



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF STEUBENVILLE
JEFFERSON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Balance Sheet – All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental and Similar Fiduciary Fund Types -	6
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis) - All Governmental and Similar Fiduciary Fund Types.....	7
Combined Statement of Revenues, Expenses, and Changes in Fund Balances - All Proprietary and Similar Fiduciary Fund Types -	10
Combined Statement of Revenues, Expenses and Changes in Fund Balances – Budget and Actual (Budget Basis - All Proprietary and Similar Fiduciary Fund Types.....	11
Combined Statement of Cash Flows – All Proprietary and Similar Fiduciary Fund Types.....	13
Notes to the General Purpose Financial Statements.....	15
Schedule of Federal Awards Expenditures.....	31
Notes to the Schedule of Federal Awards Expenditures	32
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	33
Report of Independent Accountants on Compliance with Requirements Applicable to the Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	35
Schedule of Findings.....	37
Schedule of Prior Audit Findings.....	41

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Voinovich Government Center
242 Federal Plaza West
Suite 302
Youngstown, Ohio 44503
Telephone 330-797-9900
800-443-9271
Facsimile 330-797-9949
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

City of Steubenville
Jefferson County
302 Market Street
Steubenville, Ohio 43952

To the City Council:

We have audited the accompanying general-purpose financial statements of the City of Steubenville, Jefferson County, (the City) as of and for the year ended December 31, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

Except as discussed in paragraph 3 and 4, 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 states 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, we well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general-purpose financial statements referred to above do not include the General Fixed Asset Account Group, which should be included in order to conform to accounting principles generally accepted in the United States of America. Additionally, the City has not recorded property, buildings and equipment or related depreciation for its Proprietary Fund Types. Generally accepted accounting principles require that property, buildings and equipment be reported at cost or estimated cost, and such proprietary fund type assets be reduced by depreciation. The amounts that should have been reported in order to comply with generally accepted accounting principles are not known.

Insurance claims reported in the City Health Care Fund (an internal service fund) are processed by a service organization that is independent of the City. The service organization did not provide us with information we requested regarding the design or proper operation of its internal control relative to the processing of the City's health insurance claim transactions. We were unable to perform procedures to satisfy ourselves as to the proper processing of health insurance claims. Those claims represent 100% of expenses and 100% of accrued liabilities for the Internal Service Fund Type.

In our opinion, except for the effects of such adjustments, if any as might have been determined to be necessary had we been able to examine certain information regarding health insurance claims and except for the effects of not presenting the General Fixed Asset Account Group and property, buildings and equipment or related depreciation for Proprietary Fund Types, the general-purpose financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the City of Steubenville, Jefferson County, as of December 31, 2001, and the results of its operations and cash flows of it proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2A and 12, the Refuse Fund has accumulated a deficit of \$4,780,156.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2002 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.

We performed our audit to form an opinion on the general-purpose financial statements of the City, taken as a whole. The accompanying schedule of federal awards expenditures 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 Organization*, and is not a required part of the general-purpose financial statements. We subjected this information to auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

October 18, 2002

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**CITY OF STEUBENVILLE
JEFFERSON COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2001**

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Assets:			
Equity In Pooled Cash & Investments	\$3,547,573	\$1,963,416	\$1,198,199
Non-pooled Cash & Investments		32,542	
Receivables (net of allowance for uncollectibles):			
Accounts and Taxes	836,199	2,444,938	2,315
Charges For Services And Other			
Prepaid Insurance	7,735	198	
Inventory Of Supplies, at cost	40,000	28,000	
Amount Available In Debt Service Fund			
Amount To Be Provided For Retirement Of General Long-Term Debt			
Total Assets	\$4,431,507	\$4,469,094	\$1,200,514
Liabilities:			
Accounts Payable	566,373	149,440	
Customer Deposits			
Claims Payable			
Accrued Interest Payable			
Accrued Sick Leave			
Accrued Payroll	109,114	2,494	
Deferred Revenue	74,797	1,979,623	
Due to Others			
Current Maturity Of General Obligation Notes Payable			
General Obligation Notes Payable			
Accrued Pension Liability			
Landfill Liability			
Total Liabilities	\$750,284	\$2,131,557	
Fund Equity:			
Earned Surplus (Deficit)			
Fund Balance (Deficit):			
Unreserved	324,501	1,543,594	1,200,514
Reserved For Encumbrances	3,356,722	793,943	
Reserved for Endowment			
Total Fund Equity	3,681,223	2,337,537	1,200,514
Total Liabilities And Fund Equity	\$4,431,507	\$4,469,094	\$1,200,514

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Types		Fiduciary Fund Types	Account Group	Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Long-Term Obligations	
\$1,527,547	\$434,269 239,727	\$133,016 31,930		8,804,020 304,199
637,046 6,585				3,283,452 637,046 14,518 68,000
			\$1,200,514	1,200,514
			3,888,865	3,888,865
\$2,171,178	\$673,996	\$164,946	\$5,089,379	\$18,200,614
296,125		420 71,851		1,012,358 71,851 128,963
11,550 239,322 35,488	128,963			11,550 1,287,304 147,096 2,054,420 11,902
		11,902		
158,497 7,293,091				158,497 9,047,326 2,287,162
5,485,242			1,754,235 2,287,162	5,485,242
\$13,519,315	\$128,963	\$84,173	\$5,089,379	\$21,703,671
(11,348,137)	545,033			(10,803,104)
		69,843 10,930		3,138,452 4,150,665 10,930
(11,348,137)	545,033	80,773		(3,503,057)
\$2,171,178	\$673,996	\$164,946	\$5,089,379	\$18,200,614

CITY OF STEUBENVILLE
JEFFERSON COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES ALL GOVERNMENTAL
AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types				Fiduciary Fund Types	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Taxes	\$8,806,810	\$1,475,982	\$215,750			\$10,498,542
Intergovernmental	2,276,258	2,291,216	24,420	\$560,452	\$43,122	5,195,468
Special Assessments		23,550				23,550
Charges for Services	229,941	964				230,905
Fines, Licenses, and Permits	500,147	101,581				601,728
Miscellaneous	797,426	510,495	12,196		6,037	1,326,154
Total revenues	<u>12,610,582</u>	<u>4,403,788</u>	<u>252,366</u>	<u>560,452</u>	<u>49,159</u>	<u>17,876,347</u>
Expenditures:						
General Government	3,260,089	73,021	4,479			3,337,589
Public Safety	5,656,238				25,035	5,681,273
Streets and Maintenance	1,313,260	453,280				1,766,540
Public Transit		165,313				165,313
Public Health	319,209	89,514				408,723
Culture and Recreation	949,656	964				950,620
Community Environment	38,327	1,562,402			13,960	1,614,689
Capital Outlay		2,392,390		560,452		2,952,842
Debt Service		318,689				318,689
Total expenditures	<u>11,536,779</u>	<u>5,055,573</u>	<u>4,479</u>	<u>560,452</u>	<u>38,995</u>	<u>17,196,278</u>
Excess (deficiency) of revenues over expenditures	<u>1,073,803</u>	<u>(651,785)</u>	<u>247,887</u>		<u>10,164</u>	<u>680,069</u>
Other Financing Sources (Uses):						
Proceeds of Notes		222,709				222,709
Operating transfers in		400,000				400,000
Operating transfers out	(400,000)					(400,000)
Total other financing (uses)	<u>(400,000)</u>	<u>622,709</u>				<u>222,709</u>
Excess (deficiency) of revenues over expenditures and other financing uses	<u>673,803</u>	<u>(29,076)</u>	<u>247,887</u>		<u>10,164</u>	<u>902,778</u>
Fund Balances at Beginning of Year	<u>3,007,420</u>	<u>2,366,613</u>	<u>952,627</u>		<u>59,679</u>	<u>6,386,339</u>
Fund Balances at End of Year	<u>\$3,681,223</u>	<u>\$2,337,537</u>	<u>\$1,200,514</u>		<u>\$69,843</u>	<u>\$7,289,117</u>

The notes to the general-purpose financial statements are an integral part of this statement.

CITY OF STEUBENVILLE
JEFFERSON COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:						
Taxes	\$8,614,240	\$8,517,124	(\$97,116)	\$1,317,598	\$1,313,822	(\$3,776)
Intergovernmental	2,509,004	2,557,874	48,870	3,431,656	2,307,955	(1,123,701)
Special Assessments				23,550	23,550	
Charges for Services	227,983	229,941	1,958	964	964	
Fines, licenses, and permits	490,707	520,908	30,201	103,725	101,582	(2,143)
Miscellaneous	818,600	798,040	(20,560)	504,957	527,651	22,694
Total Revenues	12,660,534	12,623,887	(36,647)	5,382,450	4,275,524	(1,106,926)
Expenditures:						
General Government	6,559,230	6,592,546	(33,316)	269,508	102,445	167,063
Public Safety	6,179,157	5,780,268	398,889	7,020		7,020
Streets and Maintenance	1,460,000	1,329,804	130,196	2,147,537	519,898	1,627,639
Public Health	345,238	335,493	9,745	115,387	92,970	22,417
Community Environment	40,384	40,203	181	1,837,784	1,690,135	147,649
Culture and Recreation	1,053,364	996,480	56,884	15,159	964	14,195
Public Transit				165,313	165,313	
Deb Service				224,950	225,451	(501)
Capital Outlay				1,480,000	3,120,456	(1,640,456)
Total Expenditures	15,637,373	15,074,794	562,579	6,262,658	5,917,632	345,026
Excess of Revenues Over/ (Under) Expenditures	(2,976,839)	(2,450,907)	525,932	(880,208)	(1,642,108)	(761,900)
Other Financing Sources/(Uses):						
Proceeds of Notes				411,000	222,709	(188,291)
Transfers in				400,000	400,000	
Transfers out		(400,000)	(400,000)			
Total Other Financing Sources/(Uses)		(400,000)	(400,000)	811,000	622,709	(188,291)
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(2,976,839)	(2,850,907)	125,932	(69,208)	(1,019,399)	(950,191)
Fund Balance/(Deficit) July 1	43,533	43,533		338,196	338,196	
Fund Balance/(Deficit) June 30	(\$2,933,306)	(\$2,807,374)	\$125,932	\$268,988	(\$681,203)	(\$950,191)

CITY OF STEUBENVILLE
JEFFERSON COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001
(Continued)**

	Debt Service Fund			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:						
Taxes	\$240,864	\$237,855	(\$3,009)			
Intergovernmental				\$300,000	\$560,452	\$260,452
Special Assessments						
Charges for Services						
Fines, Licenses, and Permits						
Miscellaneous	18,050	12,196	(5,854)			
Total Revenues	258,914	250,051	(8,863)	300,000	560,452	260,452
Expenditures:						
General Government						
Public Safety						
Streets and Maintenance						
Public Health						
Community Environment						
Culture and Recreation						
Public Transit						
Debt Service	5,200	4,478	722			
Capital outlay						
Total Expenditures	5,200	4,478	722	300,000	560,452	(260,452)
Excess of Revenues Over/ (Under) Expenditures	253,714	245,573	(8,141)			
Other Financing Sources/(Uses):						
Proceeds of Notes						
Transfers In						
Transfers Out						
Total Other Financing Sources/(Uses)						
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	253,714	245,573	(8,141)			
Fund Balance/(Deficit) July 1	1,113,863	1,113,863				
Fund Balance/(Deficit) June 30	\$1,367,577	\$1,359,436	(\$8,141)			

The notes to the general-purpose financial statements are an integral part of this statement.

Expendable Trust Fund			Totals - (Memorandum Only)		
Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
			\$10,172,702	\$10,068,801	(\$103,901)
\$20,231	\$20,231		6,260,891	5,446,512	(814,379)
			23,550	23,550	
70,000	71,570	1,570	298,947	302,475	3,528
			594,432	622,490	28,058
27,558	28,928	1,370	1,369,165	1,366,815	(2,350)
117,789	120,729	2,940	18,719,687	17,830,643	(889,044)
			6,828,738	6,694,991	133,747
62,199	25,035	37,164	6,248,376	5,805,303	443,073
			3,607,537	1,849,702	1,757,835
50,000	35,144	14,856	510,625	463,607	47,018
26,902	14,006	12,896	1,905,070	1,744,344	160,726
			1,068,523	997,444	71,079
			165,313	165,313	
			230,150	229,929	221
			1,780,000	3,680,908	(1,900,908)
139,101	74,185	64,916	22,344,332	21,631,541	712,791
(21,312)	46,544	67,856	(3,624,645)	(3,800,898)	(176,253)
			411,000	222,709	(188,291)
			400,000	400,000	
				(400,000)	(400,000)
			811,000	222,709	(588,291)
(21,312)	46,544	67,856	(2,813,645)	(3,578,189)	(764,544)
95,103	95,103		1,590,695	1,590,695	
\$73,791	\$141,647	\$67,856	(\$1,222,950)	(\$1,987,494)	(\$764,544)

CITY OF STEUBENVILLE
JEFFERSON COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES ALL PROPRIETARY
AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non-Expendable Trust</u>	
Operating Revenues:				
Charges for Services	\$6,157,429	\$1,435,734		\$7,593,163
Total revenues	<u>6,157,429</u>	<u>1,435,734</u>		<u>7,593,163</u>
Operating Expenses:				
Central Purchasing	1,001,314			1,001,314
Filtration, Treatment, and Disposal	3,298,691			3,298,691
Pumping	569,479			569,479
Distribution	1,109,358			1,109,358
Maintenance and Reading	826,782			826,782
Administration	148,268			148,268
Utility Billing	254,900			254,900
Capital Outlay	4,063,078			4,063,078
Debt Service	162,240			162,240
Health Care		1,411,593		1,411,593
Total expenditures	<u>11,434,110</u>	<u>1,411,593</u>		<u>12,845,703</u>
Excess (deficiency) of revenues over expenditures	<u>(5,276,681)</u>	<u>24,141</u>		<u>(5,252,540)</u>
Non-Operating Revenues (Expenses):				
Other Revenues	489,412	4,678	\$333	494,423
Other Expenses			(375)	(375)
Total other financing (uses)	<u>489,412</u>	<u>4,678</u>	<u>(42)</u>	<u>494,048</u>
Excess (deficiency) of revenues over expenditures and other financing uses	<u>(4,787,269)</u>	<u>28,819</u>	<u>(42)</u>	<u>(4,758,492)</u>
Fund Balances at Beginning of Year	<u>(6,560,868)</u>	<u>516,214</u>	<u>10,972</u>	<u>(6,033,682)</u>
Fund Balances at End of Year	<u>(\$11,348,137)</u>	<u>\$545,033</u>	<u>\$10,930</u>	<u>(\$10,792,174)</u>

The notes to the general-purpose financial statements are an integral part of this statement.

CITY OF STEUBENVILLE
JEFFERSON COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001**

	Enterprise Funds			Internal Service		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
Operating Revenues						
Charges for Services	\$6,028,000	\$6,001,676	(\$26,324)	\$1,650,000	\$1,435,734	(\$214,266)
Total Revenues	6,028,000	6,001,676	(26,324)	1,650,000	1,435,734	(214,266)
Operating Expenses:						
Central Purchasing	2,653,852	1,978,036	675,816			
Filtration, treatment, and disposal	2,523,171	2,730,066	(206,895)			
Pumping	834,249	849,886	(15,637)			
Distribution	1,155,485	1,212,515	(57,030)			
Maintenance and reading	920,482	994,327	(73,845)			
Administration	172,544	172,532	12			
Utility Billing	283,811	267,875	15,936			
Deb Service	312,569	312,563	6			
Capital Outlay	4,123,007	9,218,790	(5,095,783)			
Health Care				1,500,000	1,436,630	63,370
Total Expenditures	12,979,170	17,736,590	(4,757,420)	1,500,000	1,436,630	63,370
Excess of Revenues Over/ (Under) Expenditures	(6,951,170)	(11,734,914)	(4,783,744)	150,000	(896)	(150,896)
Non-Operating Revenues (Expenses):						
Proceeds of Notes	3,733,455	4,052,989	319,534			
Other revenues	592,855	489,414	(103,441)	4,700	4,678	(22)
Other expenses						
Total Non-Operating Revenues (Expenses):	4,326,310	4,542,403	216,093	4,700	4,678	(22)
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(2,624,860)	(7,192,511)	(4,567,651)	154,700	3,782	(150,918)
Fund Equity July 1	924,169	924,169		670,213	670,213	
Fund Equity June 30	(\$1,700,691)	(\$6,268,342)	(\$4,567,651)	\$824,913	\$673,995	(\$150,918)

CITY OF STEUBENVILLE
JEFFERSON COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001**

	Non-Expendable Trust Fund			Totals - (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
Operating Revenues						
Charges for Services				\$7,678,000	\$7,437,410	(\$240,590)
Total Revenues				7,678,000	7,437,410	(240,590)
Operating Expenses:						
Central Purchasing				2,653,852	1,978,036	675,816
Filtration, treatment, and disposal				2,523,171	2,730,066	(206,895)
Pumping				834,249	849,886	(15,637)
Distribution				1,155,485	1,212,515	(57,030)
Maintenance and reading				920,482	994,327	(73,845)
Administration				172,544	172,532	12
Utility Billing				283,811	267,875	15,936
Deb Service				312,569	312,563	6
Capital Outlay				4,123,007	9,218,790	(5,095,783)
Health Care				1,500,000	1,436,630	63,370
Total Expenditures				14,479,170	19,173,220	(4,694,050)
Excess of Revenues Over/ (Under) Expenditures				(6,801,170)	(11,735,810)	(4,934,640)
Non-Operating Revenues (Expenses):						
Proceeds of Notes				3,733,455	4,052,989	319,534
Other revenues	\$333	\$333		597,888	494,425	(103,463)
Other expenses	(375)	(375)		(375)	(375)	0
Total Non-Operating Revenues (Expenses):	(42)	(42)		4,330,968	4,547,039	216,071
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(42)	(42)		(2,470,202)	(7,188,771)	(4,718,569)
Fund Equity July 1	10,972	10,972		1,605,354	1,605,354	
Fund Equity June 30	\$10,930	\$10,930		(\$864,848)	(\$5,583,417)	(\$4,718,569)

The notes to the general purpose financial statements are an integral part of this statement.

CITY OF STEUBENVILLE
JEFFERSON COUNTY

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non-Expendable Trust Fund</u>	
Cash Flows From Operating Activities				
Cash Received from Customers	\$5,951,675			\$5,951,675
Cash Paid To Suppliers And Employees	(11,792,511)	(\$896)		(11,793,407)
Net Cash Provided (Used) by Operating Activities	(5,840,836)	(896)		(5,841,732)
Cash Flows From Capital And Related Financing Activities				
Proceeds Derived From Issuance Of Notes	4,052,989			4,052,989
Principal Payments On General Obligation Note	(150,324)			(150,324)
Cash Received From Micellaneous	489,412	4,678	\$333	494,423
Cash Paid to Miscellaneous			(375)	(375)
Net Cash Provided By Capital And Related Financing Activities	4,392,077	4,678	(42)	4,396,713
Net Increase/(Decrease) in Cash and Cash Equivalents	(1,448,759)	3,782	(42)	(1,445,019)
Cash and Cash Equivalents at Beginning of Year	2,976,306	670,214	10,972	3,657,492
Cash and Cash Equivalents at End of Yea	<u>\$1,527,547</u>	<u>\$673,996</u>	<u>\$10,930</u>	<u>\$2,212,473</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities				
Net Opearing Income/(Loss)	(\$5,276,681)	\$24,141		(\$5,252,540)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities				
Changes in Assets and Liabilities:				
(Increase) Decrease In Receivables	(205,754)			(205,754)
(Increase) Decrease In Prepaid Assets	(990)			(990)
Increase (Decrease) In Claims Payable		(25,037)		(25,037)
Increase (Decrease) In Accounts Payable	(355,212)			(355,212)
Increase (Decrease) In Accrued And Other Liabilities	(2,199)			(2,199)
Net Cash Provided By Operating Activitie:	<u>(\$5,840,836)</u>	<u>(\$896)</u>		<u>(\$5,841,732)</u>

The notes to the general purpose financial statements are an integral part of this statement.

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**CITY OF STEUBENVILLE
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The City of Steubenville is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

Beginning June 1, 1984, the City has operated under a council-manager form of government as provided by Section §705.51 to 705.60, Ohio Revised Code, inclusive. The powers and functions of the municipal government are distributed among the municipality, its citizens, the various officers, boards, and commissions. The mayor is the official head of the municipality for ceremonial purposes. Administration is not part of the duties of the mayor. The City council is composed of seven members, six of whom are elected by their respective electors within their designated wards. The councilman at large, the seventh member of council, is elected by the voters of the City at large. The City council, by a majority vote, appoints the administrative City manager.

The charter created two administrative departments, the Department of Finance and the Department of Law. The Directors of these departments are appointed by the City Manager and approved by Council.

Several boards and commissions that serve the citizens of the City in various capacities are an integral part of the municipality's government. The boards and commissions include: Civil Service Commission, Planning and Zoning Commission, Board of Engineering and Building Appeals, Parks and Recreation Board and the Board of Health. All members of these boards and commissions are appointed by the Mayor and approved by Council.

The City provides the following services as authorized by its charter: police and fire protection, water, wastewater, sanitation utilities, parks and recreation, health services, street maintenance and building inspection and development.

Management believes the financial statements included in this report represent all of the funds of the City over which the City has the ability to exercise direct operating control.

B. Basis of Accounting

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, regardless of the measurement forms applied.

As prescribed by generally accepted accounting principles, all governmental and expendable trust funds in the accompanying financial statements are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized when the related fund liability is incurred.

All proprietary and nonexpendable trust funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses when incurred. Under this basis of accounting and measurement focus, the City applies all Governmental Accounting Standards Board (GASB) pronouncements and Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounts Research Bulletins issued on or before November 30, 1989, except those that conflict with a Governmental Accounting Standards Board (GASB) pronouncement.

**CITY OF STEUBENVILLE
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash and Investments

The City maintains and controls two major cash and investment pools. Each fund type's portion of a pool is displayed on its respective balance sheet as "pooled cash and investments". In addition, non-pooled cash and investments are separately held and reflected in their respective funds as "non-pooled cash and investments".

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount which reasonably estimates fair value.

D. Fund Accounting

The City maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific revenues and expenditures. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of fund are as follows:

Governmental Funds Types:

General Fund

The general fund is the general operating fund of the City. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds

To account for proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Funds

To account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. According to governmental accounting principles, the Debt Service Fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the Debt Service Fund might also be used to account for the payment of long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds.

Capital Projects Funds

To account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**CITY OF STEUBENVILLE
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds Types:

Enterprise Funds

To account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has 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 purpose.

Internal Service Fund

To account for the financing of goods or services provided by one department or agency to other departments or agencies of the government unit, or to other governmental units, on a cost-reimbursement basis.

Fiduciary Funds:

Trust and Agency Funds

To account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include Expendable Trust Funds, Non-expendable Trust Funds, and Agency Funds.

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 Asset Account Group

The municipality records the purchase of fixed assets used in governmental and proprietary fund type operations as expenditures in the various funds and does not account for such purchases as capital expenditures. Generally accepted accounting principles prescribe that all such expenditures be accounted for in the General Fixed Assets Group or in the Proprietary Funds, and accordingly, the failure to properly record such assets is not in accordance with generally accepted accounting principles.

General Long Term Debt Group

Long-term debt financed by general obligation bonds or notes is accounted for in the General Long-Term Debt group of accounts or in the proprietary funds as prescribed by generally accepted accounting principles.

**CITY OF STEUBENVILLE
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

1. Budget

A budget of estimated cash receipts and disbursements 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. The City Council adopts annual fiscal year budgets for specified funds. These include General Fund Type, all Special Revenue Fund Type, Debt Service Fund Type, Capital Projects Fund Type, all Proprietary Fund Types and all Expendable and Nonexpendable Trust Funds.

2. Budgetary Control

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, maintenance and operations, other services and charges, capital outlay, debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to final review by the City Council. Within these control levels, management may transfer appropriations without Council approval. Revisions to the budget were made throughout the year.

3. Estimated Resources

The county budget commission certifies its actions to the City by September 1. As a part of this certification, the City receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1, 2001, unencumbered fund balances. However, those fund balances are available for appropriation.

4. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

5. Encumbrances

The City is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

**CITY OF STEUBENVILLE
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

At the close of each fiscal 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 fiscal year and need not be reappropriated.

F. Property, Plant and Equipment

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

G. Inventories

Inventories are stated at cost.

H. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the Water and Sewer Funds are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.

I. Allowance for Doubtful Accounts

As of December 31, 2001 \$60,000 has been recorded as an allowance for uncollectible accounts related to receivables in the Water, Sewer and Refuse Funds.

The breakdown is as follows:

Water Fund	\$ 15,733
Sewer Fund	18,149
Refuse Fund	<u>26,118</u>
Total	<u>\$ 60,000</u>

J. Total Columns on Financial Statements

Total Columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

2. ACCOUNTABILITY

A. Deficit Fund Balances/Retained Earnings

Fund balance at December, 2001 included the following fund deficits:

Special Revenue Funds	Deficit Balance
.3/.7 Street Improvement Fund	\$ 203,319
Community Development Block Grant Fund	\$ 23,612

**CITY OF STEUBENVILLE
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

2. ACCOUNTABILITY (Continued)

Enterprise Funds

Water Fund	\$ 3,778,845
Sewer Fund	\$ 2,789,136
Refuse Fund	\$ 4,780,156

Ohio State law does not permit a cash basis deficit at year end. All funds complied with Ohio State laws except the .3/.7 Street Improvement Fund and the Sewer Fund. The deficit balances are contrary to Ohio Revised Code § 5705.10.

The deficit balance in the Community Development Block Grant Fund is caused by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The deficit retained earnings in the Water Fund and in part the Sewer Fund are caused by the application of generally accepted accounting principles. The deficits will be eliminated by user charges not recognized at December 31. The deficit retained earnings in the Refuse Fund is caused by a prior period adjustment for estimated closure and post closure care costs for the municipal landfill.

B. Expenditures Exceeding Appropriations

Contrary to **Ohio Revised Code § 5705.41 (B)**, expenditures exceeded appropriations at the legal level of control in several funds. In the General Fund, transfers-out line item, expenditures exceeded appropriations by 100%. In the 7% Street Improvement Fund, expenditures exceeded appropriations by 38% in the general government line item and by 65% in the capital outlay line item. In the Equipment Fund, the Fire Damage Fund and the Issue II Fund, expenditures exceeded appropriations in the capital outlay line item by 11%, 30% and 47%, respectively. In the Water Fund and the Sewer Fund, expenditures exceeded appropriations in the capital outlay line item by 50% and 76%, respectively. Finally, in the Refuse Fund, expenditures exceeded appropriations by 68% in the filtration treatment line item and by 100% in the maintenance line item.

C. Failure to Certify Expenditures

Contrary to **Ohio Revised Code § 5705.41 (D)**, the City did not properly certify or record the amount against the applicable appropriation accounts for 65% of tested expenditures of the general fund, 43% of tested expenditures of the special revenue funds and 48% of tested expenditures of the enterprise funds

D. Restatement of Beginning Balances in the General Long-Term Debt Group

Included in the beginning balance of the General Obligation Notes Payable is debt payable to ODOT (Ohio Department of Transportation) related to the Sunset Boulevard widening project. The balance reported as of December 31, 2000 was \$2,000,142. The correct balance as of December 31, 2000 is \$719,876. A difference of \$1,280,265.

The reduction is due to the City determining that the Brooke Hancock Jefferson Metropolitan Planning Commission will be responsible to pay the \$1,280,265 difference.

**CITY OF STEUBENVILLE
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

3. CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the City has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions". The implementation of GASB Statement No. 33 had no effect on any of the fund balances at December 31, 2000.

4. EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

Interim monies are deposits of 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 moneys deposited with the institution.

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

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

**CITY OF STEUBENVILLE
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

4. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

6. The State Treasurer's Investment Pool (STAR Ohio).

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township. Or other political subdivision of this State, as to which there is no default of principal, interest or coupons; or
3. Obligations of the City.

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 upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3. "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits: At December 31, 2001, the carrying amount of the City's deposits, which includes cash with fiscal and escrow agents was \$3,862,527 and the bank balance was \$4,165,936. Of the bank balance:

1. \$260,157 was covered by federal deposit insurance;
2. \$353,334 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; and
3. \$3,552,445 was uninsured and uncollateralized. Although all state statutory requirement for the deposit of money had been followed, noncompliance with federal requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments: The City's 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 for which the securities 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 insured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the City's name.

	Category 3	Fair Value
Repurchase Agreements	\$ 5,245,692	\$ 5,245,692

**CITY OF STEUBENVILLE
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

4. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

The classification of cash and cash equivalents on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the Combined Balance Sheet (per GASB Statement No. 9) and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 9,108,219	\$ -
Investments:		
Repurchase Agreements	(5,245,692)	5,245,692
GASB Statement No. 3	\$ 3,862,527	\$ 5,245,692

5. DEBT OBLIGATION

The following is a summary of the City's long-term debt transactions for the year ended, December 31, 2001:

	Balance at 01/01/01	Additions	Retirements	Balance at 12/31/01
General Long-term debt:				
Legal claim payable	\$ 65,000	\$ -	\$ 65,000	\$ -
General obligation notes	1,625,401	222,709	93,875	1,754,235
General obligation bonds	125,000	-	125,000	-
Accrued sick leave	1,039,400	62,915	54,333	1,047,982
Accrued pension liability	2,317,710	-	30,548	2,287,162
Total	\$ 5,172,511	\$ 285,624	\$ 368,756	\$ 5,089,379
Enterprise funds:				
General obligation notes	\$ 3,548,923	\$ 4,052,988	\$ 150,323	\$ 7,451,588
Accrued sick leave	248,439	4,890	14,007	239,322
Landfill closure/postclosure	5,485,242	-	-	5,485,242
Total	\$ 9,282,604	\$ 4,057,878	\$ 164,330	\$ 13,176,152

Debt outstanding at December 31, 2001, consisted of the following:

General Obligation Notes	
Principal outstanding	\$ 4,955,351
Interest rates	0% - 5.84%
O.W.D.A. Loans	
Principal outstanding	\$ 4,250,472
Interest rates	6.58% - 9.72%

**CITY OF STEUBENVILLE
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

5. DEBT OBLIGATION (Continued)

Included in General Obligation Notes are ODOT Highway Construction Notes and Ohio Public Works Commission (OPWC) Notes bearing interest at 0% per annum. All outstanding notes except ODOT and Ohio Public Works Commission Notes at December 31, 2001, had been issued for one year or less. These notes were of the general obligation type and have been renewed. Proceeds from the notes were used to construct and improve streets, sidewalks, water, sewer, and refuse systems, and to purchase vehicles.

The Ohio Water Development Authority (O.W.D.A.) loans are for utility construction projects. Property and revenue of the utility facilities have been pledged to repay these debts.

The annual requirement to amortize all outstanding general obligation notes and the OWDA loans as of December 31, 2001, not including interest payments of \$748,628 and \$1,497,014 respectively, are as follows.

Year Ending	General	O.W.D.A.
December 31,	Obligation Notes	Loan
2002	\$ 122,056	\$ 130,316
2003	1,337,064	171,867
2004	1,647,162	234,488
2005	154,527	296,208
2006	155,591	306,635
Thereafter	1,538,951	3,110,958
Total	\$ 4,955,351	\$ 4,250,472

The City has utilized trustees to service the bonded debt. Payments to the trustees are recorded expenditures in the year deposited with the trustee.

6. PROPERTY TAX

Real property taxes are levied on assessed values which equal 35% of appraised value. The county audit reappraises all real property every six years with a triennial update. The last update was completed for tax year 2000.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 30 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for the tax (calendar) year ended December 31, 2001, was \$9.20 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property valued, the effective tax rate was \$6.0336 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$8.1970 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio.

Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended December 31, 2001, was \$9.20 per \$1,000 of assessed valuation.

**CITY OF STEUBENVILLE
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

6. PROPERTY TAX (Continued)

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

7. LOCAL INCOME TAX

This locally levied tax of 2% applies to gross salaries, wages and other personal service compensation earned by residents both in and out of the City and to earnings of nonresidents (except certain transients) earned in the City. It also applies to net income of business organizations operating within Steubenville. Local income tax receipts are credited to the City and amounted to \$8,696,084 in 2001.

8. RISK MANAGEMENT

The City provides health care coverage through a self-insured program administered by Health Assurance. The City pays 100% of monthly medical claims for full-time and part-time employees. The City's insurance claims were transferred from various funds to the Health Care Fund. Monthly, the administrator bills the City for an administrative fee and the amount of claims paid. The City issues a check from the General, Water, Sewer, Refuse and Community Development Funds for the administrative fee and a check from the Health Care Fund for the amount of claims paid.

Reconciliation of changes in the aggregate liabilities for claims for the current and prior fiscal year are as follows:

Claims payable at December 31, 2000	\$ 154,000
Claims incurred for fiscal year ending December 31, 2001	1,411,593
Claims paid in fiscal year 2001	<u>(1,436,630)</u>
Claim payable at December 31, 2001	<u>\$ 128,963</u>

The City maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

9. EMPLOYEES' RETIREMENT SYSTEM

The employees of the City are covered by the Public Employees' Retirement System of Ohio. The Public Employees Retirement System of Ohio (PERS) is a cost-sharing multiple-employer defined benefit pension plan providing retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377). The Ohio Revised Code provides statutory authority for employees and employer contributions. City employees contribute 8.5% and the City contributes 13.55% of covered payroll. The full amount has been contributed for 1999 and 2000. 72.08 percent has been contributed for 2001.

**CITY OF STEUBENVILLE
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

9. EMPLOYEES' RETIREMENT SYSTEM

For the fireman and policemen the City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit 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 OP&F, 140 East Town Street, Columbus, OH 43215-5164. The full amount has been contributed for 1999 and 2000. 71.82 percent and 71.04 percent, respectively, has been contributed for 2001.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and fire fighters.

The following is a breakdown of employee and employer contributions for the year 2001 and the preceding two years.

				OP&F		OP&F
		PERS		POLICE		FIRE
2001						
Employee	\$	454,719	\$	201,328	\$	163,683
Employer	\$	724,868	\$	396,059	\$	388,570
2000						
Employee	\$	438,824	\$	201,618	\$	159,019
Employer	\$	548,495	\$	393,155	\$	381,646
1999						
Employee	\$	411,312	\$	196,735	\$	155,130
Employer	\$	655,672	\$	383,632	\$	372,313

10. POST EMPLOYMENT BENEFITS

Public Employees Retirement System of Ohio provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The PERS law enforcement program was separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2001 employer contribution rate for state employers was 13.31% of covered payroll; 4.30% was the portion used to fund health care for the year. For local government employer units the rate was 13.55% of covered payroll; 4.30% was the portion used to fund health care for the year. The 2001 employer rate was 16.70% and 4.30% was used to fund health care for both the law enforcement and public safety divisions.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement healthcare through their contributions to PERS.

**CITY OF STEUBENVILLE
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Summary of Assumptions:

Actuarial Review - The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2000.

Funding Method - An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

Assets Valuation Method - All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investments assets.

Investment Return - The investment assumption rate for 2000 was 7.75%.

Active Employee Total Payroll - An annual increase of 4.75% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increase, were assumed to range from 0.54% to 5.1%.

Health Care - Health care costs were assumed to increase 4.75% annually.

OPEBS are advance-funded on an actuarially determined basis.

1. The number of active contributing participants was 411,076.
2. The rates stated above are the actuarially determined contribution requirements for PERS. Employer contributions made in the fiscal year 2001 to fund postemployment benefits was \$230,001.
3. \$11,735.9 million represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2000.
4. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively.

Legislative changes separated the law enforcement division.

In January 2001, House Bill 416 divided the PERS law enforcement program into two separate divisions with separate employee contribution rates and benefits. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with any employee contribution rate of 10.1%. All other members of the PERS law enforcement program were placed in a newly named public safety division and continue to contribute 9.0%. The employer contribution rate for both the law enforcement and public safety divisions is 16.70%.

The firemen and policemen of the City are covered by the Ohio Police and Fire Pension Fund (OP&F).

**CITY OF STEUBENVILLE
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

OP&F provides post-retirement health care coverage to any person who received or is eligible to receive a monthly 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 that health care cost paid from the funds of OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll.

The Ohio Revised Code provides the statutory authority allowing OP&F's Board of Trustees to provide health care coverage to all eligible individuals.

Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.25% and 7.5% of covered payroll in 2000 and 2001, respectively. The allocation is 7.75% in 2002. 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.

The number of participants eligible to receive health care benefits as of December 31, 2000, the date of the last actuarial valuation available, are 12,853 for Police and 10,037 for Firefighters.

OP&F's total health care expense for the year ending December 31, 2000, the date of the last actuarial valuation available, was \$106,160,054, which was net of member contributions of \$5,657,431.

Employer contributions made in the fiscal year 2001 to fund postemployment benefits was \$121,622 for the firemen and \$152,483 for the policemen.

12. LANDFILL CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations require the City to place a final cover on its municipal landfill site and to perform certain maintenance and monitoring functions at the closed landfill site for thirty years after closure. The landfill was closed in 1983. The estimated liability for the landfill is \$2,792,750 for closure costs and \$2,692,492 for post closure care costs for a total liability of \$5,485,242 which was posted to the Refuse Fund. The estimated cost of landfill closure and postclosure care expenses is based on the amount that would be paid if all materials and services required to monitor and maintain the closed landfill were acquired as of December 31, 2001. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

13. ACCUMULATED UNPAID SICK LEAVE

All vacations must be used by December 31 of each year. Accumulated unpaid sick pay is accrued and recorded in either the proprietary fund or the General Long Term Debt account group. The amount of sick leave (including related payroll taxes and workers' compensation) that has been accumulated by the employees of the City is estimated to be \$1,287,304 through December 31, 2001.

**CITY OF STEUBENVILLE
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

14. ACCRUED POLICE AND FIREMEN'S PENSION LIABILITY

In 1973 the City of Steubenville was required by the Police and Firemen's Disability and Pension Fund to pay a total of \$2,574,594 (Police - \$1,209,749 and Firemen - \$1,364,845) over the next 62 years at 4.25% interest into the pension fund. The requirement represented the City's share of the necessary funds needed to stabilize the pension fund. As of December 31, 2001 the outstanding balance for the Police was \$1,074,690 and for Firemen was \$1,212,472. The liability is recorded in the General Long Term Debt account group.

15. BUDGETARY/GAAP REPORTING RECONCILIATION

Financial statements in the report, as prescribed by generally accepted accounting principles, are prepared using the modified accrual basis of accounting for all governmental and expendable trust funds. All proprietary and nonexpendable trust funds are accounted for using the accrual basis of accounting. The budget statements are prepared on the cash basis. The following schedule reconciles the differences between the GAAP basis statements and the cash basis statements.

All Governmental Fund Types and Expendable Trust Funds

	General Fund	Special Revenue Fund	Debt Service Fund	Expendable Trust Fund
Excess of revenues over (under) expenditures on GAAP basis	\$ 673,803	\$ (29,076)	\$ 247,887	\$ 10,164
Current year revenue accruals	(761,634)	(465,314)	(2,314)	71,570
Prior year revenue accruals	774,939	337,051	-	-
Current year expenditure accruals	(1,349,022)	(762,118)	-	(35,124)
Prior year expenditure accruals	(2,188,993)	(99,942)	-	(66)
	<hr/>	<hr/>	<hr/>	<hr/>
Excess if revenues over (under) expenditures on the cash basis (budgetary)	<u>\$ (2,850,907)</u>	<u>\$ (1,019,399)</u>	<u>\$ 245,573</u>	<u>\$ 46,544</u>

**CITY OF STEUBENVILLE
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

15. BUDGETARY/GAAP REPORTING RECONCILIATION (Continued)

All Proprietary Fund Types and Similar Trust Funds

	Enterprise Funds	Internal Service Funds	Non- Expendable Trust Fund
Net Income (loss) on GAAP Basis	\$ (4,787,269)	\$ 28,819	\$ (42)
Current year revenue accruals	2,938,531	-	-
Prior year revenue accruals	958,707	-	-
Current year expenditure accruals	(5,147,468)	128,963	-
Prior year expenditure accruals	(1,155,012)	(154,000)	-
Net Income (loss) on the cash basis (budgetary)	<u>\$ (7,192,511)</u>	<u>\$ 3,782</u>	<u>\$ (42)</u>

16. WATER AND WASTEWATER COMPLIANCE

The City of Steubenville has been mandated by the Ohio Environmental Protection Agency to upgrade the water and wastewater system in the city. The City anticipates spending approximately \$54 million to upgrade these facilities over the next several years. Construction began in 2001 to upgrade the water system (raw water transmission mains, raw water intake lines and pump station).

17. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains three Enterprise Funds which provide water, sewer and refuse services. Segment information for the year ended December 31, 2001 was as follows:

	Water Fund	Sewer Fund	Refuse Fund	Total Enterprise Funds
Operating revenues	\$ 3,045,059	\$ 1,597,859	\$ 1,514,511	\$ 6,157,429
Operating Income or (Loss)	(4,161,601)	(1,158,200)	43,120	(5,276,681)
Non-operating Revenues	453,595	8,426	27,391	489,412
Net Income or Loss	(3,708,006)	(1,149,774)	70,511	(4,787,269)
Net Working Capital	1,716,268	(796,796)	750,046	1,669,518
Total Assets	1,873,463	(545,316)	843,031	2,171,178
Notes and Other Long-Term Liabilities:				
Payable from Operating Revenues	5,495,113	1,992,340	5,530,202	13,017,655
Total Equity	\$ (3,778,845)	\$ (2,789,136)	\$ (4,780,156)	\$ (11,348,137)

**CITY OF STEUBENVILLE
JEFFERSON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Grant Number	Federal CFDA Number	Disbursements
U.S. Department of Housing and Urban Development			
Direct Programs:			
Community Development Block Grant Entitlement Grants	B98-MC-39-0020	14.218	\$240,778
Community Development Block Grant Entitlement Grants	B99-MC-39-0020	14.218	1,005,000
Community Development Block Grant Entitlement Grants	B99-MC-39-0020	14.218	179,377
Community Development Block Grant Entitlement Grants	B99-MC-39-0020	14.218	<u>1,425,155</u>
Total Entitlements			<u>1,425,155</u>
Passed-Through State Department of Development			
Community Housing Improvement Program	M-97-SG-39-0151	14.239	<u>75,735</u>
Total U.S. Department of Housing and Urban Development			<u><u>1,500,890</u></u>
U.S. Department of Justice:			
Direct Programs			
Law Enforcement Grant - 2001	01LBBX2318	16.592	
Law Enforcement Grant - 2000	00LBBX0359	16.592	18,579
Cops Universal Hiring Grant	98UMWX2282	16.710	<u>26,382</u>
			44,961
Passed Through Ohio Office of Criminal Justice Services:			
Title V Communities That Care Grant	99JVT505042	16.548	37,746
Title V Communities That Care Grant	00JVT505042		<u>37,746</u>
Total U.S. Department of Justice			<u><u>82,707</u></u>
U.S. Department of Agriculture:			
Passed Through Ohio Department of Education:			
Summer Food Program	N/A	10.559	<u>63,421</u>
U.S. Department of Transportation;			
Passed Through Ohio Department of Transportation:			
Highway Planning and Construction	JEF-043-2189	20.205	<u>121,809</u>
U.S. Department of Health and Human Services:			
Passed Through Ohio Department of Health:			
Lead Prevention	N/A	93.197	<u>14,982</u>
Total Federal Financial Assistance			<u><u>\$1,783,809</u></u>

The notes to the schedule of federal awards expenditures is an integral part of this schedule.

**CITY OF STEUBENVILLE
JEFFERSON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARD EXPENDITURES
DECEMBER 31, 2001**

1. Basis of Presentation

The accompanying Schedule of Federal Award Expenditures summarizes activity of the Government's Federal Award Programs. The schedule has been prepared using the cash basis of accounting.

2. Matching Requirements

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

3. Nonmonetary Assistance

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at fair value of the commodities received and consumed. At December 31, 2001, the City had not significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Voinovich Government Center
242 Federal Plaza West
Suite 302
Youngstown, Ohio 44503
Telephone 330-797-9900
800-443-9271
Facsimile 330-797-9949
www.auditor.state.oh.us

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

City of Steubenville
Jefferson County
302 Market Street
Steubenville, Ohio 43952

To the City Council:

We have audited the financial statements of the City of Steubenville, Jefferson County, as of and for the year ended December 31, 2001 and have issued our report thereon dated October 18, 2002, which was qualified since certain information related to Internal Service Fund expenses and liabilities were not available to be audited. Our reported was also qualified due to the omission of amounts representing property, buildings and equipment and related depreciation. Additionally, we noted the Refuse Enterprise Fund had accumulated a significant deficit. Except for the matters noted above in the first sentence, 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 of Steubenville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-21241-001 through 2001-21241-003. We also noted certain immaterial instances of noncompliance which we have reported to management of the City of Steubenville in a separate letter dated October 18, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Steubenville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2001-21241-004 and 2001-21241-005.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider both of the conditions described above, items 2001-21241-004 and 2001-21241-005, to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the City in a separate letter dated October 18, 2002.

This report is intended 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.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

October 18, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Voinovich Government Center
242 Federal Plaza West
Suite 302
Youngstown, Ohio 44503
Telephone 330-797-9900
800-443-9271
Facsimile 330-797-9949
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

City of Steubenville
Jefferson County
302 Market Street
Steubenville, Ohio 43952

To the City Council:

Compliance

We have audited the compliance of the City of Steubenville, Jefferson County, 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, 2001. 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 grant 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 programs for the year ended December 31, 2001.

Internal Control Over Compliance

The management of the City of Steubenville 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters of the internal controls that might be material weaknesses. A material weaknesses 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 controls over compliance and its operation that we consider to be material weaknesses.

However, we noted a certain matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the City of Steubenville in a separate letter dated October 18, 2002.

This report is intended for the information and use of the audit committee, management, 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.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large loop at the end of the name.

Jim Petro
Auditor of State

October 18, 2002

**CITY OF STEUBENVILLE
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001**

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	QUALIFIED
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	YES
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	YES
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	NO
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	NO
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	UNQUALIFIED
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	NO
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA# 14.218
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	NO

CITY OF STEUBENVILLE
JEFFERSON COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)

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

Finding Number	2001-21241-001
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Ohio Revised Code § 5705.41 (D) provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. This section also provides two "exceptions" to the above requirement:

- A. Then and Now Certificate – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars (\$1,000) the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the City Council, if such expenditure is otherwise valid.

The City did not properly certify or record the amount against the applicable appropriation accounts for 65% of tested expenditures of the general fund, 43% of tested expenditures of the special revenue funds and 48% of tested expenditures of the enterprise funds. The City did not utilize the certification exceptions described above for those expenditures lacking prior or simultaneous certification.

Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances. The City should obtain approved purchase orders which include the fiscal officer's certification that the amount required to meet the obligation has been lawfully appropriated and authorized prior to making the commitment.

Finding Number	2001-21241-002
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Ohio Revised Code § 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

**CITY OF STEUBENVILLE
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)**

Expenditures plus encumbrances exceeded appropriations at the legal level of control in several funds.

Fund Class	Percentage of Variance
General Fund	
Transfers-out	100%
7% Street Improvement Fund	
General government	38%
Capital outlay	65%
Equipment Fund	
Capital Outlay	11%
Fire Damage Fund	
Capital outlay	30%
Issue II Fund	
Capital outlay	47%
Water Fund	
Capital outlay	50%
Sewer Fund	
Capital outlay	76%
Refuse Fund	
Filtration treatment	68%
Maintenance	100%

Failure to limit expenditures plus encumbrances to the amount appropriated by the City Council could result in overspending and negative cash balances. The City Finance Director should compare expenditures to appropriations and if appropriations are not sufficient, the Finance Director should request that the Council pass an amendment to the appropriation resolution, if sufficient resources are available.

Finding Number	2001-21241-003
-----------------------	-----------------------

Ohio Revised Code § 5705.10 states in part that money paid into a fund must be used only for the purposes for which fund was established. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The .3/.7% Street Improvement Fund and the Sewage Fund had negative fund balances of \$203,319 and \$2,789,136, respectively, at December 31, 2001, indicating monies from another fund(s) were used to cover expenses.

The City should take steps to monitor fund balances more closely to ensure monies are used only for intended purposes.

**CITY OF STEUBENVILLE
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)**

Finding Number	2001-21241-004
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The City has delegated employees' health insurance claims processing, which is a significant accounting function, to a third party administrator. The City has not established procedures to determine whether the service organization has sufficient controls in place and operating effectively to reduce the risk that health insurance claims have not been completely and accurately processed in accordance with the health insurance contract

The City should implement procedures to assure the completeness and accuracy (including eligibility and allowability) of health insurance claims processed by its third party administrator. Statement on Auditing Standards No. 70 (SAS 70), as amended, prescribes standards for reporting on the processing (i.e. control design and operation) of transactions by service organizations. An unqualified Tier II "Report on Policies and Procedures Placed in Operation and Tests of Operating 'Effectiveness'" in accordance with SAS No. 70, should provide the City with an appropriate level of assurance that health insurance claims are being processed in conformance with the contract.

The City should specify in their contract with the third party administrator that an annual Tier II SAS 70 audit be performed. The City should be provided a copy of the SAS 70 report timely and should review the report's content. A SAS 70 audit report should be conducted in accordance with American Institute of Certified Public Accountants' (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the State of Ohio. If the third party administrator refuses to provide you with a Tier II report, you should contract with a third party administrator that will provide such a report.

Finding Number	2001-21241-005
-----------------------	-----------------------

The City has not maintained documentation to support the valuation of fixed assets that should have been recorded in the General Fixed Asset Account Group and the Proprietary Fund Type.

Also, the City has not determined the estimated historical or actual cost of its land and buildings. Accordingly, the City's financial statements omit the General Fixed Asset Account Group and the Proprietary Fund fixed assets. Generally Accepted Accounting Principles require the presentation of General Fixed Asset Account Group and Proprietary Fund fixed assets.

The City should create and approve a written policy to govern the accounting of its property, plant and equipment. This policy would then provide a consistent approach needed by management to exercise proper control over the acquisition, disposal and maintenance of the City's property, plant and equipment.

The City should also determine the estimated costs of their fixed assets and adhere to the procedures and guidelines as established by their written policy.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None	
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**CITY OF STEUBENVILLE
JEFFERSON COUNTY
DECEMBER 31, 2001**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
2000-21241-001	Ohio Revised Code 5705.41(D), failure to properly certify expenditures	NO	Reissued as Finding 2001-21241-001
2000-21241-002	Ohio Revised Code 5705.41(B), expenditures plus encumbrances exceeded appropriations	NO	Reissued as Finding 2001-21241-002
2000-21241-003	City had not established procedures to determine if health insurance claims and data processing services are accurately administered in accordance with contract.	NO	Reissued as Finding 2001-21241-004
2000-21241-004	City's financial statements did not include General Fixed Asset Account Group and Proprietary Fund fixed assets.	NO	Reissued as Finding 2001-21241-005



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

CITY OF STEUBENVILLE

JEFFERSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 3, 2002**