



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 Members of 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, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Martins Ferry, Belmont County, as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2002, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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Jim Petro
Auditor of State

September 10, 2002

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CITY OF MARTINS FERRY

Combined Balance Sheet
All Fund Types and Account Groups

For the Year Ended December 31, 2001

	Governmental Fund Type				Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Agency	General Fixed Assets	General Long-Term Obligations	
ASSETS AND OTHER DEBITS									
Assets									
Equity in Pooled Cash and Cash Equivalents	\$ 0	\$ 235,176	\$ 0	\$ 21,155	\$ 615,211	\$ 0	\$ 0	\$ 0	\$ 871,542
Cash and Cash Equivalents:									
In Segregated Accounts	0	0	0	0	0	587	0	0	587
With Fiscal Agents	0	0	131	0	0	0	0	0	131
Investments	0	123,960	0	2,710,000	0	0	0	0	2,833,960
Receivables:									
Taxes	250,318	304,734	0	0	0	0	0	0	555,052
Accounts	42,754	81,326	0	0	210,969	0	0	0	335,049
Intergovernmental	211,304	672,805	0	0	570,061	0	0	0	1,454,170
Accrued Interest	35,027	628	0	0	0	0	0	0	35,655
Mortgage Loans	0	0	0	118,143	0	0	0	0	118,143
Interfund	20,510	0	0	12,409	0	0	0	0	32,919
Advance To Other Funds	0	0	0	183,911	0	0	0	0	183,911
Materials and Supplies Inventory	602	1,023	0	0	40,306	0	0	0	41,931
Restricted Assets:									
Equity in Pooled Cash and Cash Equivalents	0	0	0	0	9,950	0	0	0	9,950
Fixed Assets(Net, where applicable, of Accumulated Depreciation)	0	0	0	0	9,451,026	0	5,866,434	0	15,317,460
Other Debits									
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0	0	0	0	410,176	410,176
Total Assets and Other Debits	\$ 560,515	\$ 1,419,652	\$ 131	\$ 3,045,618	\$ 10,897,523	\$ 587	\$ 5,866,434	\$ 410,176	22,200,636

(Continued)

See accompanying notes to the general purpose financial statements.

CITY OF MARTINS FERRY

Combined Balance Sheet
All Fund Types and Account Groups

For the Year Ended December 31, 2001

	Governmental Fund Type				Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Agency	General Fixed Assets	General Long-Term Obligations	
LIABILITIES AND FUND EQUITY									
Liabilities									
Accounts Payable	\$ 2,587	\$ 2,791	\$ 0	\$ 0	\$ 19,803	\$ 0	\$ 0	\$ 0	\$ 25,181
Contracts Payable	0	0	0	0	63,044	0	0	0	63,044
Accrued Wages	26,640	9,926	0	0	42,671	0	0	0	79,237
Compensated Absences Payable	9,230	5,915	0	0	107,080	0	0	10,529	132,754
Interfund Payable	0	19,503	0	13,416	0	0	0	0	32,919
Advance From Other Funds	174,521	9,390	0	0	0	0	0	0	183,911
Intergovernmental Payable	39,196	5,977	0	0	28,927	0	0	25,249	99,349
Deferred Revenue	375,754	1,013,579	0	0	0	0	0	0	1,389,333
Undistributed Monies	0	0	0	0	0	587	0	0	587
Matured Interest Payable	0	0	131	0	0	0	0	0	131
Accrued Interest Payable	0	20,608	0	0	1,226	0	0	0	21,834
Notes Payable	0	854,000	0	0	61,000	0	0	62,746	977,746
Payable from Restricted Assets:									
Customer Deposits	0	0	0	0	9,950	0	0	0	9,950
Police and Fire Pension Liability	0	0	0	0	0	0	0	208,529	208,529
OWDA Loans Payable	0	0	0	0	8,684,525	0	0	0	8,684,525
Capital Leases Payable	0	0	0	0	0	0	0	49,123	49,123
General Obligation Bonds Payable	0	0	0	0	0	0	0	54,000	54,000
Total Liabilities	627,928	1,941,689	131	13,416	9,018,226	587	0	410,176	12,012,153
Fund Equity and Other Credits									
Investment in General Fixed Assets	0	0	0	0	0	0	5,866,434	0	5,866,434
Contributed Capital	0	0	0	0	423,798	0	0	0	423,798
Retained Earnings	0	0	0	0	1,455,499	0	0	0	1,455,499
Fund Balance:									
Reserved for Encumbrances	4,124	31,281	0	35,090	0	0	0	0	70,495
Reserved for Advances	0	0	0	183,911	0	0	0	0	183,911
Reserved for Inventory	602	1,023	0	0	0	0	0	0	1,625
Unreserved, Undesignated	(72,139)	(554,341)	0	2,813,201	0	0	0	0	2,186,721
Total Fund Equity (Deficit) and Other Credits	(67,413)	(522,037)	0	3,032,202	1,879,297	0	5,866,434	0	10,188,483
Total Liabilities, Fund Equity and Other Credits	\$ 560,515	\$ 1,419,652	\$ 131	\$ 3,045,618	\$ 10,897,523	\$ 587	\$ 5,866,434	\$ 410,176	22,200,636

See accompanying notes to the general purpose financial statements.

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CITY OF MARTINS FERRY

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

For the Year Ended December 31, 2001

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<u>Revenues</u>					
Taxes	\$ 198,682	\$ 253,738	\$ 0	\$ 0	\$ 452,420
Charges for Services	85,868	89,092	0	0	174,960
Fines, Licenses and Permits	86,288	20,044	0	0	106,332
Intergovernmental	410,789	648,461	0	0	1,059,250
Interest	202,100	7,806	0	7,222	217,128
Other	38,972	43,642	0	1,979	84,593
Total Revenues	1,022,699	1,062,783	0	9,201	2,094,683
<u>Expenditures</u>					
Current:					
General Government	310,638	0	0	0	310,638
Security of Persons and Property	742,971	274,834	0	0	1,017,805
Public Health Services	27,192	51,930	0	0	79,122
Transportation	0	326,754	0	0	326,754
Community Environment	2,023	360,821	0	15,936	378,780
Leisure Time Activities	410	16,056	0	0	16,466
Capital Outlay	0	0	0	75,213	75,213
Debt Service:					
Principal Retirement	10,000	16,369	18,000	0	44,369
Interest and Fiscal Charges	540	42,306	7,302	0	50,148
Total Expenditures	1,093,774	1,089,070	25,302	91,149	2,299,295
Excess of Revenues (Under) Expenditures	(71,075)	(26,287)	(25,302)	(81,948)	(204,612)
<u>Other Financing Sources (Uses)</u>					
Proceeds from Sale of Notes	20,605	68,510	0	0	89,115
Proceeds from Inception of Capital Lease	0	0	0	49,123	49,123
Proceeds from Sale of Fixed Assets	0	0	0	5,000	5,000
Operating Transfers In	0	10,212	25,302	0	35,514
Operating Transfers Out	(6,500)	0	0	(3,712)	(10,212)
Total Other Financing Sources (Uses)	14,105	78,722	25,302	50,411	168,540
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(56,970)	52,435	0	(31,537)	(36,072)
Fund Balances (Deficit) at Beginning Of Year	(10,481)	(573,787)	0	3,063,739	2,479,471
Increase (Decrease) in Reserve for Inventory	38	(685)	0	0	(647)
Fund Balance (Deficit) at End of Year	\$ (67,413)	\$ (522,037)	\$ 0	\$ 3,032,202	\$ 2,442,752

See accompanying notes to the general purpose financial statements.

CITY OF MARTINS FERRY

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

For the Year Ended December 31, 2001

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$ 183,510	\$ 198,682	\$ 15,172	\$ 233,106	\$ 253,738	\$ 20,632
Charges for Services	85,758	85,868	110	63,000	96,323	33,323
Fines, Fees, and Permits	89,171	82,331	(6,840)	17,400	20,044	2,644
Intergovernmental	425,169	423,514	(1,655)	949,839	639,035	(310,804)
Interest	229,000	189,754	(39,246)	9,091	9,659	568
Mortgage Loans	0	0	0	0	0	0
Other	21,308	38,972	17,664	11,717	43,642	31,925
Total Revenues	1,033,916	1,019,121	(14,795)	1,284,153	1,062,441	(221,712)
Expenditures:						
Current:						
General Government	322,091	321,853	238	0	0	0
Security of Persons and Property	776,103	775,900	203	329,852	294,107	35,745
Public Health and Welfare	1,979	1,979	0	65,486	61,723	3,763
Transportation	0	0	0	354,984	338,645	16,339
Community Environment	0	0	0	670,719	369,857	300,862
Leisure Time Activities	1,193	1,193	0	18,468	16,021	2,447
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	10,000	10,000	0	980,369	980,369	0
Interest and Fiscal Charges	540	540	0	54,775	54,765	10
Total Expenditures	1,111,906	1,111,465	441	2,474,653	2,115,487	359,166
Excess of Revenue (Under) Expenditures	(77,990)	(92,344)	(14,354)	(1,190,500)	(1,053,046)	137,454
Other Financing Sources (Uses):						
Note Proceeds	20,605	20,605	0	972,510	922,510	(50,000)
Proceeds from Inception of Capital Lease	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0
Advances In	106,000	69,521	(36,479)	15,000	9,390	(5,610)
Advances Out	0	0	0	0	0	0
Operating Transfers In	0	0	0	6,500	10,212	3,712
Operating Transfers Out	(6,500)	(6,500)	0	0	0	0
Other Financing Sources (Uses)	120,105	83,626	(36,479)	994,010	942,112	(51,898)
Excess of Revenues and Other Financing Sources (Under) Expenditures and Other Financing Uses	42,115	(8,718)	(50,833)	(196,490)	(110,934)	85,556
Fund Balance at Beginning of Year	16,860	16,860	0	409,924	409,924	0
Prior Year's Encumbrances Appropriated	8,244	8,244	0	7,602	7,602	0
Fund Balances at End of Year	\$ 67,219	\$ 16,386	\$ (50,833)	\$ 221,036	\$ 306,592	\$ 85,556

(Continued)

See accompanying notes to the general purpose financial statements.

CITY OF MARTINS FERRY

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

For the Year Ended December 31, 2001

	Capital Project Funds			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$ 0	\$ 0	\$ 0	\$ 416,616	\$ 452,420	\$ 35,804
Charges for Services	0	0	0	148,758	182,191	33,433
Fines, Fees, and Permits	0	0	0	106,571	102,375	(4,196)
Intergovernmental	0	0	0	1,375,008	1,062,549	(312,459)
Interest	0	7,222	7,222	238,091	206,635	(31,456)
Mortgage Loans	20,000	17,528	(2,472)	20,000	17,528	(2,472)
Other	0	1,979	1,979	33,025	84,593	51,568
Total Revenues	20,000	26,729	6,729	2,338,069	2,108,291	(229,778)
Expenditures:						
Current:						
General Government	0	0	0	322,091	321,853	238
Security of Persons and Property	0	0	0	1,105,955	1,070,007	35,948
Public Health and Welfare	0	0	0	67,465	63,702	3,763
Transportation	0	0	0	354,984	338,645	16,339
Community Environment	33,100	23,998	9,102	703,819	393,855	309,964
Leisure Time Activities	0	0	0	19,661	17,214	2,447
Capital Outlay	146,302	102,303	43,999	146,302	102,303	43,999
Debt Service:						
Principal Retirement	0	0	0	990,369	990,369	0
Interest and Fiscal Charges	0	0	0	55,315	55,305	10
Total Expenditures	179,402	126,301	53,101	3,765,961	3,353,253	412,708
Excess of Revenue (Under) Expenditures	(159,402)	(99,572)	59,830	(1,427,892)	(1,244,962)	182,930
Other Financing Sources (Uses):						
Note Proceeds	0	0	0	993,115	943,115	(50,000)
Proceeds from Inception of Capital Lease	0	49,123	49,123	0	49,123	49,123
Proceeds from Sale of Fixed Assets	0	5,000	5,000	0	5,000	5,000
Advances In	0	0	0	121,000	78,911	(42,089)
Advances Out	(121,000)	(78,911)	42,089	(121,000)	(78,911)	42,089
Operating Transfers In	0	0	0	6,500	10,212	3,712
Operating Transfers Out	0	(3,712)	(3,712)	(6,500)	(10,212)	(3,712)
Other Financing Sources (Uses)	(121,000)	(28,500)	92,500	993,115	997,238	4,123
Excess of Revenues and Other Financing Sources (Under) Expenditures and Other Financing Uses	(280,402)	(128,072)	152,330	(434,777)	(247,724)	187,053
Fund Balance at Beginning of Year	2,823,030	2,823,030	0	3,249,814	3,249,814	0
Prior Year's Encumbrances Appropriated	100	100	0	15,946	15,946	0
Fund Balances at End of Year	\$ 2,542,728	\$ 2,695,058	\$ 152,330	\$ 2,830,983	\$ 3,018,036	\$ 187,053

See accompanying notes to the general purpose financial statements.

CITY OF MARTINS FERRYCombined Statement of Revenues, Expenses,
and Changes in Fund Equity
All Proprietary Fund Types

For the Year Ended December 31, 2001

	Proprietary Fund Type
	Enterprise
Operating Revenue	
Charges for Services	\$ 3,144,902
Fines, Licenses, and Permits	21,957
Other Revenue	50,239
Total Operating Revenues	3,217,098
Operating Expenses	
Personal Services	1,349,943
Contractual Service	822,939
Materials and Supplies	284,491
Depreciation	414,448
Total Operating Expenses	2,871,821
Operating Income	345,277
Non-Operating Revenues (Expenses):	
Intergovernmental Revenue	587,300
Interest Income	728
Interest and Fiscal Charges	(185,223)
Total Non-Operating Revenues (Expense)	402,805
Income Before Operating Transfers	748,082
Operating Transfers Out	(25,302)
Net Income	722,780
Depreciation on Fixed Assets Acquired by Contributed Capital	12,977
Retained Earnings at Beginning of Year	719,742
Retained Earnings at End of Year	1,455,499
Contributed Capital at Beginning of Year	436,775
Depreciation on Fixed Assets Acquired by Contributed Capital	(12,977)
Contributed Capital at End of Year	423,798
Fund Equity at Year of End	\$ 1,879,297

See accompanying notes to the general purpose financial statements.

CITY OF MARTINS FERRY

Combined Statement of Cash Flows
 All Proprietary Fund Types
 For the Year Ended December 31, 2001

	<u>Enterprise</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$ 3,162,649
Cash Payments for Employee Services and Benefits	(1,375,504)
Cash Payments to Suppliers for Goods and Services	(1,108,664)
Other Operating Receipts	66,322
Net Cash Provided by Operating Activities	<u>744,803</u>
<u>Cash Flows from Non-Capital and Related Financing Activities:</u>	
Cash Received from Intergovernmental Sources	<u>17,239</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Proceeds from Sale of Notes	61,000
Acquisition of Capital Assets	(18,404)
Principal Paid on OWDA Loan	(346,003)
Interest Paid on OWDA Loan	(180,795)
Principal Paid on Notes	(117,000)
Interest Paid on Notes	(6,520)
Principal Paid on Bonds	(18,000)
Interest Paid on Bonds	(7,302)
Net Cash Used for Capital and Related Financing Activities	<u>(633,024)</u>
<u>Cash Flows from Investing Activities:</u>	
Receipts of Interest	<u>728</u>
Net Increase in Cash and Cash Equivalents	129,746
Cash and Cash Equivalents at Beginning of Year	<u>495,415</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 625,161</u></u>
Reconciliation of Operating Income to	
<u>Net Cash Provided by Operating Activities:</u>	
Operating Income	\$ 345,277
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Depreciation	414,448
Change in Assets and Liabilities:	
Decrease in Accounts Receivable	8,347
Decrease in Materials and Supplies Inventory	4,727
Decrease in Accounts Payable	(5,961)
Increase in Accrued Wages	3,758
Increase in Compensated Absences Payable	1,150
Decrease in Intergovernmental Payable	(30,469)
Increase in Customer Deposits Payable	3,526
Net Cash Provided by Operating Activities	<u><u>\$ 744,803</u></u>

See accompanying notes to the general purpose financial statements.

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City of Martins Ferry, Ohio
Notes to the General Purpose Financial Statements
December 31, 2001

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 2000 census population of 7,226.

The City operates under a Mayor/Council form of government. Legislative power is vested in an eight member Council, each elected for two year terms, and other elected officials that include a Mayor, Auditor, Treasurer, and Law Director. The Mayor appoints the department directors and public members of various boards and commissions.

A. Reporting Entity

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

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

The City provides various services including police and fire protection, emergency medical, recreation (including parks), planning, zoning, street maintenance and repair, water and water pollution control, sanitation, and general administrative services. The operation of each of these activities is directly controlled by the Council through the budgetary process. These City operations form the legal entity of the City and are included as part of the primary government.

The City is involved with the Belmont Metropolitan Housing Authority, Eastern Ohio Regional Transit Authority, Ohio Mid-Eastern Governments Association, Jefferson-Belmont Joint Solid Waste Authority, 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 21.

City of Martins Ferry, Ohio
Notes to the General Purpose Financial Statements
December 31, 2001

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

B. Basis of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

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

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

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

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

City of Martins Ferry, Ohio
Notes to the General Purpose Financial Statements
December 31, 2001

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

B. Basis of Presentation - Fund Accounting (Continued)

Proprietary Fund Type:

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

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

Fiduciary Fund Type:

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

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

Account Groups:

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

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

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

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

City of Martins Ferry, Ohio
Notes to the General Purpose Financial Statements
December 31, 2001

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Measurement Focus and Basis of Accounting

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

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

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

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. (See Note 8.) Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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, motor vehicle license tax, government estate tax, and homestead and rollback), and fines and forfeitures.

City of Martins Ferry, Ohio
Notes to the General Purpose Financial Statements
December 31, 2001

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Measurement Focus and Basis of Accounting (Continued)

The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when 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, 2001, whose availability is indeterminate and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue.

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

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

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

B. Budgetary Process

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

City of Martins Ferry, Ohio
Notes to the General Purpose Financial Statements
December 31, 2001

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Budgetary Process (Continued)

be made by resolution of the City Council. The City has elected to report budgetary comparisons for governmental fund types only in accordance with GASB codification section 2400.

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 2001.

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

City of Martins Ferry, Ohio
Notes to the General Purpose Financial Statements
December 31, 2001

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Budgetary Process (Continued)

comparisons represent the final appropriation amounts, including all amendments and modifications.

Encumbrances:

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

Lapsing of Appropriations:

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

C. Cash and Investments

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

During 2001, investments were limited to certificates of deposit, sweep account repurchase agreements, Federal National Mortgage Association Debenture Bonds, and Federal Home Loan Mortgage Corporation Debenture Bonds. These investments are stated at cost or amortized cost which approximates market. Investment procedures are restricted by the provisions of the Ohio Revised Code.

Following Ohio statutes, the City Council has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during the year 2001 amounted to \$202,100, which includes \$200,898 assigned from other City funds.

City of Martins Ferry, Ohio
Notes to the General Purpose Financial Statements
December 31, 2001

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 6, Deposits and Investments.

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 Special Revenue Fund and the Street Construction Capital Projects 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 Home Mortgage 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

City of Martins Ferry, Ohio
Notes to the General Purpose Financial Statements
December 31, 2001

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventory (Continued)

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.

H. Fixed Assets and Depreciation

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

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

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

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

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

City of Martins Ferry, Ohio
Notes to the General Purpose Financial Statements
December 31, 2001

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Interfund Assets/Liabilities

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

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

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

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

City of Martins Ferry, Ohio
Notes to the General Purpose Financial Statements
December 31, 2001

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences (Continued)

as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the City's termination policy.

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

L. Interfund Transactions

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

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

M. Fund Balance Reserves

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

N. Contributed Capital

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

City of Martins Ferry, Ohio
Notes to the General Purpose Financial Statements
December 31, 2001

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 prior to 2001 have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to the proprietary funds have been classified as retained earnings.

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.

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: CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the City has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Reporting for Certain Shared Nonexchange Revenues." The statements established accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. For revenue recognition to occur on the modified accrual basis, however, the criteria established for accrual basis revenue recognition must be met and the revenue must be available. The provisions of Statement No. 33 also require that capital contributions to proprietary funds be recognized as revenues beginning in 2001. The implementation of GASB Statement No. 33 and 36 did not have a material effect on fund balance/retained earnings as it was previously reported as of December 31, 2000.

City of Martins Ferry, Ohio
Notes to the General Purpose Financial Statements
December 31, 2001

NOTE 4: BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements, appropriations and encumbrances.

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance.
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).

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

Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
GAAP Basis	\$ (56,970)	\$ 52,435	\$ (31,537)
Net adjustments for			
revenue accruals	(3,578)	(342)	17,528
Proceeds of notes	0	854,000	0
Advances in	69,521	9,390	0
Advances out	0	0	(78,911)
Net adjustments for			
expenditure accruals	(13,567)	(16,916)	(62)
Debt principal retirement	0	(964,000)	0
Debt interest payment	0	(12,459)	0
Encumbrances	(4,124)	(33,042)	(35,090)
Budget basis	<u>\$ (8,718)</u>	<u>\$ (110,934)</u>	<u>\$ (128,072)</u>

City of Martins Ferry, Ohio
Notes to the General Purpose Financial Statements
December 31, 2001

NOTE 5: ACCOUNTABILITY AND COMPLIANCE

A. Fund Deficits

The following funds had a deficit fund balance/retained earnings in accordance with generally accepted accounting principles:

General Fund	\$ 67,413
Special Revenue Funds:	
City Permissive Tax Fund	30,953
Policy Levy	1,116
Fire Apparatus III Fund	808,543
Enterprise Fund:	
Water Debt Fund	8,655,669

The Police Pension Special Revenue Fund and Street Construction Capital Projects Fund had deficit balances of \$19,503 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 Home Mortgage 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).

NOTE 6: 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.

City of Martins Ferry, Ohio
Notes to the General Purpose Financial Statements
December 31, 2001

NOTE 6: DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
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;

City of Martins Ferry, Ohio
Notes to the General Purpose Financial Statements
December 31, 2001

NOTE 6: DEPOSITS AND INVESTMENTS (Continued)

6. The State Treasurer's investment pool (STAR Ohio), and;
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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

During fiscal year 2001, the City's investments were limited to Federal Home Loan Mortgage Corporation Debentures, an overnight sweep account repurchase agreement, Federal National Mortgage Association Debenture Bonds, and Certificates of Deposit.

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

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

Deposits. At year-end, the carrying amount of the City's deposits was \$1,774,402, and the bank balance was \$1,854,740. Of the bank balance:

1. \$200,000 was covered by federal depository insurance.
2. \$1,654,740 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.

City of Martins Ferry, Ohio
Notes to the General Purpose Financial Statements
December 31, 2001

NOTE 6: DEPOSITS AND INVESTMENTS (Continued)

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

	<u>Category</u>			<u>Carrying Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Repurchase Agreement	\$ 0	\$ 0	\$ 881,412	\$ 881,412	\$ 881,412
Federal National Mortgage Association					
Debenture Bonds	0	1,060,000	0	<u>1,060,000</u>	<u>1,060,000</u>
				<u>\$ 1,941,412</u>	<u>\$ 1,941,412</u>

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:

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement 9	\$ 882,210	\$ 2,833,960
Deposit with fiscal agent	(131)	0
Cash on hand	(225)	0
Certificates of deposit with maturities of greater than 3 months	1,773,960	(1,773,960)
Repurchase Agreement	<u>(881,412)</u>	<u>881,412</u>
GASB Statement 3	<u>\$ 1,774,402</u>	<u>\$ 1,941,412</u>

NOTE 7: RESTRICTED ASSETS

The City is reporting "Restricted Assets: Equity in Pooled Cash and Cash Equivalents" in the amount of \$9,950 for the amount of water and sanitation customer deposits.

City of Martins Ferry, Ohio
Notes to the General Purpose Financial Statements
December 31, 2001

NOTE 8: 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, 2000 on the assessed value as of January 1, 2000, the lien date, and were collected in 2001. 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 2001 attached as a lien on December 31, 2000, were levied after October 1, 2000 and are collected with real property taxes. Public utility property taxes are assessed on tangible personal property at 88% of true value. 2001 tangible personal property taxes are levied after October 1, 2000, on the value listed as of December 31, 2000 and are collected in 2001. Tangible personal property assessments are 25% of true value.

The assessed value upon which the 2000 taxes were collected was \$78,557,170. Real estate represented 67% (\$52,188,290) of this total, tangible personal property represented 28% (\$22,301,680), and public utilities tangible personal property represented 5% (\$4,067,200). The full tax rate for all City operations applied to taxable property for the year ended December 31, 2001 was \$8.60 per \$1,000 of assessed valuation.

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

Tangible personal property taxes paid by multi-county taxpayers are due October 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by October 20.

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which became measurable as of December 31, 2001. 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 2001 operations, the receivable is offset by a credit to deferred revenue.

City of Martins Ferry, Ohio
Notes to the General Purpose Financial Statements
December 31, 2001

NOTE 9: RECEIVABLES

Receivables at December 31, 2001 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 \$118,143. 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:

	<u>Amount</u>
<u>Intergovernmental Receivables:</u>	
General Fund:	
Estate tax	\$ 14,395
Undivided local government tax	186,209
Homestead and rollback	10,700
Total General Fund	211,304
Special Revenue Funds:	
Gasoline tax	71,364
Motor vehicle license	63,435
City permissive tax	18,076
Homestead and rollback	11,823
Comprehensive Housing Improvement Program Grants	508,107
Total Special Revenue Funds	672,805
Enterprise Funds:	
Community Development Block Grants – Formula	146,061
Community Development Block Grants – Water	424,000
Total Enterprise Funds	570,061
Total - All Funds	\$ 1,454,170

City of Martins Ferry, Ohio
Notes to the General Purpose Financial Statements
December 31, 2001

NOTE 10: FIXED ASSETS AND DEPRECIATION

A summary of changes in general fixed assets during 2001 were as follows:

	Balance 1/1/2001	Additions	Reductions	Balance 12/31/2001
Land	\$ 860,641	\$ 0	\$ 0	\$ 860,641
Buildings	1,622,660	0	0	1,622,660
Improvements other than buildings	776,158	0	(2,225)	773,933
Machinery and equipment	213,137	48,388	(14,947)	246,578
Furniture and fixtures	152,077	0	(47,334)	104,743
Vehicles	2,257,127	22,752	(22,000)	2,257,879
Total	\$ 5,881,800	\$ 71,140	\$ (86,506)	\$ 5,866,434

A summary of the enterprise funds' fixed assets by major classes of fixed assets at December 31, 2001 follows:

Land	\$ 158,570
Buildings	5,909,462
Improvements other than buildings	1,341,267
Machinery and equipment	6,495,323
Furniture and fixtures	146,362
Vehicles	769,506
Construction in progress	<u>17,139</u>
	14,837,629
Less: Accumulated depreciation	<u>(5,386,603)</u>
Net fixed assets	\$ <u>9,451,026</u>

NOTE 11: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; employee injuries, and natural disasters. To address these various types of risk, the City belongs to the Public Entities Pool of Ohio ("PEP"), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles. There was no reduction in insurance coverage from coverage in the prior year. Also, insurance was sufficient to cover settlements in 1999, 2000 and 2001.

City of Martins Ferry, Ohio
Notes to the General Purpose Financial Statements
December 31, 2001

NOTE 11: RISK MANAGEMENT (Continued)

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

Casualty Insurance

PEP retains casualty risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporations.

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

Property Insurance

PEP retains property risks, including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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

Financial Position

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

<u>Casualty Coverage</u>	<u>2001</u>
Assets	\$ 19,358,458
Liabilities	<u>(8,827,588)</u>
Retained Earnings	<u>\$ 10,530,870</u>
 <u>Property Coverage</u>	
Assets	\$ 1,890,323
Liabilities	<u>(469,100)</u>
Retained Earnings	<u>\$ 1,421,223</u>

City of Martins Ferry, Ohio
Notes to the General Purpose Financial Statements
December 31, 2001

NOTE 12: 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 retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

Plan members, other than those engaged in law enforcement, are required to contribute 8.5% of their annual covered salary to fund pension obligations. For plan members the City was required to contribute 9.25% of covered salary for 2001, an increase from 6.54% for 2000. The 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, 2001, 2000 and 1999 were \$188,980, \$160,618 and \$190,429, respectively. The full amount has been contributed for 2000 and 1999. 88% has been contributed for 2001 with the remainder being reported as a fund liability.

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

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

City of Martins Ferry, Ohio
Notes to the General Purpose Financial Statements
December 31, 2001

NOTE 12: DEFINED BENEFIT PENSION PLANS (Continued)

Police are required to contribute 10.0% of their annual covered salary to fund pension obligations and the City is required to contribute 12% for police officers. For 2000, the City's contribution was 12.25% percent for police officers. The City has no paid firefighters. Contributions are authorized by state statute. The City's contributions to the *OP&F* for the year ended December 31, 2001, 2000, and 1999 were \$69,546, \$68,271, and \$67,944, respectively, equal to the required contributions for each year. The full amount has been contributed for 2000 and 1999 and 69% has been contributed for 2001 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, 2001, the unfunded liability of the City was \$208,529, payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary. The liability is reported in the general long-term obligations account group.

NOTE 13: POSTEMPLOYMENT BENEFITS

A. 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 2001 employer contribution rate was 13.55% of covered payroll; 4.30% was the portion that was used to fund health care for the year.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75%, an annual increase in active employee total payroll of 4.75% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54% and 5.1% based on additional annual pay increases. Health care premiums were assumed to increase 4.75% annually.

City of Martins Ferry, Ohio
Notes to the General Purpose Financial Statements
December 31, 2001

NOTE 13: POSTEMPLOYMENT BENEFITS (Continued)

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

The number of active contributing participants was 411,076. The City's actual contributions for 2001 which were used to fund post employment benefits were \$59,963. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2000, (the latest information available) were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.6 million and \$2,628.7 million, respectively.

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

The Ohio Police and Firemen's Disability and Pension Fund ("*OP&F*") provides post retirement 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 Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the Ohio Police and Fire 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 7.5% of covered payroll was applied to the postemployment health care program during 2001. For 2000 the percent used to fund health care was 7.25%. 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 City's actual contributions for 2001 that were used to fund post employment benefits were \$26,775 for police. The *OP&F's* total health care expenses for the year ended December 31, 2000, (the latest information available) was \$106,160,054, which was net of member contributions of \$5,657,431. The number of participants eligible to receive health care benefits as of December 31, 2000 was 12,853 for police and 10,037 for firefighters.

City of Martins Ferry, Ohio
Notes to the General Purpose Financial Statements
December 31, 2001

NOTE 13: 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, 2001, no City employees have elected social security.

NOTE 14: OTHER EMPLOYEE BENEFITS

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

The City contracts with a local Health Management Organization, Health Plan of the Upper Ohio Valley, for hospitalization insurance for all employees and elected officials. The City pays \$545.27 of the total monthly premiums of \$575.27 for family coverage and \$191.26 of the monthly premiums of \$221.26 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries. City AFSCME Union employees pay \$30.00 of the total premium. City full-time police pay \$75.00 for family coverage and \$50.00 for single coverage.

The City contracts with Delta Dental for dental insurance for all supervisors and police. The City pays 100% of the total monthly premiums of \$65.26 for family coverage, \$40.44 for employees with only one dependent, and \$21.28 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 \$26.00 per union employee. Premiums are paid from the same funds that pay the employees' salaries.

Retirement Incentive Plan

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

Participation in the Plan shall be available to 10% of employees of the City, who are employed at their office and are members of PERS on August 1, 2001.

City of Martins Ferry, Ohio
Notes to the General Purpose Financial Statements
December 31, 2001

NOTE 14: OTHER EMPLOYEE BENEFITS (Continued)

Employees who have established more total service credit of record of the Public Employees Retirement System pursuant to applicable service credit provisions of Chapter 145, Ohio Rev. Code, have the right to elect to participate in the Plan before employees having less total service credit established in the System. Pursuant to the terms of the Plan, service credit for each participating employee shall be purchased by the City in an amount equal to the lesser of the following: Three (3) years of service credit, or an amount of service credit equal to one-fifth of the total service credit of record credited to the participating employee in the Public Employees Retirement System, exclusive of the service credit purchased under this Plan. No liability existed as of December 31, 2001, for the Retirement Incentive Plan.

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, 2001, the liability for unpaid compensated absences was \$132,754.

NOTE 16: CAPITAL LEASES

The City entered into a capital lease in the Permanent Improvement Fund for a tractor. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The tractor acquired by the lease has been capitalized in the General Fixed Asset Account Group in the amount of \$54,123, which is equal to the present value of the future minimum lease payments, plus the trade-in allowance of \$5,000, at the time of acquisition.

Future minimum lease payments are as follows:

<u>Year</u>	
2002	\$ 11,425
2003	11,425
2004	11,425
2005	11,424
2006	<u>11,424</u>
	57,123
Less: Amount representing interest	<u>(8,000)</u>
Present value of net minimum lease payments	<u>\$ 49,123</u>

City of Martins Ferry, Ohio
Notes to the General Purpose Financial Statements
December 31, 2001

NOTE 17: LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City during the year ended December 31, 2001 consisted of the following:

	<u>Outstanding</u> <u>1/1/2001</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Outstanding</u> <u>12/31/2001</u>
<u>Enterprise Fund Obligations</u>				
OWDA loans, 2% maturity date 1/01/2022	\$ 9,030,528	\$ 0	\$ (346,003)	\$ 8,684,525
Total Enterprise Fund Obligations	<u>9,030,528</u>	<u>0</u>	<u>(346,003)</u>	<u>8,684,525</u>
<u>General Long-Term Obligations</u>				
General Obligation Bonds:				
Pattons Run Picoma 1987, 7.375%, maturity date 12/01/2007	72,000	0	(18,000)	54,000
General Obligation Bond Anticipation Notes:				
Police Cruiser 2001, 5.24%, maturity date 3/12/2004	0	20,605	(10,000)	10,605
Installment Loans:				
Air Pack 2001, 5.35%, maturity date 6/01/2006	0	68,510	(16,369)	52,141
Capital leases payable	0	49,123	0	49,123
Police and Fire Pension Liability	211,314	0	(2,785)	208,529
Intergovernmental Payable	24,783	466	0	25,249
Compensated absences	<u>11,262</u>	<u>0</u>	<u>(733)</u>	<u>10,529</u>
Total general long-term obligations	<u>319,359</u>	<u>138,704</u>	<u>(47,887)</u>	<u>410,176</u>
Grand total	<u>\$ 9,349,887</u>	<u>\$ 138,704</u>	<u>\$ (393,890)</u>	<u>\$ 9,094,701</u>

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 bond anticipation notes were issued to purchase a police cruiser and will be paid from General Fund local government revenues. The installment loan was issued to purchase air packs for the fire department and will be paid from Fire Levy Fund tax 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.

City of Martins Ferry, Ohio
Notes to the General Purpose Financial Statements
December 31, 2001

NOTE 17: LONG-TERM OBLIGATIONS (Continued)

The City has been awarded a \$20,000 Ohio Pubic Works Commission Loan in 2001 to help pay the costs of the Woodmont Pump Station Replacement Project. The City did not borrow any of the \$20,000 in 2001.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2001 are as follows:

Year	Enterprise	Governmental Fund Types					Total
	OWDA Loan	General Obligation Bonds	Police and Fire Pension	General Obligation BAN	Air Pack Installment Loan	Capital Lease	
2002	\$ 531,111	\$ 12,982	\$ 11,737	\$ 4,581	\$ 15,752	\$ 11,425	\$ 587,588
2003	531,111	12,318	11,737	4,581	15,752	11,425	586,924
2004	531,111	11,655	11,737	2,290	15,752	11,425	583,970
2005	531,111	10,991	11,737	0	10,843	11,424	576,106
2006	531,111	10,328	11,737	0	0	11,424	564,600
2007-2011	2,655,555	9,664	58,685	0	0	0	2,723,904
2012-2016	2,655,555	0	58,685	0	0	0	2,714,240
2017-2021	2,655,555	0	58,685	0	0	0	2,714,240
2022-2026	0	0	58,685	0	0	0	58,685
2027-2031	0	0	58,685	0	0	0	58,685
2032-2035	0	0	40,549	0	0	0	40,549
Totals	<u>\$ 10,622,220</u>	<u>\$ 67,938</u>	<u>\$ 392,659</u>	<u>\$ 11,452</u>	<u>\$ 58,099</u>	<u>\$ 57,123</u>	<u>\$ 11,209,491</u>

City of Martins Ferry, Ohio
Notes to the General Purpose Financial Statements
December 31, 2001

NOTE 18: NOTE DEBT

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

	<u>Outstanding 1/1/2001</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Outstanding 12/31/2001</u>
<u>Special Revenue Fund:</u>				
Street and Sidewalk Improvement Bond Anticipation Note - 3.88%, matures May 2002	\$ 64,000	\$ 54,000	\$ (64,000)	\$ 54,000
Fire Equipment Improvement Note - 3.88%, matures May 2002	400,000	350,000	(400,000)	350,000
Fire Equipment Improvement Note - 3.88%, matures May 2002	<u>500,000</u>	<u>450,000</u>	<u>(500,000)</u>	<u>450,000</u>
Total Special Revenue Funds	964,000	854,000	(964,000)	854,000
<u>Enterprise Funds:</u>				
Parking Meter General Obligation Bond Anticipation Notes - 3.68%, matures December 2002	22,000	11,000	(22,000)	11,000
Water Improvement - 3.88%, matures May 2002	<u>95,000</u>	<u>50,000</u>	<u>(95,000)</u>	<u>50,000</u>
Total Enterprise Funds	<u>117,000</u>	<u>61,000</u>	<u>(117,000)</u>	<u>61,000</u>
Totals	<u>\$ 1,081,000</u>	<u>\$ 915,000</u>	<u>\$ (1,081,000)</u>	<u>\$ 915,000</u>

City of Martins Ferry, Ohio
Notes to the General Purpose Financial Statements
December 31, 2001

NOTE 18: NOTE DEBT (Continued)

The principal and interest requirements to retire promissory notes outstanding at December 31, 2001 in 2002 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Special Revenue Fund:</u>			
Fire Equipment Improvement Note	\$ 350,000	\$ 13,580	\$ 363,580
Fire Equipment Improvement Note	450,000	17,460	467,460
Street & Sidewalk Improvement Bond Anticipation Note	54,000	2,095	56,095
<u>Enterprise Funds:</u>			
Parking Meter General Obligation Bond Anticipation Note	11,000	405	11,405
Water Improvement Note	50,000	1,940	51,940
Total	<u>\$ 915,000</u>	<u>\$ 35,480</u>	<u>\$ 950,480</u>

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 19: INTERFUND TRANSACTIONS

Interfund balances at December 31, 2001 consist of the following individual fund receivables and payables:

<u>Fund Type</u>	<u>Fund</u>	<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	General	\$ 0	\$ 174,521	\$ 20,510	\$ 0
Special Revenue	Street	0	9,390	0	0
Special Revenue	Police Pension	0	0	0	19,503
Total Special Revenue		0	9,390	0	19,503
Capital Projects	Home Mortgage	0	0	12,409	0
Capital Projects	Permanent Improvement	183,911	0	0	0
Capital Projects	Street Assessment	0	0	0	13,416
Total Capital Projects		183,911	0	12,409	13,416
		<u>\$ 183,911</u>	<u>\$ 183,911</u>	<u>\$ 32,919</u>	<u>\$ 32,919</u>

City of Martins Ferry, Ohio
Notes to the General Purpose Financial Statements
December 31, 2001

NOTE 20: SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City's enterprise funds account for the provision of water, sanitation, sewer, and parking services. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the City of Martins Ferry as of and for the year ended December 31, 2001:

	Water	Sanitation	Sewer	Parking Meter	Off-Street Parking	Total
Operating revenues	\$ 2,298,305	\$ 602,446	\$ 254,382	\$ 53,815	\$ 8,150	\$ 3,217,098
Depreciation	394,822	14,276	308	5,042	0	414,448
Operating expenses (net of depreciation)	1,578,234	573,418	258,216	42,018	5,487	2,457,373
Operating income (loss)	325,249	14,752	(4,142)	6,755	2,663	345,277
Interest and fiscal charges	183,991	0	0	1,232	0	185,223
Operating Transfers Out	0	0	25,302	0	0	25,302
Net income (loss)	729,286	14,752	(29,444)	5,523	2,663	722,780
Additions to property, plant and equipment	17,139	843	422	0	0	18,404
Net working capital	1,050,040	61,822	83,612	(3,796)	11,306	1,202,984
Total assets	10,532,594	197,031	111,965	44,627	11,306	10,897,523
Long-term liabilities to be paid from fund revenues	8,739,802	28,900	1,601	4,411	0	8,774,714
Total equity	1,609,125	134,133	96,966	27,767	11,306	1,879,297

NOTE 21: 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 2001. The continued existence of the Authority is not dependent on the City's continued participation and no equity interest exists. The Authority has no outstanding debt for which the City of Martins Ferry is responsible.

City of Martins Ferry, Ohio
Notes to the General Purpose Financial Statements
December 31, 2001

NOTE 21: JOINTLY GOVERNED ORGANIZATIONS (Continued)

- 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 2001. The continued existence of the Authority is not dependent on the City's continued participation and no equity interest exists. The Authority has no outstanding debt for which the City of Martins Ferry is responsible.
- C. Ohio Mid-Eastern Governments Association (OMEGA) 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 2001, OMEGA received \$867 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.

City of Martins Ferry, Ohio
Notes to the General Purpose Financial Statements
December 31, 2001

NOTE 21: JOINTLY GOVERNED ORGANIZATIONS (Continued)

- 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 2001, Bel-O-Mar Regional Council received \$-0- 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 terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2001.

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, 2001

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements
<u>UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through State Department of Development:</i>			
Small City Community Development Block Grants			
Formula Allocation Program	14.228	A-F-98-143-1	\$12,739
Formula Allocation Program	14.228	A-F-99-143-1	100
Community Housing Improvement Program	14.228	A-C-99-143-1	74,185
Total Community Development Block Grants			<u>87,024</u>
<i>Direct Program</i>			
Home Investment Partnerships Programs			
Community Housing Improvement Program - Home Funds	14.239	A-C-99-143-2	<u>258,703</u>
Total United States Department of Housing and Urban Development			<u>345,727</u>
Total Federal Awards Expenditures			<u><u>\$345,727</u></u>

The accompanying Notes to the Schedule of Federal Awards Expenditures are an integral part of this Schedule.

**CITY OF MARTINS FERRY
BELMONT COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

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

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

These loans are collateralized by mortgages on the property. At December 31, 2001, the gross amount of loans outstanding under this program was \$118,143. No new loans were made during calendar year 2001.

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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 Members of the City Council:

We have audited the financial statements of the City of Martins Ferry, Belmont County, Ohio (the City), as of and for the year ended December 31, 2001, and have issued our report thereon dated September 10, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's 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 2001-21007-001 through 2001-21007-003. We also noted certain immaterial instances of noncompliance that we have reported to the management of the City in a separate letter dated September 10, 2002.

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 financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the City in a separate letter dated September 10, 2002.

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

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

Jim Petro
Auditor of State

September 10, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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

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

To Members of 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, 2001. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2001. We noted a certain instance of noncompliance that does not require inclusion in this report that we have reported to the management of the City in a separate letter dated September 10, 2002.

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. We noted another matter involving the internal control over federal compliance that did not require inclusion in this report, that we have reported to management of the City in a separate letter dated September 10, 2002.

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

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

Jim Petro
Auditor of State

September 10, 2002

**CITY OF MARTINS FERRY
BELMONT COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	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 Investment Partnership Programs – Community Housing Improvement Program – Home Funds - CFDA #14.239
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**CITY OF MARTINS FERRY
BELMONT COUNTY**

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

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

FINDING NUMBER 2001-21007-001

Finding for Adjustment

Auditor of State Audit Bulletin 97-003 states that advances are intended to temporarily reallocate cash from one fund to another and involve an expectation of repayment. Advances must also indicate a statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose which the fund receiving the cash (the "debtor" fund) was established. There also must be approval via a formal resolution of the taxing authority of the subdivision of which it is expected that repayment will be made.

On October 21, 1999, City Council passed a Resolution authorizing an advance from the City's Permanent Improvement Fund, Capital Projects Fund Type, to the General Fund in the amount of \$55,000 to cover salaries and bills presented at year-end. In addition, on August 16, 2000, City Council passed a Resolution authorizing an advance from the City's Permanent Improvement Fund, Capital Projects Fund Type, to the General Fund in the amount of \$50,000 for general operations. In addition, on October 4, 2001, City Council passed a Resolution authorizing an advance from the City's Permanent Improvement Fund, Capital Projects Fund Type, to the General Fund in the amount of \$69,521 and to the Street Fund, Special Revenue Fund Type, in the amount of \$9,390. 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 \$174,521, in favor of the Permanent Improvement Fund, Capital Projects Fund Type. The financial statements reflect an Advance From Other Funds of \$174,521 within the General Fund and an Advance To Other Funds of \$174,521 within the Permanent Improvement Fund, Capital Projects Fund Type.

A finding for adjustment is hereby issued against the Street Fund of the City of Martins Ferry, Belmont County, in the amount of \$9,390, in favor of the Permanent Improvement Fund, Capital Projects Fund Type. The financial Statements reflect an Advance From Other Funds of \$9,390 within the Street Fund, Special Revenue Fund Type, and an Advance To Other Funds of \$9,390 within the Permanent Improvement fund, Capital Projects Fund Type.

**CITY OF MARTINS FERRY
BELMONT COUNTY**

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

<p>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>
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FINDING NUMBER 2001-21007-002

Noncompliance Citation

Ohio Rev. Code Section 5705.10 states that money paid into any fund shall be used only for the purposes for which such fund was established.

As of December 31, 2001, the Street Construction and Assessment Fund and Police Pension Fund had negative cash fund balances of \$13,416 and \$19,503, respectively.

As of October 31, 2001, the General Fund, Street Construction, Maintenance and Repair Fund, Police Levy Fund, Fire Apparatus III Fund, Street Construction and Assessment Fund, and Police Pension Fund had negative cash fund balances in the following amounts: \$12,624, \$7,060, \$6,542, \$11,079, \$13,416 and \$20,420, respectively.

As of July 31, 2001, the Policy Levy Fund, Fire Apparatus III Fund, Street Construction and Assessment Fund, and Police Pension Fund had negative cash fund balances in the following amounts: \$8,989, \$29,312, \$13,416 and \$27,085, respectively.

As of March 31, 2001, the Street Construction, Maintenance and Repair Fund, Policy Levy Fund, Street Construction and Assessment Fund, and Police Pension Fund had negative cash fund balances in the following amounts: \$10,297, \$7,031, \$13,416 and \$30,843, respectively.

The existence of a deficit balance in any fund indicates that money from another fund or funds were used to pay obligations of the fund or funds carrying the deficit balance.

We recommend the City monitor cash fund balances in order to ensure compliance with the Ohio Revised Code.

**CITY OF MARTINS FERRY
BELMONT COUNTY**

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

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

FINDING NUMBER 2001-21007-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund, free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon. This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificates – 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 she is completing her 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. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the City Council.

Fifty-three percent of tested Community Housing Improvement Program (CHIP) expenditures greater than \$1,000 were not certified by the City Auditor and were not encumbered until the time of payment. Also, the City Auditor did not execute a "then and now" certificate for these expenditures not properly certified.

In addition, as noted in finding 2001-21007-002, the City Auditor certified expenditures in certain funds that did not have sufficient resources to pay for the commitments.

We recommend the City ensure that all expenditures are properly encumbered at the time the obligation is incurred and not at the time the actual payment is made and if prior certification is not possible that they utilize the "then and now" certificate option.

The City Auditor must also assure that sufficient cash is on hand or in the process of collection to the credit of an appropriate fund to satisfy purchase commitments before certifying them. If sufficient cash is not on hand or in the process of collection, the City Auditor should not certify the commitment. This control will prevent deficit fund balances.

3. FINDINGS FOR FEDERAL AWARDS

None

**CITY OF MARTINS FERRY
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (b)
FOR THE YEAR ENDED DECEMBER 31, 2001**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-21007-001	Finding for Recovery – Repaid Under Audit – A finding for recovery was issued against Carol Vargo, Auxiliary Police Dispatcher, for wage overpayment in the amount of \$112.	Yes	Fully corrected.
2000-21007-002	Finding for Adjustment was issued against the General Fund in the amount of \$105,000, in favor of the Permanent Improvement Fund due to advancing funds to the General Fund to pay salaries and general operating expenses of the General Fund.	No	Reissued as finding number 2001-21007-001.
2000-21007-003	Ohio Rev. Code Section 5705.41(D) states no subdivision shall make any expenditure unless there is attached a certificate of the fiscal officer that the amount required to meet the obligation has been appropriated.	No	Reissued as finding number 2001-21007-003.
2000-21007-004	Ohio Rev. Code Section 5705.10 states that money paid into any fund shall be used only for the purposes for which such fund was established.	No	Reissued as finding number 2001-21007-002.
2000-21007-005	Ohio Rev. Code Section 5705.39 provides that appropriations from each fund shall not exceed the estimated revenues plus unencumbered balances.	No	Reissued as a management letter citation.

**CITY OF MARTINS FERRY
BELMONT COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315 (c)
DECEMBER 31, 2001**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-21007-001	With anticipated revenue from recently enacted $\frac{3}{4}\%$ income tax, the City plans to repay a portion of the advances by December 31, 2002.	December 31, 2002	Sue Stephens, City Auditor
2001-21007-002	The City Auditor will implement procedures to ensure moneys from one fund do not pay obligations of another fund.	December 31, 2002	Sue Stephens, City Auditor
2001-21007-003	The City Auditor will implement procedures to ensure purchase orders are issued prior to incurring obligations.	December 31, 2002	Sue Stephens, City Auditor



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CITY OF MARTINS FERRY

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 17, 2002**