CITY OF MARTINS FERRY
BELMONT COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1999

JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

CITY OF MARTINS FERRY
BELMONT COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the 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, 1999, 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 generally accepted auditing standards 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, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2000, 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.

Our audit was performed for the purpose of forming 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 purposes of 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. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

November 6, 2000

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CITY OF MARTINS FERRY
BELMONT COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE YEAR ENDED DECEMBER 31, 1999

	Governmental Fund Type				Proprietary Fund Type
	General	**Special Revenue**	**Debt Service**	**Capital Projects**	**Enterprise**
ASSETS AND OTHER DEBITS					
Assets					
Equity in Pooled Cash and					
and Cash Equivalents	$ 1,184	$ 268,334	$ 0	$ (9,098)	$ 349,736
Cash and Cash Equivalents in					
With Fiscal Agents	0	0	131	0	0
Investments in Segregated Accounts	0	119,160	0	2,810,937	0
Receivables:					
Taxes	172,055	231,912	0	0	0
Accounts	33,925	0	0	0	212,929
Intergovernmental	70,503	36,789	0	0	0
Accrued Interest	21,047	0	0	0	0
Mortgage Loans	0	0	0	145,152	0
Interfund	13,416	0	0	151,892	0
Materials and Supplies Inventory	1,634	8,989	0	0	45,240
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	0	0	0	0	6,889
Fixed Assets(Net, where applicable,					
of Accumulated Depreciation)	0	0	0	0	10,311,934
Other Debits					
Amount to be Provided for Retirement of					
General Long-Term Obligations	0	0	0	0	0
Total Assets and Other Debits	$ 313,764	$ 665,184	$ 131	$ 3,098,883	$ 10,926,728

Fiduciary Fund Type	Account Groups		
Agency	General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)
$ 360	$ 0	$ 0	$ 610,516
0	0	0	131
0	0	0	2,930,097
0	0	0	403,967
0	0	0	246,854
0	0	0	107,292
0	0	0	21,047
0	0	0	145,152
0	0	0	165,308
0	0	0	55,863
0	0	0	6,889
0	5,981,864	0	16,293,798
0	0	328,617	328,617
$ 360	$ 5,981,864	$ 328,617	21,315,531

(Continued)

CITY OF MARTINS FERRY
BELMONT COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE YEAR ENDED DECEMBER 31, 1999

	Governmental Fund Type				Proprietary Fund Type
	General	**Special Revenue**	**Debt Service**	**Capital Projects**	**Enterprise**
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts Payable	$ 7,341	$ 53,904	$ 0	$ 0	$ 30,828
Contracts Payable	0	12,955	0	0	63,044
Accrued Wages	26,410	9,925	0	0	37,739
Compensated Absences Payable	10,245	6,819	0	0	156,019
Interfund Payable	55,000	39,571	0	13,416	57,321
Intergovernmental Payable	11,093	4,864	0	0	24,643
Deferred Revenue	172,055	231,912	0	0	0
Undistributed Monies	6,134	0	0	0	0
Matured Interest Payable	0	0	131	0	0
Accrued Interest Payable	0	23,406	0	0	3,628
Notes Payable	0	1,024,000	0	0	197,000
Payable from Restricted Assets:					
Customer Deposits	0	0	0	0	6,889
Police and Fire Pension Liability	0	0	0	0	0
OWDA Loans Payable	0	0	0	0	9,374,416
Capital Leases Payable	0	0	0	0	0
General Obligation Bonds Payable	0	0	0	0	0
Total Liabilities	288,278	1,407,356	131	13,416	9,951,527
Fund Equity and Other Credits					
Investment in General Fixed Assets	0	0	0	0	0
Contributed Capital	0	0	0	0	449,752
Retained Earnings	0	0	0	0	525,449
Fund Balance:					
Reserved for Encumbrances	0	0	0	2,500	0
Reserved for Inventory	1,634	8,989	0	0	0
Unreserved, Undesignated	23,852	(751,161)	0	3,082,967	0
Total Fund Equity (Deficit) and Other Credits	25,486	(742,172)	0	3,085,467	975,201
Total Liabilities, Fund Equity and Other Credits	$ 313,764	$ 665,184	$ 131	$ 3,098,883	$ 10,926,728

See accompanying notes to the financial statements.

Fiduciary Fund Type	Account Groups		
Agency	General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)
$ 0	$ 0	$ 0	$ 92,073
0	0	0	75,999
0	0	0	74,074
0	0	15,060	188,143
0	0	0	165,308
0	0	21,932	62,532
0	0	0	403,967
360	0	0	6,494
0	0	0	131
0	0	0	27,034
0	0	0	1,221,000
0	0	0	6,889
0	0	213,984	213,984
0	0	0	9,374,416
0	0	5,641	5,641
0	0	72,000	72,000
360	0	328,617	11,989,685
0	5,981,864	0	5,981,864
0	0	0	449,752
0	0	0	525,449
0	0	0	2,500
0	0	0	10,623
0	0	0	2,355,658
0	5,981,864	0	9,325,846
$ 360	$ 5,981,864	$ 328,617	21,315,531

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CITY OF MARTINS FERRY
BELMONT COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999

	Governmental Fund Types				
	General	**Special Revenue**	**Debt Service**	**Capital Projects**	**Totals (Memorandum Only)**
Revenues					
Taxes	$ 166,120	$ 170,692	$ 0	$ 0	$ 336,812
Charges for Services	35,107	77,213	0	0	112,320
Fines, Licenses and Permits	87,439	23,848	0	0	111,287
Intergovernmental	568,518	709,662	0	72,060	1,350,240
Special Assessments	0	0	172	351	523
Interest	198,854	0	0	14,436	213,290
Other	6,446	10,608	0	2,040	19,094
Total Revenues	1,062,484	992,023	172	88,887	2,143,566
Expenditures					
Current:					
General Government	308,609	6,138	3	0	314,750
Security of Persons and Property	708,099	117,973	0	0	826,072
Public Health Services	54,598	82,698	0	0	137,296
Transportation	0	501,790	0	0	501,790
Community Environment	0	294,772	0	50,933	345,705
Leisure Time Activities	25,252	23,000	0	0	48,252
Capital Outlay	0	12,955	0	13,166	26,121
Debt Service:					
Principal Retirement	9,645	0	8,000	0	17,645
Interest and Fiscal Charges	801	40,585	5,900	0	47,286
Total Expenditures	1,107,004	1,079,911	13,903	64,099	2,264,917
Excess of Revenues Over (Under) Expenditures	(44,520)	(87,888)	(13,731)	24,788	(121,351)
Other Financing Sources (Uses)					
Proceeds from Sale of Fixed Assets	1,501	1,100	0	0	2,601
Operating Transfers In	56,029	20,909	13,900	186,215	277,053
Operating Transfers Out	(22,548)	0	(3,618)	(187,740)	(213,906)
Total Other Financing Sources (Uses)	34,982	22,009	10,282	(1,525)	65,748
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(9,538)	(65,879)	(3,449)	23,263	(55,603)
Fund Balances (Deficit) at Beginning Of Year	35,924	(676,293)	3,449	3,062,204	2,425,284
(Decrease) in Reserve for Inventory	(900)	0	0	0	(900)
Fund Balance (Deficit) at End of Year	$ 25,486	$ (742,172)	$ 0	$ 3,085,467	$ 2,368,781

See accompanying notes to the financial statements.

CITY OF MARTINS FERRY
BELMONT COUNTY

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, 1999

	General Fund			Special Revenue Funds		
	Revised Budget	**Actual**	**Variance Favorable (Unfavorable)**	**Revised Budget**	**Actual**	**Variance Favorable (Unfavorable)**
Revenues:						
Property Taxes	$ 164,356	$ 166,120	$ 1,764	$ 126,006	$ 170,692	$ 44,686
Charges for Services	34,420	35,107	687	58,575	77,213	18,638
Fines, Fees, and Permits	53,420	53,514	94	18,450	23,848	5,398
Intergovernmental	489,295	545,847	56,552	562,590	720,368	157,778
Special Assessments	0	0	0	0	0	0
Interest	190,500	192,602	2,102	578	1,278	700
Mortgage Loans	0	0	0	4,164	4,164	0
Other	950	6,446	5,496	6,538	10,608	4,070
Total Revenues	932,941	999,636	66,695	776,901	1,008,171	231,270
Expenditures:						
Current:						
General Government	316,892	314,872	2,020	6,521	6,138	383
Security of Persons and Property	749,078	745,983	3,095	141,289	120,099	21,190
Public Health and Welfare	55,892	55,879	13	88,710	83,484	5,226
Transportation	0	0	0	563,975	457,612	106,363
Community Environment	0	0	0	348,891	295,487	53,404
Leisure Time Activities	27,290	25,252	2,038	26,028	25,091	937
Capital Outlay	0	0	0	0	19,580	(19,580)
Debt Service:						
Principal Retirement	0	0	0	1,056,000	1,056,000	0
Interest and Fiscal Charges	0	0	0	41,768	41,768	0
Total Expenditures	1,149,152	1,141,986	7,166	2,273,182	2,105,259	167,923
Excess of Revenue Over (Under Expenditures)	(216,211)	(142,350)	73,861	(1,496,281)	(1,097,088)	399,193
Other Financing Sources (Uses):						
Note Proceeds	0	0	0	1,024,000	1,024,000	0
Proceeds from Sale of Fixed Assets	1,450	1,501	51	0	1,100	1,100
Advances In	55,000	55,000	0	0	0	0
Advances Out	0	0	0	0	0	0
Operating Transfers In	75,001	56,029	(18,972)	13,895	15,467	1,572
Operating Transfers Out	(22,902)	(22,548)	354	0	0	0
Other Financing Sources (Uses)	108,549	89,982	(18,567)	1,037,895	1,040,567	2,672
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(107,662)	(52,368)	55,294	(458,386)	(56,521)	401,865
Fund Balance at Beginning of Year	61,510	61,510	0	377,294	377,294	0
Prior Year's Encumbrances Appropriated	4,114	4,114	0	18,684	18,684	0
Fund Balances at End of Year	$ (42,038)	$ 13,256	$ 55,294	$ (62,408)	$ 339,457	$ 401,865

See accompanying notes to the financial statements.

Debt Service Fund			Capital Project Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	300,000	229,060	(70,940)
173	172	(1)	0	351	351
0	0	0	13,058	13,158	100
0	0	0	7,760	23,594	15,834
0	0	0	0	2,040	2,040
173	172	(1)	320,818	268,203	(52,615)
4	3	1	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	114,230	63,437	50,793
0	0	0	0	0	0
0	0	0	96,295	53,992	42,303
0	0	0	0	0	0
0	0	0	0	0	0
4	3	1	210,525	117,429	93,096
169	169	0	110,293	150,774	40,481
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	59,124	59,124
0	0	0	(55,000)	(55,000)	0
0	0	0	280,300	186,215	(94,085)
0	(3,618)	(3,618)	(182,298)	(182,298)	0
0	(3,618)	(3,618)	43,002	8,041	(34,961)
169	(3,449)	(3,618)	153,295	158,815	5,520
3,449	3,449	0	2,638,683	2,638,683	0
0	0	0	2,215	2,215	0
$ 3,618	$ 0	$ (3,618)	$ 2,794,193	$ 2,799,713	$ 5,520

CITY OF MARTINS FERRY
BELMONT COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)1
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999

	Totals (Memorandum Only)		
	Revised Budget	**Actual**	**Variance Favorable (Unfavorable)**
Revenues:			
Property Taxes	$ 290,362	$ 336,812	$ 46,450
Charges for Services	92,995	112,320	19,325
Fines, Fees, and Permits	71,870	77,362	5,492
Intergovernmental	1,351,885	1,495,275	143,390
Special Assessments	173	523	350
Interest	204,136	207,038	2,902
Mortgage Loans	11,924	27,758	15,834
Other	7,488	19,094	11,606
Total Revenues	2,030,833	2,276,182	245,349
Expenditures:			
Current:			
General Government	323,417	321,013	2,404
Security of Persons and Property	890,367	866,082	24,285
Public Health and Welfare	144,602	139,363	5,239
Transportation	563,975	457,612	106,363
Community Environment	463,121	358,924	104,197
Leisure Time Activities	53,318	50,343	2,975
Capital Outlay	96,295	73,572	22,723
Debt Service:			
Principal Retirement	1,056,000	1,056,000	0
Interest and Fiscal Charges	41,768	41,768	0
Total Expenditures	3,632,863	3,364,677	268,186
Excess of Revenue Over (Under Expenditures)	(1,602,030)	(1,088,495)	515,535
Other Financing Sources (Uses):			
Note Proceeds	1,024,000	1,024,000	0
Proceeds from Sale of Fixed Assets	1,450	2,601	1,151
Advances In	55,000	114,124	59,124
Advances Out	(55,000)	(55,000)	0
Operating Transfers In	369,196	257,711	(111,485)
Operating Transfers Out	(205,200)	(208,464)	(3,264)
Other Financing Sources (Uses)	1,189,446	1,134,972	(54,474)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(412,584)	46,477	459,061
Fund Balance at Beginning of Year	3,080,936	3,080,936	0
Prior Year's Encumbrances Appropriated	25,013	25,013	0
Fund Balances at End of Year	$ 2,693,365	$ 3,152,426	$ 459,061

See accompanying notes to the financial statements.

CITY OF MARTINS FERRY
BELMONT COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY ALL PROPRIETARY FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 1999

	Proprietary Fund Type
	Enterprise
Operating Revenue	
Charges for Services	$ 3,195,640
Fines, Licenses, and Permits	16,844
Total Operating Revenues	3,212,484
Operating Expenses	
Personal Services	1,388,240
Contractual Service	784,059
Materials and Supplies	287,467
Depreciation	452,003
Total Operating Expenses	2,911,769
Operating Income	300,715
Non-Operating Revenues (Expenses):	
Proceeds from Sale of Fixed Assets	1,277
Intergovernmental Revenue	1,919
Other Non-Operating Revenue	596
Other Non-Operating Expenses	(701)
Interest	910
Interest and Fiscal Charges	(214,741)
Total Non-Operating Revenues (Expense)	(210,740)
Income Before Operating Transfers	89,975
Operating Transfer In	2,807
Operating Transfers Out	(65,954)
Total Transfers In/Out	(63,147)
Net Income	26,828
Depreciation on Fixed Assets Acquired by Contributed Capital	24,543
Retained Earnings at Beginning of Year	474,078
Retained Earnings at End of Year	525,449
Contributed Capital at Beginning of Year	474,295
Depreciation on Fixed Assets Acquired by Contributed Capital	(24,543)
Contributed Capital at End of Year	449,752
Fund Equity at Year of End	$ 975,201

See accompanying notes to the financial statements.

CITY OF MARTINS FERRY
BELMONT COUNTY

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999

	Enterprise
DECREASE IN CASH AND CASH EQUIVALENTS:	
Cash Flows from Operating Activities:	
Cash Received from Customers	$ 3,193,681
Cash Payments for Employee Services and Benefits	(1,336,633)
Cash Payments to Suppliers for Goods and Services	(1,076,674)
Net Cash Provided by Operating Activities	780,374
Cash Flows from Non-Capital and Related Financing Activities:	
Intergovernmental Revenue	1,919
Other Non-Operating Revenues	13,790
Other Non-Operating Expenses	(15,980)
Advances Out	(59,124)
Operating Transfers In	2,807
Operating Transfers Out	(52,054)
Net Cash Used In Non-Capital and Related Financing Activities	(108,642)
Cash Flows from Capital and Related Financing Activities:	
Proceeds from Sale of Notes	197,000
Acquisition of Capital Assets	(99,013)
Proceeds from Sale of Fixed Assets	1,277
Principal Paid on OWDA Loan	(337,145)
Interest Paid on OWDA Loan	(194,498)
Principal Paid on Notes	(220,000)
Interest Paid on Notes	(18,457)
Principal Paid on Bonds	(48,000)
Interest Paid on Bonds	(8,500)
Net Cash (Used) in Capital and Related Financing Activities	(727,336)
Cash Flows from Investing Activities:	
Receipts of Interest	910
Net Decrease in Cash and Cash Equivalents	(54,694)
Cash and Cash Equivalents at Beginning of Year	411,319
Cash and Cash Equivalents at End of Year	$ 356,625
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	$ 300,715
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	452,003
Change in Assets and Liabilities:	
Decrease in Accounts Receivable	(18,803)
Decrease in Materials and Supplies Inventory	(1,915)
Increase in Accounts Payable	(954)
Increase in Contracts Payable	798
Increase in Accrued Wages	2,663
Decrease in Compensated Absences Payable	80,057
Increase in Intergovernmental Payable	(34,190)
Net Cash Provided by Operating Activities	$ 780,374

See accompanying notes to the financial statements.

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 1990 census population of 8,003.

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, Belmont County Sewer Authority, and Bel-O-Mar Regional Council which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 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.

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

B. Basis of Presentation - Fund Accounting (Continued)

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).

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.

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 thirty-one days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, state-levied locally shared taxes (including gasoline tax), and fines and forfeitures.

The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when a 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, 1999, whose availability is indeterminate and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Measurement Focus and Basis of Accounting (Continued)

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 Street Construction Capital Projects Fund was not budgeted since no financial activity was anticipated in the fund and none occurred. 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 1999.

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 funds' 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 1999, investments were limited to certificates of deposit, treasury notes and Federal Home Loan Bank 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.

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.

The City utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents" and represent deposits or short-term investments in certificates of deposit. See Note 5, Deposits and Investments.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

The Police Pension and the Street Construction Capital Project Fund have made disbursements in excess of its equity interest in the cash management pool. The amount of this excess is reported as a liability to the General Fund and Permanent Improvement Fund, respectively.

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.

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".

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences (Continued)

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.

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.

N. Contributed Capital

Contributed capital represents resources provided to the enterprise funds from other funds, other governments, and private sources that is not subject to repayment. Depreciation on those assets acquired or constructed with contributed resources is 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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 measurable and available. 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. Such resources restricted for the construction of capital assets are recorded as contributed capital.

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).

NOTE 3: BUDGETARY BASIS OF ACCOUNTING (Continued)

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).

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	Debt Service	Capital Projects
GAAP Basis	$ (9,538)	$ (65,879)	$ (3,449)	$ 23,263
Net adjustments for revenue accruals	(62,848)	16,148	0	179,316
Proceeds of notes	0	1,024,000	0	0
Advances in	55,000	0	0	59,124
Operating transfers in	0	(5,442)	(13,900)	0
Advances out	0	0	0	(55,000)
Operating transfers out	0	0	0	5,442
Net adjustments for expenditure accruals	(44,084)	40,301	0	(37,891)
Debt principal retirement	9,645	(1,056,000)	8,000	0
Debt interest payment	801	(1,183)	5,900	0
Encumbrances	(1,344)	(8,466)	0	(15,439)
Budget basis	$ (52,368)	$ (56,521)	$ (3,449)	$ 158,815

NOTE 4: ACCOUNTABILITY AND COMPLIANCE

A. Fund Deficits

The Special Revenue Fund Type had a deficit fund balance due primarily to the recognition of $948,000 of notes payable in the Fire Levy III Fund in accordance with generally accepted accounting principles and cash deficits.

The Police Pension Special Revenue Fund and Street Construction Capital Projects Fund had deficit balances of $39,571 and, $13,416 respectively, due to deficit cash balances that resulted from expenditures exceeding revenues in prior years. The deficits will be eliminated by property tax receipts.

The General Fund and Permanent Improvement Capital Projects Fund provide transfers to cover deficit balances, however, this is done when cash is needed rather than when accruals occur.

B. Legal Compliance

The City did not obtain prior certification of the Auditor for disbursements, contrary to Ohio Rev. Code Section 5705.41(D).

The City had expenditures that exceeded appropriations at the legal level of control, contrary to Ohio Rev. Code Section 5705.41(B).

The City had appropriations in excess of the amount certified as available by the Budget Commission, contrary to Ohio Rev. Code Section 5705.39.

NOTE 5: DEPOSITS AND INVESTMENTS

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

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

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

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

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 State Treasury or any other obligation guaranteed as to principal or interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio);

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

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

During fiscal year 1999, the City's investments were limited to federal home loan debenture bonds and mortgage corporation debentures.

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 $1,886,340, and the bank balance was $1,922,307. Of the bank balance:

1. $212,685 was covered by federal depository insurance.

2. $1,709,622 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.

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.

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

	Category 1	Category 2	Category 3	Carrying Amount	Fair Value
Federal Home Loan Bank Debenture Bonds	$ 0	$ 600,937	$ 0	$ 600,937	$ 600,937
Federal Home Loan Mortgage Corporation Debenture	0	1,060,000	0	1,060,000	1,060,000
				$ 1,660,937	$ 1,660,937

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	$ 617,536	$ 2,930,097
Deposit with fiscal agent	(131)	
Cash on hand	(225)	0
Certificates of deposit with maturities of greater than 3 months	1,269,160	(1,269,160)
GASB Statement 3	$ 1,886,340	$ 1,660,937

NOTE 6: RESTRICTED ASSETS

The City is reporting “Restricted Assets: Equity in Pooled Cash and Cash Equivalents” in the amount of $6,889 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, 1998 on the assessed value as of January 1, 1998, the lien date, and were collected in 1999. 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 1999 attached as a lien on December 31, 1998, were levied after October 1, 1998 and are collected with real property taxes. Public utility property taxes are assessed on tangible personal property at 88% of true value. 1999 tangible personal property taxes are levied after October 1, 1998, on the value listed as of December 31, 1998 and are collected in 1999. Tangible personal property assessments are 25% of true value.

The assessed value upon which the 1999 taxes were collected was $66,253,340. Real estate represented 67% ($44,090,850) of this total, tangible personal property represented 25% ($16,838,550), and public utilities tangible personal property represented 8% ($5,323,940). The full tax rate for all City operations applied to taxable property for the year ended December 31, 1999 was $6.10 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.

NOTE 7: PROPERTY TAXES (Continued)

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, 1999. 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 1999 operations, the receivable is offset by a credit to deferred revenue.

NOTE 8: RECEIVABLES

Receivables at December 31, 1999 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 $145,154. 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.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Intergovernmental Receivables:	
General Fund:	
Estate tax	$ 1,995
Undivided local government tax	68,508
Total General Fund	$ 70,503

NOTE 8: RECEIVABLES (Continued)

Special Revenue Funds:	
Gasoline tax	$ 25,608
Motor vehicle license	6,526
City permissive tax	4,655
Total Special Revenue Funds	36,789
Total - All Funds	$ 107,292

NOTE 9: FIXED ASSETS AND DEPRECIATION

A summary of the enterprise funds' property, plant and equipment at December 31, 1999 follows:

Land	$ 158,570
Buildings	5,906,062
Improvements other than buildings	1,341,267
Machinery and Equipment	6,760,424
Furniture and Fixtures	81,325
Vehicles	649,018
Total	14,896,666
Less: Accumulated Depreciation	(4,584,732)
Net Fixed Assets	$ 10,311,934

Changes in general fixed assets follows:

	Balance January 1, 1999	Additions	Reductions	Balance December 31, 1999
Land	$ 860,641	$ 0	$ 0	$ 860,641
Buildings	1,681,400	0	0	1,681,400
Improvements other than buildings	731,514	0	0	731,514
Machinery and equipment	273,916	15,762	(39,570)	250,108
Furniture and fixtures	155,159	9,202	(4,148)	160,213
Vehicles	2,278,145	19,843	0	2,297,988
Total	$ 5,980,775	$ 44,807	$ (43,718)	$ 5,981,864

NOTE 10: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The City contracts with Cook Insurance Company for package/umbrella (general liability), health department, officials, police and dwelling insurance. Each of these insurance policies has a $1,000,000 limit and a $1,000 deductible.

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

NOTE 11: DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System (PERS)

All City employees, except non-administrative, full-time uniformed police officers and firemen participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement benefits, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits and disability benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215.

Plan members, other than those engaged in law enforcement, are required to contribute 8.5% of their annual covered salary to fund pension obligations. The City is required to contribute 9.35%. Contributions are authorized by state statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 1999, 1998 and 1997 were $190,429, $180,930 and $176,311, respectively. The full amount has been contributed for 1998 and 1997. 74% has been contributed for 1999 with the remainder being reported as a liability within the enterprise fund and the general long-term obligations account group.

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

B. Police and Firemen's Disability and Pension Fund (PFDPF)

The City of Martins Ferry contributes to the Police and Firemen's Disability and Pension Fund of Ohio (the "Fund"), a cost-sharing multiple employer public employee retirement system administered by the Fund's Board of Trustees. The PFDPF 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. PFDPF 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 Police and Firemen's Disability and Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43215.

Plan members are required to contribute 10.0% of their annual covered salary to fund pension obligations and the City is required to contribute 19.5% for police officers. The City has no firefighters. Contributions are authorized by state statute. The City's required contributions to the Fund for police were $67,944 for the year ended December 31, 1999, $73,247 for 1998, and $67,980 for 1997. The full amount has been contributed for 1998 and 1997 and 76% has been contributed for 1999 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, 1999, the unfunded liability of the City was $213,984, 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 12: POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) 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. 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 postretirement health care based on authority granted by state statute. The 1999 employer contribution rate was 13.55% of covered payroll for employees not engaged in law enforcement; 4.2% was the portion that was used to fund health care for the year. For law enforcement employees, the employer contribution rate was 19.5% of which 7.0% was used to fund health care.

NOTE 12: POSTEMPLOYMENT BENEFITS (Continued)

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

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

Expenditures for OPEB during 1999 were $523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were $9,870,285,641. The number of benefit recipients eligible for OPEB at December 31, 1999, was 118,062.

B. Police And Firemen's Disability And Pension Fund (PFDPF)

The Police and Firemen's Disability and Pension Fund ("PFDPF") provides postretirement health care coverage to any person who receives 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 as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Police and Firemen's Disability and Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the Police and Firemen's Disability and Pension Fund 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 and the total firefighter employer contribution rate is 24% of covered payroll, of which 7.0% of covered payroll is applied to the postemployment health care program. 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, 1998, was 11,424 for police and 9,186 for firefighters. The City's actual contributions for 1999 that were used to fund postemployment benefits were $24,391 for police. PFDPF's total health care expenses for the year ended December 31, 1998, (the latest information available) were $78,596,790.

NOTE 12: POSTEMPLOYMENT BENEFITS (Continued)

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, 1999, no City employees have elected social security.

NOTE 13: OTHER EMPLOYEE BENEFITS

The City provides life insurance and accidental death and dismemberment insurance to all union employees as well as all non-union full-time employees, excluding elected officials. The amount of the life insurance policy for the union employees is based on the employee's rate of pay while the police receive a $20,000 policy and all City supervisors receive an $8,000 policy.

The City contracts with a local Health Management Organization, Advantage Health Plan, for hospitalization insurance for all employees and elected officials. The City pays 100% of the total monthly premiums of $469.89 for family coverage and $151.87 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries.

The City contracts with Delta Dental for dental insurance for all supervisors and police. The City pays 100% of the total monthly premiums of $57.27 for family coverage, $36.94 for employees with only one dependent, and $18.99 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 $24.00 per union employee. Premiums are paid from the same funds that pay the employees’ salaries.

NOTE 14: CAPITAL LEASES

The City entered into a capital lease in the General Fund for a police cruiser. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards Number 13 "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The police cruiser acquired by the lease has been capitalized in the General Fixed Asset Account Group in the amount of $21,018, which is equal to the present value of the future minimum lease payments at the time of acquisition.

Future minimum lease payments are as follows:

Year	
2000	$ 5,796
Less: Amount representing interest	(155)
Present value of net minimum lease payments	$ 5,641

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, 1999, the liability for unpaid compensated absences was $188,143.

NOTE 16: LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City during the year ended December 31, 1999 consisted of the following:

	Outstanding 1/1/99	Additions	(Reductions)	Outstanding 12/31/99
Enterprise Fund Obligations				
OWDA loans, 2% maturity date 1/1/2022	$ 9,711,561	$ 0	$ (337,145)	$ 9,374,416
General Obligation Bonds:				
Waterworks Bond, 6.5%, maturity date 12/1/99	40,000	0	(40,000)	0
Total Enterprise Fund Obligations	9,751,561	0	(377,145)	9,374,416
General Long-Term Obligations				
General Obligation Bonds:				
Pattons Run Picoma 1987, 7.735%, maturity date 12/1/2007	80,000	0	(8,000)	72,000
Capital leases payable	15,286	0	(9,645)	5,641
Police and Fire Pension Liability	216,545	0	(2,561)	213,984
Intergovernmental Payable	22,620	21,932	(22,620)	21,932
Compensated absences	28,886	0	(13,826)	15,060
Total general long-term obligations	363,337	21,932	(56,652)	328,617
Grand total	$10,114,898	$ 21,932	$ (433,797)	$ 9,703,033

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 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.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 1999 are as follows:

Year	General Obligation Bonds	Police and Fire Pension	Total
2000	$ 14,310	$ 11,737	$ 26,047
2001	13,646	11,737	25,383
2002	12,982	11,737	24,719
2003	12,318	11,737	24,055
2004-2008	42,640	58,685	101,325
2009-2013	--	58,685	58,685
2014-2018	--	58,685	58,685
2019-2023	--	58,685	58,685
2024-2028	--	58,685	58,685
2029-2033	--	58,685	58,685
2034-2035	--	17,075	17,075
Totals	$ 95,896	$ 416,133	$ 512,029

The City's OWDA Loan is still in the process of being drawn down, and therefore there has been no repayment schedule issued. Once this loan has been completely drawn down OWDA will provide the City with a final amortization schedule.

NOTE 17: NOTE DEBT

The City's note activity, including amounts outstanding, interest rates and the purpose for which the note was issued, is as follows:

	Outstanding 1/1/99	Additions	(Reductions)	Outstanding 12/31/99
Special Revenue Fund:				
Street and Sidewalk Improvement Bond Anticipation Note – 3.70%, matures May 2000	$ 96,000	$ 76,000	$ (96,000)	$ 76,000
Fire Equipment Improvement Note – 3.70%, matures May 2000	430,000	425,000	(430,000)	425,000
Improvement Note – 3.70%, matures May 2000	530,000	523,000	(530,000)	523,000
Total Special Revenue Funds	1,056,000	1,024,000	(1,056,000)	1,024,000
Enterprise Funds:				
Parking Meter General Obligation Bond Anticipation Notes – 5.84%, matures December 2000	45,000	42,000	(45,000)	42,000
Water Improvement – 3.70%, matures May 2000	175,000	155,000	(175,000)	155,000
Total Enterprise Funds	220,000	197,000	(220,000)	197,000
Totals	$ 1,276,000	$ 1,221,000	$ (1,276,000)	$ 1,221,000

The principal and interest requirements to retire promissory notes outstanding at December 31, 1999 are as follows:

Note	Principal	Interest	Total
Street & Sidewalk Improvement	$ 76,000	$ 9,650	$ 85,650
Fire Equipment Improvement	948,000	13,756	961,756
Parking Meter General Obligation Bond Anticipation	42,000	108	42,108
Water Improvement	155,000	3,520	158,520
Total	$1,221,000	$ 27,034	$1,248,034

NOTE 17: NOTE DEBT (Continued)

All of the above promissory notes are backed by the full faith and credit of the City of Martins Ferry. The note liability is reflected in the fund which received the proceeds and which will repay the debt. The notes are generally issued in anticipation of long-term bond financing.

NOTE 18: INTERFUND TRANSACTIONS

Interfund balances at December 31, 1999 consist of the following individual fund receivables and payables:

	Interfund	
Fund	Receivable	Payable
Permanent Improvement Capital Projects Fund	$ 151,892	$ 0
General Fund	13,416	55,000
Police Pension Special Revenue Fund	0	39,571
Street Construction Capital Projects Fund	0	13,416
Sanitation Enterprise Fund	0	57,321
Total	$ 165,308	$ 165,308

NOTE 19: SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City's enterprise funds account for the provision of water, sanitation, 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, 1999:

	Sewer	Water	Sanitation	Parking Meter	Off-Street Parking	Total
Operating revenues	$ 251,321	$ 2,294,158	$ 609,955	$ 55,258	$ 1,792	$ 3,212,484
Depreciation	2,257	426,395	19,051	4,300	0	452,003
Operating expenses (net of depreciation)	221,115	1,626,736	585,292	26,623	0	2,459,766
Operating income (loss)	27,949	241,027	5,612	24,335	1,792	300,715
Interest and fiscal charges	0	203,363	9,155	2,223	0	214,741
Net income (loss)	2,646	5,239	(3,041)	20,192	1,792	26,828
Additions to property, plant and equipment	10,424	30,764	10,425	45,579	0	97,192
Net working capital	111,887	308,682	(48,538)	16,879	1,792	390,702
Total assets	140,250	10,536,654	184,970	63,062	1,792	10,926,728
Long-term liabilities to be paid from fund revenues	0	9,529,416	0	42,000	0	9,571,416
Total equity	129,853	815,554	7,048	20,954	1,792	975,201

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 1999. 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 1999. 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 1999, OMEGA received $719 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. Belmont County Sewer Authority is established by Ohio Revised Code Section 6119, serving the municipalities of Bellaire, Brookside, and Martins Ferry. The Authority is operated by a four member Board of Trustees. One member of the Board is appointed by the Mayor of Martins Ferry. The Authority is not dependent on the City of Martins Ferry for its continued existence and the City does not maintain an equity interest. The City does not make any monetary contributions to the District.

F. Bel-O-Mar Regional Council 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 1999, Bel-O-Mar Regional Council received $5,802 from the City of Martins Ferry for annual fees and grant administration services.

NOTE 22: 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 term 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, 1999.

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.

CITY OF MARTINS FERRY

BELMONT COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1999

ederal Grantor/ ass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
S. DEPARTMENT OF HOUSING AND URBAN DEVLOPMENT *assed Through Ohio Department of Development*			
Community Development Block Grant	A-F-95-143-1	14.228	$44,800
	A-F-96-143-1	14.228	43,554
	A-F-97-143-1	14.228	13,326
	A-F-98-143-1	14.228	19,756
	A-C-97-143-1	14.228	47,833
Total Community Development Block Grant			169,269
Housing Investment Partnership Program Housing Improvement Program	A-C-97-143-2	14.239	229,838
otal U.S. Department of Housing and Urban Development			399,107
PPALACHIAN REGIONAL COMMISSION *assed Through Ohio Department of Development*			
Appalachian Supplements to Federal Grant In Aid	A-P-94-143-1	23.002	112,167
otal Appalachian Regional Commission			112,167
otal Federal Awards Expenditures			**$511,274**

The accompanying notes to this schedule are an integral part of this schedule.

CITY OF MARTINS FERRY
BELMONT COUNTY

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 1999

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - COMMUNITY DEVELOPMENT BLOCK PROGRAM REVOLVING LOAN PROGRAM

The City has established a revolving loan program to provide low-interest loans to persons from low-moderate income households to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City, passes through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the Schedule. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirement imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property. At December 31, 1999, the gross amount of loans outstanding under this program was $145,152 and is exhibited on the Combined Balance Sheet in the Capital Projects Fund Type as Mortgage Loans Receivable.

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.

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STATE OF OHIO
OFFICE OF THE AUDITOR
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REPORT OF INDEPENDENT ACCOUNTANTS 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 the 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, 1999, and have issued our report thereon dated November 6, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 performed tests of its compliance with certain provisions of laws, regulations, 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 1999-21007-001, 1999-21007-002, 1999-21007-003, 1997-21007-004, 1997-21007-005, and 1999-21007-006. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated November 6, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order 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. 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 control over financial reporting that, in our judgement, 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 1999-21007-007 and 1999-21007-008.

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 a reportable condition and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. 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 November 6, 2000.

This report is intended for the information and use of the 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.

Jim Petro
Auditor of State

November 6, 2000

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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH 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 the 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, 1999. 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 generally accepted auditing standards; 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, 1999.

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.

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.

This report is intended for the information and use of the 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.

Jim Petro
Auditor of State

November 6, 2000

CITY OF MARTINS FERRY
BELMONT COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 1999

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)?**	Yes
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	Yes
(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 § .510?**	No
(d)(1)(vii)	**Major Programs (list):**	Home Improvement Partnership Program (HOME) CFDA # 14.239
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A > $300,000 Type B - all other programs
(d)(1)(ix)	**Low Risk Auditee?**	Yes

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

FINDING NUMBER 1999-21007-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

A. Then and Now Certificate - This exception provides that, if the fiscal officer can certify that both at the time the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

B. Amounts of less than $100 for counties, or less than $1,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Forty-three percent of the City's expenditures did not include prior certification of the City Auditor. These commitments were not subsequently resolved to be paid by the Council within the aforementioned 30 day time period.

We recommend that the City Auditor certify the availability of funds prior to the cash expenditure, and to encumber the entire amount of the invoice at the time the purchase order is approved.

FINDING NUMBER 1999-21007-02

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) requires no subdivision or taxing authority to expend money unless it has been appropriated.

At year end the following funds had expenditures in excess of appropriations:

<u>Debt Service Fund Type</u>
Pattons Run-Picoma Fund by $3,618

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

FINDING NUMBER 1999-21007-02 (Continued)

Enterprise Fund Type
Water Fund by $39,095
Sanitation Fund by $5,917
Parking Meter Fund by $45,579

We reviewed the appropriation ledger for the audit period. In addition to having expenditures exceeding appropriations at year end, the City had several funds with negative variances at the object level of control throughout the year.

We recommend the City Auditor monitor available appropriations, and should deny payments that exceed appropriations. If available resources exist to make the payment, management should request City Council to consider amending appropriations.

FINDING NUMBER 1999-21007-03

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states in part that the total appropriation from each fund should not exceed the total estimated revenue.

At year end, the following funds were found to have appropriations in excess of the amount certified as available by the Budget Commission:

General Fund over by $23, 774

Special Revenue Fund Type
Street Construction, Maintenance and Repair Fund over by $42,397
Permissive Tax Fund over by $7,455
Police Levy Fund over by $2,229
Elderly Service Fund over by $479
Park and Recreation Fund over by $20,534
Park Maintenance Fund over by $2,180
Home Mortgage Fund over by $7,055
Memorial Park Fund over by $2,500
DARE Fund over by $590
Off-Street Parking Fund by $800
Police Pension Fund over by $40,323

Capital Project Fund Type
Community Development Block Grant Downtown Revitalization Fund over by $125,280

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 1999
(Continued)

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

FINDING NUMBER 1999-21007-03 (Continued)

Enterprise Fund Type
Water Plant Debt Service over by $1,959

We reviewed the receipt and appropriation ledgers for the audit period. In addition to having appropriations exceeding estimated revenues at year end, the City had several funds that had appropriations exceeding estimated revenue throughout the year. Some of these variances occurred from the timing of posting the appropriation amounts before obtaining the amended certificate from the budget commission.

We recommend the City Auditor amend the certificate of estimated resources or modify total appropriations with Council and County Budget Commission whenever appropriations exceed estimated resources.

FINDING NUMBER 1999-21007-04

Noncompliance Citation

Ohio Rev. Code Section 5705.10 states in part that money that is paid into a fund must be used only for the purpose for which such fund has been established.

At year end the following funds were found to have negative fund balances:

Special Revenue Fund Type
Police Pension Fund had a negative fund balance of $39,571.

Debt Service Fund Type
Street Construction Special Assessment Fund had a negative fund balance of $13, 416.

We reviewed the cashbook for the audit period and the City had several funds, most notably the General Fund, that had negative balances at some point during the year

Therefore, these negative balances indicate that money from another fund has been used to pay the obligations of the funds.

We recommend the City monitor budgetary practices to ensure that disbursements are made from properly appropriated funds.

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

FINDING NUMBER 1999-21007-05

Noncompliance Citation

Ohio Rev. Code Section 5735.28 states wherever a municipal corporation is on the line of the state highway system as designated by the director of transportation as extension or continuance of the state highway system, seven and one-half per cent of the amount paid to any municipal corporation pursuant to sections 4501.04, 5735.23, and 5735.27 of the Revised Code shall be used by it only to construct, reconstruct, repave, widen, maintain, and repair such highways, to purchase, erect, and maintain traffic lights and signals, and to erect and maintain street and traffic signs and markers on such highways.

During 1999, the City paid street department employees from the State Highway fund in the amount of $12,486. The City had no documentation on file to support that the street department employees were working on the two state routes within the City. The City repaid $6,535 of the $12,486 back to the State Highway Fund from the Street Construction, Maintenance and Repair Fund. As of December 31, 1999, the Street Construction, Maintenance and Repair Fund still owed the State Highway Fund an amount of $5,951.

A finding for adjustment is hereby issued against the Street Construction Maintenance and Repair Fund of the City of Martins Ferry, Belmont County in the amount of $5,951, in favor of the State Highway Fund. We considered this matter in forming our opinion on the City's financial statements. Since this matter did not materially affect the financial statements, this matter has not been recorded on the books of the City.

FINDING NUMBER 1999-21007-06

Noncompliance Citation

Ohio Rev. Code Section 5705.10 and Auditor of State Bulletin 97-003 states that in order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established.

On October 21, 1999, the City Council passed a Resolution authorizing an advance from the City's Permanent Improvement Fund, Capital Project Fund Type to the General Fund in the amount of $55,000 to cover salaries and bills presented at year-end. In addition, during August 2000, the City Council passed a Resolution authorizing a advance from the City's Permanent Improvement Fund, Capital Project Fund Type, to the General Fund in the amount of $50,000 for general operations. The Permanent Improvement Fund contains proceeds from the prior sale of the electric plant of which monies are restricted to capital asset purchases.

A finding for adjustment is hereby issued against the General Fund of the City of Martins Ferry, Belmont County in the amount of $105,000, in favor of the Permanent Improvement Fund, Capital Project Fund Type. The financial statements reflect a interfund payable in the amount of $55,000 in the General Fund and a interfund receivable in the amount of $55,000 in the Permanent Improvement Fund.

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

FINDING NUMBER 1999-21007-07

Reportable Condition - Posting Legislatively Approved Budgetary Documents

Amended certificates of estimated resources and appropriation measures, which have been approved by Council, should be timely entered into the City's budgetary accounting system. The City Auditor's office should reconcile legislatively approved amounts to budgetary amounts on the accounting system. The City did not consistently post legislatively approved budgetary documents to the accounting system in a timely manner.

As a result, the accounting system did not reflect the most recently approved budgetary amounts. Therefore, management could be making expenditure decisions based on incorrect budgetary amounts.

We recommend that legislatively approved budgetary documents be posted to the accounting system in a timely manner. Also, these legislatively approved budgetary documents should be reconciled to the accounting system and documentation be provided of this process. For amounts that materially affected the financial statements, we adjusted the budgetary financial statement to reflect amounts adopted by Council.

FINDING NUMBER 1999-21007-08

Reportable Condition - Fixed Asset Policy

The City's fixed asset policy is outdated and not consistently applied by management. No procedures existed for inputting capitalized purchases, accounting for assets that have been replaced and for conducting a periodic physical inventory. In addition, the useful lives adopted by the City in the fixed asset policy were not consistently applied to the same class of fixed asset.

Our testing of the fixed asset ledger indicated that some assets were carried on the listing that have been replaced by new assets, assets of the same class have different useful lives and no physical review of the listing has been performed by management.

We recommend the City review and update their fixed asset policy. Procedures should be implemented to ensure the compete and accurate reporting of all capital assets. Also, the City should perform a physical inventory of its capitalized fixed assets, either simultaneously or on a rotating basis, so that all of the City's fixed assets are physically accounted for at least once every five years.

We considered the effects of this matter in forming our opinion on the City's financial statements.

CITY OF MARTINS FERRY
BELMONT COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 1999
(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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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
DECEMBER 14, 2000