NOTE 13: POSTEMPLOYMENT BENEFITS (Continued)

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

B. Ohio Police and Fire Pension Fund (OP&F)

The Ohio Police and Fire Pension Fund ("*OP&F*") provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5% of covered payroll of which 7.75% of covered payroll was applied to the postemployment health care program during 2003. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2003 that were used to fund post employment benefits were $24,315 for police. The OP&F's total health care expense for the year ended December 31, 2002, (the latest information available) was $141,028,006, which was net of member contributions of $12,623,875. The number of OP&F participants eligible to receive health care benefits as of December 31, 2002, was 13,527 for police and 10,396 for firefighters.

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, 2003, 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 $20,000 policy and all City supervisors receive an $8,000 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 $701.29 of the total monthly premiums of $731.26 for family coverage and $251.26 of the monthly premiums of $281.26 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries. City AFSCME Union employees pay $30.00 of the total premium. City full-time police pay $75.00 for family coverage and $50.00 for single coverage.

The City contracts with Met Life for dental insurance for all supervisors and police. The City pays 100% of the total monthly premiums of $71.93 for family coverage, $41.81 for employees with only one dependent, and $25.21 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% of the total monthly premiums of $34.00 per union employee. Premiums are paid from the same funds that pay the employees' salaries.

Retirement Incentive Plan

City Council adopted Ordinance 2001-39, which established a Retirement Incentive Plan based on the provisions of Section 145.297 and/or Section 145.298, Ohio Revised Code and Administrative Rule 145-15-04. The Plan began on August 1, 2001, and terminated on July 31, 2002. The Retirement Plan shall be the only Plan in effect for employees of the City of Martins Ferry who are or will be eligible to retire under Section 145.32, 145.34, 145.37, or 145.33(A), Ohio Rev. Code, on or before the date of termination of the Plan. Service credit to be purchased for the employee under the Plan shall be included in making the determination of eligibility. The employee agrees to retire within 90 days after receiving notice from the Public Employees Retirement System that service credit has been purchased for the employee pursuant to the Plan.

Participation in the Plan shall be available to 10% of employees of the City, who are employed at their office and are members of PERS on August 1, 2001. Employees who have established more total service credit of record of the Public Employees Retirement System pursuant to applicable service credit provisions of Chapter 145, Ohio Rev. Code, have the right to elect to participate in the Plan before employees having less total service credit established in the System. Pursuant to the terms of the Plan, service credit for each participating employee shall be purchased by the City in an amount equal to the lesser of the following: Three (3) years of service credit, or an amount of service credit equal to one-fifth of the total service credit of record credited to the participating employee in the Public Employees Retirement System, exclusive of the service credit purchased under this Plan. As of December 31, 2003, the liability for unpaid Retirement Incentive Plan was $65,935 reported as an intergovernmental payable.

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, 2003, the liability for unpaid compensated absences was $131,243.

NOTE 16: LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City during the year ended December 31, 2003 consisted of the following:

NOTE 16: LONG-TERM OBLIGATIONS (Continued)

	Outstanding 1/1/2003	Additions	(Reductions)	Outstanding 12/31/2003
Enterprise Fund Obligations				
OWDA loan, 2%	$ (2,779)	$ 180,537	$ (72,784)	$ 104,974
OWDA loans, 2%, maturity date 1/01/2022	8,327,104	0	(364,569)	7,962,535
Installment Loans:				
Packer, 3/12/02, 4.99%, maturity date 12/1/06	62,361	0	(14,965)	47,396
OPWC Woodmont, 1/1/03, 0% maturity date 1/1/2023	0	20,000	(500)	19,500
Bond Anticipation Note:				
Water General Obligation Bond, 5/16/03, 1.74%, maturity date 5/13/2004	110,000	100,000	(110,000)	100,000
Total Enterprise Fund Obligations	8,496,686	300,537	(562,818)	8,234,405
General Long Term Obligations				
General Obligation Bonds:				
Pattons Run Picoma 1987, 7.375% maturity date 12/01/2007	45,000	0	(9,000)	36,000
Anticipation Notes:				
Police Cruiser 2001, 5.24%, maturity date 3/12/2003	2,874	0	(2,874)	0
Police Cruiser 2002, 4.43%, maturity date 3/11/2005	17,336	0	(6,710)	10,626
Installment Loans:				
Air Pack 2001, 5.35 maturity date 6/01/2005	34,139	0	(14,244)	19,895
2003 Ford Ambulance, 7/30/03, 3.875%, maturity date 8/1/2008	0	81,636	0	81,636
OPWC-SR 647, 7/1/03, 0%, maturity date 7/1/2023	0	10,029	(251)	9,778
Bond Anticipation Notes:				
Street and Sidewalk Improvements, 5/16/03, 1.74%, maturity date 5/13/2004	40,000	30,000	(40,000)	30,000
Fire Equipment Improvements, 5/16/03, 1.74%, maturity date 5/13/2004	325,000	300,000	(325,000)	300,000
Fire Equipment Improvements, 5/16/03, 1.74%, maturity date 5/13/2004	425,000	400,000	(425,000)	400,000
Police and Fire pension liability	205,624	0	(3,060)	202,564
Intergovernmental payable	41,668	0	(5,222)	36,446
Compensated absences	19,050	0	(231)	18,819
Total general long-term obligations	1,155,691	821,665	(831,592)	1,145,764
Grand total	$ 9,652,377	$ 1,122,202	$ (1,394,410)	$ 9,380,169

NOTE 16: LONG-TERM OBLIGATIONS (Continued)

General obligation bonds will be paid from revenue derived from charges for services in the enterprise funds. The OWDA Loans will be repaid with water fund revenues. The OPWC loan was issued for the repair of State Route 647 road slippage. The loan will be repaid from General Fund local government revenues. The bond anticipation notes were issued to purchase a police cruiser and will be paid from General Fund local government revenues. The installment loans were issued to purchase air packs for the fire department and an ambulance for the City. The payments will be made from the Fire Levy Fund, tax revenues, and the Fire and Ambulance Fund revenues, respectively. The police and fire pension liability will be paid from general property tax revenues. Compensated absences reported in the "compensated absences payable" account will be paid from the fund from which the employee's salaries are paid.

The installment loan for the purchase of a garbage truck will be paid from revenue received from charges for service in the Sanitation Fund.

The Ohio Water Development Authority (OWDA) approved a $375,078 loan to the City on March 28, 2002 for improvements to the City's water system. $213,610 has been drawn down by the City as of December 31, 2003. The minimum principal repayment requirement in 2003 was $72,784.

The City has been awarded a $20,000 Ohio Pubic Works Commission Loan in 2003 to help pay the costs of the Woodmont Pump Station Replacement Project. The loan will be repaid with intergovernmental revenues from the Issue II Fund.

On May 16, 2003, the City issued $830,000 in Bond Anticipation Notes for the purpose of water system improvements, street and sidewalk improvements, and fire equipment improvements. The notes were rolled over on May 13, 2004. See subsequent event Note 22.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2003 are as follows:

	Enterprise				
Year	OWDA Loan	OPWC Woodmont	Packer Loan	Bond Anticipation Note	Total
2004	$ 531,111	$ 1,000	$ 17,679	$ 101,092	$ 650,882
2005	531,111	1,000	17,679	0	549,790
2006	531,111	1,000	16,235	0	548,346
2007	531,111	1,000	0	0	532,111
2008	531,111	1,000	0	0	532,111
2009-2013	2,655,555	5,000	0	0	2,660,555
2014-2018	2,655,555	5,000	0	0	2,660,555
2019-2023	1,593,330	4,500	0	0	1,597,830
Totals	$ 9,559,995	$ 19,500	$ 51,593	$ 101,092	$ 9,732,180

NOTE 16: LONG-TERM OBLIGATIONS (Continued)

	Governmental Fund Types							
Year	General Obligation Bonds	Police and Fire Pension	2003 Ford Ambulance	General Obligation BAN	Air Pack Installment Loan	OPWC SR-647	Bond Anticipation Notes	Total
2004	$ 42,640	$ 11,737	$ 18,150	$ 7,402	$ 15,752	$ 251	$ 737,970	$ 833,902
2005	0	11,737	18,150	3,701	5,090	501	0	39,179
2006	0	11,737	18,150	0	0	501	0	30,388
2007	0	11,737	18,150	0	0	501	0	30,388
2008	0	11,737	17,992	0	0	501	0	30,230
2009-2013	0	58,685	0	0	0	2,508	0	61,193
2014-2018	0	58,685	0	0	0	2,508	0	61,193
2019-2023	0	58,685	0	0	0	2,508	0	61,193
2024-2028	0	58,685	0	0	0	0	0	58,685
2029-2033	0	58,685	0	0	0	0	0	58,685
2034-2035	0	17,075	0	0	0	0	0	17,075
Totals	$ 42,640	$ 369,185	$ 90,592	$ 11,103	$ 20,842	$ 9,779	$ 737,970	$ 1,282,111

NOTE 17: CONTRACTUAL COMMITMENTS

As of December 31, 2003 the City had a contractual commitment for the following project:

	Contractual Commitment	Expended	Balance 12/31/2003
Gannett Fleming Engineers & Architects, PC – design of Sharon and Ferryview water system improvement project	$ 234,500	$ (196,553)	$ 37,947

NOTE 18: INTERFUND TRANSACTIONS

Interfund balances at December 31, 2003 consist of the following individual fund receivables and payables:

Fund Type	Fund	Advances To Other Funds	Advances From Other Funds
General Fund	General	$ 100,000	$ 0
Enterprise	Water	0	100,000
		$ 100,000	$ 100,000

NOTE 19: SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City's enterprise funds account for the provision of water, sanitation, sewer, and parking services. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the City of Martins Ferry as of and for the year ended December 31, 2003:

	Water	Sanitation	Sewer	Parking Meter	Off-Street Parking	Total
Operating revenues	$ 2,265,494	$ 565,629	$ 267,553	$ 44,561	$ 7,828	$ 3,151,065
Depreciation	363,841	29,654	6,301	5,042	0	404,838
Operating expenses (net of depreciation)	1,953,024	673,494	266,741	44,299	180	2,937,738
Operating income (loss)	(51,371)	(137,519)	(5,489)	(4,780)	7,648	(191,511)
Interest and fiscal charges	(175,356)	(2,714)	0	0	0	(178,070)
Operating Transfers In	0	41,000	15,000	0	0	56,000
Operating Transfers Out	0	0	(12,319)	0	0	(12,319)
Net income (loss)	487,278	(99,233)	(2,808)	(4,780)	7,648	388,105
Additions to property, plant and equipment	145,770	0	0	0	0	145,770
Net working capital	735,243	(73,227)	46,863	4,549	24,713	738,141
Total assets	10,574,071	154,594	108,308	32,710	24,713	10,894,396
Long-term liabilities to be paid from fund revenues	8,354,392	65,796	3,195	4,805	0	8,428,188
Total equity	2,095,149	(17,347)	93,773	25,634	24,713	2,221,922

NOTE 20: JOINTLY GOVERNED ORGANIZATIONS

A. 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 2003. 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 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 2003. 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.

NOTE 20: JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. 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 2003, OMEGA received $1,012 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 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 District.

E. Eastern Ohio Regional Wastewater 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 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 2003, Bel-O-Mar Regional Council received $-0- from the City of Martins Ferry for annual fees and grant administration services.

NOTE 21: 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 is 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, 2003.

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.

NOTE 22: SUBSEQUENT EVENTS

On May 13, 2004, the City issued $735,000 in Bond Anticipation Notes for the purpose of water system improvements, street and sidewalk improvements, and fire equipment improvements. The notes have an interest rate of 1.71 percent and mature on May 12, 2005.

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CITY OF MARTINS FERRY
BELMONT COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003

FEDERAL GRANTOR *Pass-Through Grantor* Program Title	Federal CFDA Number	Pass-Through Entity Number	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through Ohio Department of Development:			
Community Development Block Grants/State's Program			
Formula Allocation Program	14.228	A-F-02-143-1	$56,000
Formula Allocation Program	14.228	A-F-01-143-1	13,217
Community Housing Improvement Program	14.228	A-C-01-143-1	114,886
Water and Sanitary Sewer Competitive Grant Program	14.228	A-W-01-143-1	91,286
Total Community Development Block Grants/State's Program			275,389
HOME Investment Partnerships Programs	14.239	A-C-01-143-2	48,549
Total United States Department of Housing and Urban Development			323,938
FEDERAL EMERGENCY MANAGEMENT AGENCY			
Passed Through Ohio Emergency Management Agency:			
Public Assistance Grants	83.544	FEMA-DR-1453-0H	14,290
Total Federal Emergency Management Agency			14,290
Total Federal Awards Expenditures			**$338,228**

The Notes to the Schedule of Federal Awards Expenditures is an integral part of the Schedule.

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2003

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the City's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAM

The City has established a revolving loan program to provide low-interest loans to eligible persons to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development (ODOD). The initial loan of this money was recorded as a disbursement in the year in which the loans were originally made. Loans repaid, including interest, are used to fund housing activities. Such activities are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property. At December 31, 2003, the gross amount of loans outstanding under this program was $85,712. No new loans were made during calendar year 2003.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the City contribute non-Federal funds (matching funds) to support the federally-funded programs. The City has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

City of Martins Ferry
Belmont County
Fifth and Walnut Streets
P.O. Box 386
Martins Ferry, Ohio 43935

To Members of City Council:

We have audited the general purpose financial statements of the City of Martins Ferry, Belmont County, Ohio (the City), as of and for the year ended December 31, 2003, and have issued our report thereon dated August 31, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the City's general purpose financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect 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 we must report under *Government Auditing Standards.* However, we noted certain immaterial instances of noncompliance that we have reported to the City's management in a separate letter dated August 31, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. 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 City's management in a separate letter dated August 31, 2004.

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This report is intended solely for the information and use of the audit committee, management, the City Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Betty Montgomery

Betty Montgomery
Auditor of State

August 31, 2004

Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

City of Martins Ferry
Belmont County
Fifth and Walnut Streets
P.O. Box 386
Martins Ferry, Ohio 43935

To Members of City Council:

Compliance

We have audited the compliance of the City of Martins Ferry, Belmont County, Ohio (the City), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2003. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003.

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted another matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to the management of the City in a separate letter dated August 31, 2004.

This report is intended solely for the information and use of the audit committee, management, the City Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Betty Montgomery
Auditor of State

August 31, 2004

CITY OF MARTINS FERRY
BELMONT COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
FOR THE YEAR ENDED DECEMBER 31, 2003

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material non-compliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weakness conditions reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other reportable internal control weakness conditions reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under Section .510?**	No
(d)(1)(vii)	**Major Programs (list):**	Community Development Block Grants/State's Program, CFDA #14.228
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	No

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

CITY OF MARTINS FERRY
BELMONT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 SECTION .315(b)
FOR THE YEAR ENDED DECEMBER 31, 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***:
2002-001	Finding for Adjustment was issued against the General Fund in the amount of $103,841, in favor of the Permanent Improvement Fund due to advancing funds to the General Fund to pay salaries and general operating expenses of the General Fund.	Yes	N/A.
2002-002	Ohio Rev. Code Section 5705.09 states in part that each subdivision shall establish a special fund for each class of revenue derived from a source other than the general property tax which the law requires to be used for a particular purpose. City Council did not approve establishment of separate funds for the City's Community Development Block Grand Funds.	Yes	N/A.

CITY OF MARTINS FERRY
BELMONT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 SECTION .315(b)
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***:
2002-003	Ohio Rev. Code Section 5705.10 states that money paid into any fund shall be used only for the purposes for which such fund was established. Several funds during the year had negative cash fund balances.	Yes	N/A.
2002-004	Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any expenditure unless there is attached a certificate of the fiscal officer that the amount required to meet the obligation has been appropriated.	No	Partially Corrected; the noncompliance citation is repeated in the management letter.
2002-005	45 C.F.R. Section 74.21(b)(7) requires the recipient's financial management systems to provide for accounting records, including cost accounting records, that are supported by source documentation.	No	Partially Corrected; determined not significant for reporting purposes.

Auditor of State
Betty Montgomery

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CITY OF MARTINS FERRY

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 12, 2004