



**Auditor of State  
Betty Montgomery**



**CITY OF STEUBENVILLE  
JEFFERSON COUNTY**

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# Auditor of State Betty Montgomery

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying general-purpose financial statements of the City of Steubenville, Jefferson County (the City) as of and for the year ended December 31, 2002, 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.

Except as discussed in paragraphs 3 and 4, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial 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.

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

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

In our opinion, except for the effects of not presenting the General Fixed Asset Account Group and not fully presenting property, buildings and equipment or related depreciation for Proprietary Fund Types, and as we were unable to perform procedures to satisfy ourselves as to the proper processing of health insurance claims such that we do not express an opinion on the activity of the Internal Service Fund Type, the general-purpose financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the City of Steubenville, Jefferson County, as of December 31, 2002, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2B, the Water Fund, the Sewer Fund and the Refuse Fund have accumulated deficits of \$3,113,354, \$3,192,346, and \$4,408,563 respectively.

In accordance with *Government Auditing Standards*, we have issued our report dated October 29, 2003 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.

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 auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements.



**Betty Montgomery**  
Auditor of State

October 29, 2003

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CITY OF STEUBENVILLE  
JEFFERSON COUNTY

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
DECEMBER 31, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Assets:</b>				
Equity In Pooled Cash & Investments	\$2,937,445	\$3,314,306	\$1,439,479	\$82,107
Non-pooled Cash & Investments		9,184		
Receivables (net of allowance for uncollectibles):				
Accounts and Taxes	1,828,751	2,157,171	235,249	
Charges For Services And Other				623,634
Prepaid Insurance	8,427	1,015		
Inventory Of Supplies, at cost	80,000	73,400		
Fixed Assets (net of depreciation)				
Amount Available In Debt Service Fund				
Amount To Be Provided For Retirement Of General Long-Term Debt				
<b>Total Assets</b>	<b><u>4,854,623</u></b>	<b><u>5,555,076</u></b>	<b><u>1,674,728</u></b>	<b><u>705,741</u></b>
<b>Liabilities:</b>				
Accounts Payable	842,436	124,744		304,968
Customer Deposits				
Claims Payable				
Accrued Interest Payable				
Accrued Sick Leave				
Accrued Payroll	121,417	3,110		
Deferred Revenue	1,353,604	1,829,972	235,249	623,634
Current Maturity Of General Obligation Notes Payable				
General Obligation Notes Payable				
Accrued Pension Liability				
Landfill Liability				
<b>Total Liabilities</b>	<b><u>2,317,457</u></b>	<b><u>1,957,826</u></b>	<b><u>235,249</u></b>	<b><u>928,602</u></b>
<b>Fund Equity:</b>				
Earned Surplus (Deficit)				
Fund Balance (Deficit):				
Unreserved	(263,790)	3,396,040	1,439,479	(222,861)
Reserved For Encumbrances	2,800,956	201,210		
Reserved for Endowment				
<b>Total Fund Equity</b>	<b><u>2,537,166</u></b>	<b><u>3,597,250</u></b>	<b><u>1,439,479</u></b>	<b><u>(222,861)</u></b>
<b>Total Liabilities And Fund Equity</b>	<b><u>\$4,854,623</u></b>	<b><u>\$5,555,076</u></b>	<b><u>\$1,674,728</u></b>	<b><u>\$705,741</u></b>

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

Proprietary Fund Types		Fiduciary Fund Types	Account Group	Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Long-Term Obligations	
\$1,590,326	\$434,269 102,355	\$178,630 33,311		\$9,976,562 144,850
				4,221,171
944,967				1,568,601
7,006				16,448
				153,400
5,842,943				5,842,943
			\$1,439,479	1,439,479
			3,598,904	3,598,904
<b>8,385,242</b>	<b>536,624</b>	<b>211,941</b>	<b>5,038,383</b>	<b>26,962,358</b>
564,325		7,372 116,149		1,843,845 116,149
	152,256			152,256
12,694				12,694
264,667			1,140,097	1,404,764
38,470				162,997
				4,042,459
335,730				335,730
12,398,377			1,642,984	14,041,361
			2,255,302	2,255,302
5,485,242				5,485,242
19,099,505	152,256	123,521	5,038,383	29,852,799
(10,714,263)	384,368			(10,329,895)
		77,411		4,426,279
				3,002,166
		11,009		11,009
(10,714,263)	384,368	88,420		(2,890,441)
<b>\$8,385,242</b>	<b>\$536,624</b>	<b>\$211,941</b>	<b>\$5,038,383</b>	<b>\$26,962,358</b>

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CITY OF STEUBENVILLE  
JEFFERSON COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES ALL GOVERNMENTAL  
AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types				Fiduciary Fund Types	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues:</b>						
Taxes	\$8,361,806	\$1,179,317	\$210,333			\$9,751,456
Intergovernmental	2,519,086	2,825,811	24,468	\$822,718	\$10,612	6,202,695
Special Assessments		17,452				17,452
Charges for Services	208,967	537,976				746,943
Fines, Licenses, and Permits	487,660	102,885				590,545
Miscellaneous	652,281	205,997	8,954	80,591	39,064	986,887
<b>Total revenues</b>	<u>12,229,800</u>	<u>4,869,438</u>	<u>243,755</u>	<u>903,309</u>	<u>49,676</u>	<u>18,295,978</u>
<b>Expenditures:</b>						
General Government	3,718,907	50,798	4,790			3,774,495
Public Safety	6,150,680				10,296	6,160,976
Streets and Maintenance	1,410,824	354,064				1,764,888
Public Transit		162,432				162,432
Public Health	359,895	82,196				442,091
Culture and Recreation	1,188,266	2,376				1,190,642
Community Environment	45,285	1,416,376			44,725	1,506,386
Capital Outlay		1,992,414		1,126,170		3,118,584
Health Care						0
Debt Service		125,569				125,569
<b>Total expenditures</b>	<u>12,873,857</u>	<u>4,186,225</u>	<u>4,790</u>	<u>1,126,170</u>	<u>55,021</u>	<u>18,246,063</u>
Excess (deficiency) of revenues over expenditures	<u>(644,057)</u>	<u>683,213</u>	<u>238,965</u>	<u>(222,861)</u>	<u>(5,345)</u>	<u>49,915</u>
<b>Other Financing (Uses):</b>						
Proceeds of Notes		76,500				76,500
Operating transfers in		500,000				500,000
Operating transfers out	(500,000)					(500,000)
Total other financing (uses)	<u>(500,000)</u>	<u>576,500</u>				<u>76,500</u>
Excess (deficiency) of revenues over expenditures and other financing uses	<u>(1,144,057)</u>	<u>1,259,713</u>	<u>238,965</u>	<u>(222,861)</u>	<u>(5,345)</u>	<u>126,415</u>
Fund Balances at Beginning of Year	<u>3,681,223</u>	<u>2,337,537</u>	<u>1,200,514</u>		<u>69,843</u>	<u>7,289,117</u>
<b>Fund Balances at End of Year</b>	<u><b>\$2,537,166</b></u>	<u><b>\$3,597,250</b></u>	<u><b>\$1,439,479</b></u>	<u><b>(\$222,861)</b></u>	<u><b>\$64,498</b></u>	<u><b>\$7,415,532</b></u>

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

CITY OF STEUBENVILLE  
JEFFERSON COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Revenues:</b>						
Taxes	\$8,579,950	\$8,627,827	\$47,877	\$1,326,532	\$1,327,172	\$640
Intergovernmental	2,584,781	2,534,750	(50,031)	3,002,404	2,816,073	(186,331)
Special Assessments				17,452	17,452	
Charges for Services	200,603	208,967	8,364	537,976	537,976	
Fines, licenses, and permits	509,483	492,230	(17,253)	103,732	102,885	(847)
Miscellaneous	802,652	652,245	(150,407)	205,260	205,997	737
<b>Total Revenues</b>	<b>12,677,469</b>	<b>12,516,019</b>	<b>(161,450)</b>	<b>5,193,356</b>	<b>5,007,555</b>	<b>(185,801)</b>
<b>Expenditures:</b>						
General Government	7,041,597	6,488,162	553,435	68,666	64,835	3,831
Public Safety	6,152,591	6,089,219	63,372	23,939	18,510	5,429
Streets and Maintenance	1,484,358	1,428,358	56,000	407,245	381,707	25,538
Public Health	364,309	353,385	10,924	87,031	81,655	5,376
Community Environment	41,884	41,988	(104)	1,661,998	1,378,777	283,221
Culture and Recreation	1,138,403	1,088,573	49,830	2,376	2,376	
Public Transit				162,432	162,432	
Deb Service				93,876	187,751	(93,875)
Capital Outlay				2,525,110	2,525,777	(667)
<b>Total Expenditures</b>	<b>16,223,142</b>	<b>15,489,685</b>	<b>733,457</b>	<b>5,032,673</b>	<b>4,803,820</b>	<b>228,853</b>
Excess of Revenues Over/ (Under) Expenditures	(3,545,673)	(2,973,666)	572,007	160,683	203,735	43,052
<b>Other Financing Sources/(Uses):</b>						
Proceeds of Notes					76,500	76,500
Transfers in					500,000	500,000
Transfers out	360	500,000	(499,640)			
<b>Total Other Financing Sources/(Uses)</b>	<b>(360)</b>	<b>(500,000)</b>	<b>(499,640)</b>		<b>576,500</b>	<b>576,500</b>
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(3,546,033)	(3,473,666)	72,367	160,683	780,235	619,552
Fund Balance/(Deficit) July 1 (Restated)	170,883	170,883		1,110,106	1,110,106	
Prior year encumbrances appropriated	3,375,418	3,375,418		885,847	885,847	
<b>Fund Balance/(Deficit) June 30</b>	<b>\$268</b>	<b>\$72,635</b>	<b>\$72,367</b>	<b>\$2,156,636</b>	<b>\$2,776,188</b>	<b>\$619,552</b>

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

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
\$260,440	\$237,116	(\$23,324)	\$479,862	\$822,718	\$342,856
17,199	8,953	(8,246)	80,591	80,591	
277,639	246,069	(31,570)	560,453	903,309	342,856
6,500	4,790	1,710	476,546	821,202	(344,656)
6,500	4,790	1,710	476,546	821,202	(344,656)
271,139	241,279	(29,860)	83,907	82,107	(1,800)
271,139	241,279	(29,860)	83,907	82,107	(1,800)
1,198,200	1,198,200				
<b>\$1,469,339</b>	<b>\$1,439,479</b>	<b>(\$29,860)</b>	<b>\$83,907</b>	<b>\$82,107</b>	<b>(\$1,800)</b>

CITY OF STEUBENVILLE  
JEFFERSON COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUND  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002  
(Continued)**

	Expendable Trust Fund			Totals - (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Revenues:</b>						
Taxes				\$10,166,922	\$10,192,115	\$25,193
Intergovernmental	\$7,000	\$10,611	\$3,611	6,074,047	6,184,152	110,105
Special Assessments				17,452	17,452	
Charges for Services	71,570	85,395	13,825	810,149	832,338	22,189
Fines, Licenses, and Permits				613,215	595,115	(18,100)
Miscellaneous	23,615	39,064	15,449	1,129,317	986,850	(142,467)
<b>Total Revenues</b>	<b>102,185</b>	<b>135,070</b>	<b>32,885</b>	<b>18,811,102</b>	<b>18,808,022</b>	<b>(3,080)</b>
<b>Expenditures:</b>						
General Government				7,110,263	6,552,997	557,266
Public Safety	22,450	22,450		6,198,980	6,130,179	68,801
Streets and Maintenance				1,891,603	1,810,065	81,538
Public Health	50,000	41,097	8,903	501,340	476,137	25,203
Community Environment	32,625	29,438	3,187	1,736,507	1,450,203	286,304
Culture and Recreation				1,140,779	1,090,949	49,830
Public Transit				162,432	162,432	
Debt Service				100,376	192,541	(92,165)
Capital outlay				3,001,656	3,346,979	(345,323)
<b>Total Expenditures</b>	<b>105,075</b>	<b>92,985</b>	<b>12,090</b>	<b>21,843,936</b>	<b>21,212,482</b>	<b>631,454</b>
Excess of Revenues Over/ (Under) Expenditures	(2,890)	42,085	44,975	(3,032,834)	(2,404,460)	628,374
<b>Other Financing Sources/(Uses):</b>						
Proceeds of Notes					76,500	76,500
Transfers In					500,000	500,000
Transfers Out				360	500,000	(499,640)
<b>Total Other Financing Sources/(Uses)</b>				<b>(360)</b>	<b>76,500</b>	<b>76,860</b>
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(2,890)	42,085	44,975	(3,033,194)	(2,327,960)	705,234
Fund Balance/(Deficit) July 1 (restated)	141,712	141,712		2,620,901	2,620,901	
Prior year encumbrances appropriated				4,261,265	4,261,265	
<b>Fund Balance/(Deficit) June 30</b>	<b>\$138,822</b>	<b>\$183,797</b>	<b>\$44,975</b>	<b>\$3,848,972</b>	<b>\$4,554,206</b>	<b>\$705,234</b>

CITY OF STEUBENVILLE  
JEFFERSON COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND BALANCES ALL PROPRIETARY  
AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non-Expendable Trust</u>	
<b>Operating Revenues:</b>				
Charges for Services	\$7,156,529	\$1,340,668		\$8,497,197
Total revenues	<u>7,156,529</u>	<u>1,340,668</u>		<u>8,497,197</u>
<b>Operating Expenses:</b>				
Central Purchasing	1,052,737			1,052,737
Filtration, Treatment, and Disposal	3,027,383			3,027,383
Pumping	699,949			699,949
Distribution	340,230			340,230
Maintenance and Reading	857,160			857,160
Administration	182,025			182,025
Utility Billing	308,521			308,521
Debt Service	416,512			416,512
Health Care		1,502,833		1,502,833
Total expenses	<u>6,884,517</u>	<u>1,502,833</u>		<u>8,387,350</u>
Operating income (loss)	<u>272,012</u>	<u>(162,165)</u>		<u>109,847</u>
<b>Non-Operating Revenues (Expenses):</b>				
Other Revenues	361,862	1,500	\$454	363,816
Other Expenses			(375)	(375)
Total other financing (uses)	<u>361,862</u>	<u>1,500</u>	<u>79</u>	<u>363,441</u>
Net income (loss)	633,874	(160,665)	79	473,288
Fund Balances at Beginning of Year	<u>(11,348,137)</u>	<u>545,033</u>	<u>10,930</u>	<u>(10,792,174)</u>
<b>Fund Balances at End of Year</b>	<b><u>(\$10,714,263)</u></b>	<b><u>\$384,368</u></b>	<b><u>\$11,009</u></b>	<b><u>(\$10,318,886)</u></b>

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

CITY OF STEUBENVILLE  
JEFFERSON COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002**

	Enterprise Funds			Internal Service		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Operating Revenues</b>						
Charges for Services	\$18,983,313	\$6,848,607	(\$12,134,706)	\$1,663,199	\$1,340,668	(\$322,531)
Total Revenues	18,983,313	6,848,607	(12,134,706)	1,663,199	1,340,668	(322,531)
<b>Operating Expenses:</b>						
Central Purchasing	1,492,923	1,749,461	(256,538)			
Filtration, treatment, and disposal	2,438,427	2,318,111	120,316			
Pumping	714,665	695,308	19,357			
Distribution	352,426	338,347	14,079			
Maintenance and reading	1,001,579	953,228	48,351			
Administration	178,506	170,815	7,691			
Utility Billing	311,525	304,007	7,518			
Deb Service	319,806	304,379	15,427			
Capital Outlay	10,267,665	10,449,378	(181,713)			
Health Care				1,440,333	1,479,540	(39,207)
Total Expenses	17,077,522	17,283,034	(205,512)	1,440,333	1,479,540	(39,207)
Excess of Revenues Over/ (Under) Expenses	1,905,791	(10,434,427)	(12,340,218)	222,866	(138,872)	(361,738)
<b>Non-Operating Revenues (Expenses):</b>						
Proceeds of Notes	8,931,998	5,271,528	(3,660,470)			
Other revenues	450,239	261,862	(188,377)	1,501	1,500	(1)
Other expenses						
Total Non-Operating Revenues (Expenses):	9,382,237	5,533,390	(3,848,847)	1,501	1,500	(1)
Excess of Revenues, Other Financing Sources Over/(Under) Expenses and Other Financing Uses	11,288,028	(4,901,037)	(16,189,065)	224,367	(137,372)	(361,739)
Fund Equity July 1 (restated)	(4,216,626)	(4,216,626)		673,995	673,995	
Prior year encumbrances appropriated	5,743,748	5,743,748				
<b>Fund Equity June 30</b>	<b>\$12,815,150</b>	<b>(\$3,373,915)</b>	<b>(\$16,189,065)</b>	<b>\$898,362</b>	<b>\$536,623</b>	<b>(\$361,739)</b>

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

Non-Expendable Trust Fund			Totals - (Memorandum Only)		
Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
			\$20,646,512	\$8,189,275	(\$12,457,237)
			20,646,512	8,189,275	(12,457,237)
			1,492,923	1,749,461	(256,538)
			2,438,427	2,318,111	120,316
			714,665	695,308	19,357
			352,426	338,347	14,079
			1,001,579	953,228	48,351
			178,506	170,815	7,691
			311,525	304,007	7,518
			319,806	304,379	15,427
			10,267,665	10,449,378	(181,713)
			1,440,333	1,479,540	(39,207)
			18,517,855	18,762,574	(244,719)
			2,128,657	(10,573,299)	(12,701,956)
			8,931,998	5,271,528	(3,660,470)
\$330	\$454		452,070	263,816	(188,378)
(375)	(375)		(375)	(375)	
(45)	79		9,383,693	5,534,969	(3,848,848)
(45)	79		11,512,350	(5,038,330)	(16,550,804)
10,930	10,930		(3,531,701)	(3,531,701)	
			5,743,748	5,743,748	
<b>\$10,885</b>	<b>\$11,009</b>		<b>\$13,724,397</b>	<b>(\$2,826,283)</b>	<b>(\$16,550,804)</b>

CITY OF STEUBENVILLE  
JEFFERSON COUNTY

**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non-Expendable Trust Fund</u>	
<b>Cash Flows From Operating Activities:</b>				
Cash Received from Customers	\$6,848,609			\$6,848,609
Cash Paid To Suppliers And Employees	(6,326,586)	(\$138,872)		(6,465,458)
Net Cash Provided (Used) by Operating Activities	<u>522,023</u>	<u>(138,872)</u>		<u>383,151</u>
<b>Cash Flows From Capital And Related Financing Activities:</b>				
Proceeds Derived From Issuance Of Notes	5,171,528			5,171,528
Principal Payments On General Obligation Note	(149,691)			(149,691)
Payments made for Construction in Progress	(5,842,943)			
Cash Received From Miscellaneous	361,862	1,500	\$455	363,817
Cash Paid to Miscellaneous			(375)	(375)
Net Cash Provided By Capital And Related Financing Activities	<u>(459,244)</u>	<u>1,500</u>	<u>80</u>	<u>5,385,279</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	62,779	(137,372)	80	5,768,430
Cash and Cash Equivalents at Beginning of Year	<u>1,527,547</u>	<u>673,996</u>	<u>10,930</u>	<u>2,212,473</u>
Cash and Cash Equivalents at End of Year	<u><b>\$1,590,326</b></u>	<u><b>\$536,624</b></u>	<u><b>\$11,010</b></u>	<u><b>\$7,980,903</b></u>
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</b>				
Net Operating Income/(Loss)	\$272,012	(\$162,165)		\$109,847
<b>Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:</b>				
Changes in Assets and Liabilities:				
(Increase) Decrease In Receivables	(307,920)			(307,920)
(Increase) Decrease In Prepaid Assets	(421)			(421)
Increase (Decrease) In Claims Payable		23,293		23,293
Increase (Decrease) In Accounts Payable	268,200			268,200
Increase (Decrease) In Accrued And Other Liabilities	<u>290,152</u>			<u>290,152</u>
Net Cash Provided By Operating Activities	<u><b>\$522,023</b></u>	<u><b>(\$138,872)</b></u>		<u><b>\$383,151</b></u>

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

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**CITY OF STEUBENVILLE  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

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

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

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

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

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

**B. Basis of Accounting**

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

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

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

**CITY OF STEUBENVILLE  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Cash and Investments**

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

During fiscal year 2002, investments were limited to repurchase agreements, which were reported at cost.

**D. Fund Accounting**

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

**Governmental Funds Types:**

**General Fund**

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

**Special Revenue Funds**

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

**Debt Service Funds**

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

**Capital Projects Funds**

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

**CITY OF STEUBENVILLE  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Proprietary Funds Types:**

**Enterprise Funds**

To account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

**Internal Service Fund**

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

**Fiduciary Funds:**

**Trust and Agency Funds**

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

**Account Groups:**

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

**General Fixed Asset Account Group**

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

**General Long Term Debt Group**

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

**CITY OF STEUBENVILLE  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process**

**1. Budget**

A budget of estimated cash receipts and disbursements is submitted to the county auditor, as secretary of the county budget commission, by July 20 of each year, for the period January 1 to December 31, of the following year. The City Council adopts annual fiscal year budgets for specified funds. These include General Fund Type, Special Revenue Fund Type, Debt Service Fund Type, Capital Projects Fund Type, Proprietary Fund Type and all Expendable and Nonexpendable Trust Funds.

**2. Budgetary Control**

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

**3. Estimated Resources**

The county budget commission certifies its actions to the City by September 1. As a part of this certification, the City receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1, 2002, unencumbered fund balances. However, those fund balances are available for appropriation.

**4. Appropriations**

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

**CITY OF STEUBENVILLE  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**5. Encumbrances**

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

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

**F. Property, Plant and Equipment**

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

**G. Inventories**

Inventories are stated at cost.

**H. Receivables**

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

**I. Allowance for Doubtful Accounts**

As of December 31, 2002 \$60,000 has been recorded as an allowance for uncollectible accounts related to receivables in the Water, Sewer and Refuse Funds.

The breakdown is as follows:

Water Fund	\$ 18,000
Sewer Fund	26,400
Refuse Fund	<u>15,600</u>
Total	<u>\$ 60,000</u>

**J. Total Columns on Financial Statements**

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

**CITY OF STEUBENVILLE  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**2. ACCOUNTABILITY**

**A. Restatement of Beginning Balances**

A fund reclassification that had been previously reflected in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental and Similar Fiduciary Fund Types had not been reflected in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – All Governmental and Similar Fiduciary Fund Types. The fund reclassification was necessary to properly reflect the intended purpose of a special revenue fund. The fund had been previously reported as a debt service fund and should be reported as a special revenue fund.

A restatement of fund balances presented on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – All Governmental and Similar Fiduciary Fund Types as of January 1, 2002 is necessary to reflect prior period encumbrances appropriated that had not been included in the fund balances as of December 31, 2001.

	General	Special Revenue	Debt Service	Enterprise	Expendable Trust
Fund balances as previously stated	(\$2,807,374)	(\$681,203)	\$1,359,436	(\$6,268,342)	\$141,647
Fund reclassification		161,236	(161,236)		
Prior period encumbrances appropriated	<u>2,978,257</u>	<u>1,630,073</u>		<u>2,051,716</u>	<u>65</u>
Fund balances (restated) as of January 1	\$170,883	\$1,110,106	\$1,198,200	(\$4,216,625)	\$141,712

**B. Deficit Fund Balances/Retained Earnings**

Fund balance at December 31, 2002 included the following fund deficits:

<b>Special Revenue Funds</b>	<b>Deficit Balance</b>
.7% City Equipment Improvement Fund	\$ 35,069
Community Development Block Grant Fund	\$ 85,309
<b>Capital Project Fund</b>	\$ 222,861
<b>Enterprise Funds</b>	
Water Fund	\$ 3,113,354
Sewer Fund	\$ 3,192,346
Refuse Fund	\$ 4,408,563

Ohio State law does not permit a cash basis deficit at year end. All funds complied with Ohio State laws except the Community Development Block Grant Fund and the Sewer Fund. The deficit balances are contrary to Ohio Revised Code § 5705.10.

**CITY OF STEUBENVILLE  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**2. ACCOUNTABILITY (Continued)**

The deficit balance in the .7% City Equipment Improvement Fund and the Fort Steuben Project Fund are caused by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The deficit retained earnings in the Water Fund is caused by the application of generally accepted accounting principles and the recognition of new debt issues. The debt proceeds are being used to complete improvements to the water delivery service, which will allow the City to expand service and to increase future revenues. The deficit retained earnings in the Sewer Fund is caused, in part, by the application of generally accepted accounting principles. Also, the deficit retained earnings is partially caused by an inadequate fee structure. The City management is considering its options. The deficit retained earnings in the Refuse Fund is caused by a prior period adjustment for estimated closure and post closure care costs for the municipal landfill. The accumulated deficit in the Refuse Fund is more fully described in Note 10.

**C. Failure to Certify Expenditures**

Contrary to Ohio Revised Code § 5705.41 (D), the City did not properly certify or record the amount against the applicable appropriation accounts for all expenditures.

**3. EQUITY IN POOLED CASH AND INVESTMENTS**

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

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

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

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

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

**CITY OF STEUBENVILLE  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

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

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

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

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

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

**CITY OF STEUBENVILLE  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

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

**Deposits:** At December 31, 2002, the carrying amount of the City's deposits, which includes cash with fiscal and escrow agents was \$3,755,849 and the bank balance was \$4,203,367. Of the bank balance:

1. \$293,805 was covered by federal deposit insurance;
2. \$505,925 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; and
3. \$3,403,637 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

	Category 3	Fair Value
Repurchase Agreements	\$ 6,365,563	\$ 6,365,563

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

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

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 10,121,412	\$ -
Investments:		
Repurchase Agreements	(6,365,563)	6,365,563
GASB Statement No. 3	\$ 3,755,849	\$ 6,365,563

**CITY OF STEUBENVILLE  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**4. DEBT OBLIGATIONS**

The following is a summary of the City's long-term debt transactions for the year ended, December 31, 2002:

	<u>Balance at 01/01/02</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at 12/31/02</u>
<b>General Long-term debt:</b>				
General obligation notes	\$ 1,754,235	\$ 76,500	\$ 187,751	\$ 1,642,984
Accrued sick leave	1,047,982	151,977	59,862	1,140,097
Accrued pension liability	2,287,162	-	31,860	2,255,302
<b>Total</b>	<b>\$ 5,089,379</b>	<b>\$ 228,477</b>	<b>\$ 379,473</b>	<b>\$ 5,038,383</b>
<b>Enterprise funds:</b>				
General obligation notes	\$ 7,451,589	\$ 5,432,209	149,691	12,734,107
Accrued sick leave	239,322	26,571	1,226	264,667
Landfill closure/postclosure	5,485,242	-	-	5,485,242
<b>Total</b>	<b>\$ 13,176,153</b>	<b>\$ 5,458,780</b>	<b>\$ 150,917</b>	<b>\$ 18,484,016</b>

Debt outstanding at December 31, 2002, consisted of the following:

<b>General Obligation Notes</b>	
Principal outstanding	\$ 4,924,724
Interest rates	0% - 5.84%
<b>Ohio Water Development Authority Loans</b>	
Principal outstanding	\$ 9,452,367
Interest rates	3.2% - 9.72%

Included in General Obligation Notes are Ohio Department of Transportation (ODOT) Highway Construction Notes and Ohio Public Works Commission (OPWC) Notes bearing interest at 0% per annum. Also, included in the General Obligation Notes are Ohio Water Development Authority (OWDA) Notes. All outstanding notes except ODOT and OPWC Notes at December 31, 2002, had been issued for one year or less. These notes were of the general obligation type and have been renewed. Proceeds from the notes were used to construct and improve streets, sidewalks, water, sewer, and refuse systems, and to purchase vehicles.

General obligation notes are direct obligations of the City for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the City. Outstanding general obligation bonds consist of construction and improvement issues for utility systems and streets.

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

**CITY OF STEUBENVILLE  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**4. DEBT OBLIGATIONS (Continued)**

The annual requirement to amortize all outstanding general obligation notes and the OWDA loans as of December 31, 2002, not including interest payments of \$625,873 and \$2,681,381, respectively, are as follows.

Year Ending	General	O.W.D.A.
December 31,	Obligation Notes	Loan
2003	\$ 1,466,749	\$ 232,052
2004	1,773,919	341,383
2005	282,565	668,392
2006	157,851	738,924
2007	94,167	765,444
Thereafter	1,149,473	6,706,172
Total	\$ 4,924,724	\$ 9,452,367

**5. PROPERTY TAX**

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

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

The full tax rate applied to real property for the tax (calendar) year ended December 31, 2002, was \$9.20 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property valued, the effective tax rate was \$5.9721 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$8.1986 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio.

Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended December 31, 2002, was \$9.20 per \$1,000 of assessed valuation.

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

**CITY OF STEUBENVILLE  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**6. LOCAL INCOME TAX**

This locally levied tax of 2% applies to gross salaries, wages and other personal service compensation earned by residents both in and out of the City and to earnings of nonresidents (except certain transients) earned in the City. It also applies to net income of business organizations operating within Steubenville. Local income tax receipts are credited to the City and amounted to \$8,249,026 in 2002.

**7. RISK MANAGEMENT**

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

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

Claims payable at December 31, 2001	\$ 128,963
Claims incurred for fiscal year ending December 31, 2002	1,502,833
Claims paid in fiscal year 2002	<u>(1,479,540)</u>
Claim payable at December 31, 2002	<u>\$ 152,256</u>

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

**8. EMPLOYEES' RETIREMENT SYSTEM**

The employees of the City are covered by the Ohio Public Employees' Retirement System. The Ohio Public Employees Retirement System (OPERS) is a cost-sharing multiple-employer defined benefit pension plan providing retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Ohio Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377). The Ohio Revised Code provides statutory authority for employee and employer contributions. City employees contribute 8.5% and the City contributes 13.55% of covered payroll. The full amount has been contributed for 2000 and 2001. The City has contributed 72.08 percent of the amount due for 2002.

**CITY OF STEUBENVILLE  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**8. EMPLOYEES' RETIREMENT SYSTEM (Continued)**

For the fireman and policemen the City contributes to the Ohio Police and Fire Pension Fund (OPFPF), a cost-sharing multiple-employer defined benefit plan. OPFPF 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. OPFPF 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 OPFPF, 140 East Town Street, Columbus, OH 43215-5164. The full amount has been contributed for 2000 and 2001. Of the police and fire contributions due, the City has contributed 71.82 percent and 71.04 percent, respectively, for 2002.

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

The following is a breakdown of employee and employer contributions for the year 2002 and the preceding two years.

		<b>OPERS</b>		<b>OPFPF POLICE</b>		<b>OPFPF FIRE</b>
2002						
Employee	\$	474,583	\$	216,801	\$	174,629
Employer	\$	755,768	\$	422,763	\$	419,110
2001						
Employee	\$	454,719	\$	201,328	\$	163,683
Employer	\$	724,868	\$	396,059	\$	388,570
2000						
Employee	\$	438,824	\$	201,618	\$	159,019
Employer	\$	548,495	\$	393,155	\$	381,646

**9. POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

**A. Ohio Public Employees Retirement System**

Ohio Public Employees Retirement System provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2002 employer contribution rate for local government employers was 13.35% of covered payroll and 5.00% was the portion used to fund health care. For both the public safety and law enforcement divisions the 2002 employer rate was 16.70% of covered payroll and 5.00% was the portion used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. The City's contribution actually made to fund postemployment benefits was \$278,879.

**CITY OF STEUBENVILLE  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**9. POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)**

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

As of December 31, 2001 (the latest information available), the actuarial value of the Retirement System's net assets available for future OPEB payments was \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively, at December 31, 2001 (the latest information available). The number of benefit recipients eligible for OPEB at December 31, 2001 (the latest information available) was 402,041.

In December 2001, the OPERS Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten year "cliff" eligibility standard for the present Plan.

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

Additional information on the OPERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due is available in the OPERS December 31, 2002, Comprehensive Annual Financial Report.

**B. Ohio Police and Fire Pension Fund**

The OPFPF provides postretirement health care coverage to any person who receives or is eligible to receive 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 Post employment Benefit (OPEB) as described in GASB No. 12, "Disclosure of Information on Postemployment Benefits Other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides that health care cost paid from the funds of the OPFPF shall be included in the employer's contribution rate. The total police officer employer contribution rate is 19.5% of covered payroll of covered payroll and the total firefighter's employer contribution rate is 24.0% of covered payroll. The Ohio Revised Code provides the authority allowing OPFPF's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board's defined allocation was 7.50% and 7.75% of covered payroll in 2001 and 2002, respectively. 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.

**CITY OF STEUBENVILLE  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**9. POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)**

The number of participants eligible to receive health care benefits as of December 31, 2001 (the latest information available), is 13,174 for police officers and 10,239 for firefighters. The amount of employer contributions used to pay postemployment benefits for police officers and firefighters were \$167,837 and \$135,373, respectively. OPFPF's total health care expense for the year ending December 31, 2001 (the latest information available), was \$122.299 million, which was net of member contributions of \$6.875 million.

**10. LANDFILL CLOSURE AND POSTCLOSURE CARE COST**

State and federal laws and regulations require the City to place a final cover on its municipal landfill site and to perform certain maintenance and monitoring functions at the closed landfill site for thirty years after closure. The landfill is no longer being used; however, the final cover as required by state and federal laws has not been placed on the landfill. The first phase of placing the final cover on the landfill is planned to begin in 2004. The estimated liability for the landfill is \$2,792,750 for closure costs and \$2,692,492 for post closure care costs for a total liability of \$5,485,242 which was posted to the Refuse Fund. The estimated cost of landfill closure and postclosure care expenses is based on the amount that would be paid if all materials and services required to monitor and maintain the closed landfill were acquired as of December 31, 2002. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

**11. ACCUMULATED UNPAID SICK LEAVE**

All vacations must be used by December 31 of each year. Accumulated unpaid sick pay is accrued and recorded in either the proprietary fund or the General Long Term Debt account group. The amount of sick leave (including related payroll taxes and workers' compensation) that has been accumulated by the employees of the City is estimated to be \$1,404,764 through December 31, 2002.

**12. ACCRUED POLICE AND FIREMEN'S PENSION LIABILITY**

In 1973 the City of Steubenville was required by the Police and Firemen's Disability and Pension Fund to pay a total of \$2,574,594 (Police - \$1,209,749 and Firemen - \$1,364,845) over the next 62 years at 4.25% interest into the pension fund. The requirement represented the City's share of the necessary funds needed to stabilize the pension fund. As of December 31, 2002 the outstanding balance for the Police was \$1,059,720 and for Firemen was \$1,195,582. The liability is recorded in the General Long Term Debt Account Group.

**13. BUDGETARY/GAAP REPORTING RECONCILIATION**

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

**CITY OF STEUBENVILLE  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**13. BUDGETARY/GAAP REPORTING RECONCILIATION (Continued)**

**All Governmental Fund Types and Expendable Trust Funds**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Expendable Trust Fund
Excess of revenues over (under) expenditures on GAAP basis	\$(1,144,057)	\$1,259,713	\$238,965	\$(222,861)	\$(5,345)
Current year revenue accruals	(475,414)	(327,199)			85,394
Prior year revenue accruals	761,633	465,316	2,315		
Current year expenditure accruals	874,079	53,578	-	304,968	(33,725)
Prior year expenditure accruals	(626,710)	(123,877)	-		(420)
Encumbrances	<u>(2,863,197)</u>	<u>(547,297)</u>			<u>(3,819)</u>
Excess if revenues over (under) expenditures on the cash basis (budgetary)	<u><u>\$(3,473,666)</u></u>	<u><u>\$780,235</u></u>	<u><u>\$241,280</u></u>	<u><u>\$82,107</u></u>	<u><u>\$42,085</u></u>

**All Proprietary Fund Types and Similar Trust Funds**

	Enterprise Funds	Internal Service Funds	Non- Expendable Trust Fund
Net Income (loss) on GAAP Basis	\$633,874	\$(160,665)	\$79
Current year revenue accruals	4,166,560	-	-
Prior year revenue accruals	697,046	-	-
Current year expense accruals	(4,799,229)	152,256	-
Prior year expense accruals	(635,476)	(128,963)	-
Encumbrances	<u>(4,963,812)</u>		
Net Income (loss) on the cash basis (budgetary)	<u><u>(4,901,037)</u></u>	<u><u>\$(137,372)</u></u>	<u><u>\$79</u></u>

**CITY OF STEUBENVILLE  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**14. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The City maintains three Enterprise Funds which provide water, sewer and refuse services. Segment information for the year ended December 31, 2002 was as follows:

	Water Fund	Sewer Fund	Refuse Fund	Total Enterprise Funds
Operating revenues	\$ 3,883,214	\$ 1,765,715	\$ 1,507,600	\$ 7,156,529
Operating Income or (Loss)	314,293	(403,845)	361,564	272,012
Non-operating Revenues	251,198	635	110,029	361,862
Net Income or Loss	565,491	(403,210)	471,593	633,874
Net Working Capital	2,430,097	(1,730,409)	891,392	1,591,080
Total Assets	7,886,302	(806,269)	1,305,209	8,385,242
Notes and Other Long-Term Liabilities:				
Payable from Operating Revenues	9,425,126	3,208,981	5,585,242	18,219,349
Total Equity	\$ (3,113,354)	\$ (3,192,346)	\$ (4,408,563)	\$ (10,714,263)

**15. WATER AND WASTEWATER COMPLIANCE**

The City of Steubenville has been mandated by the Ohio Environmental Protection Agency to upgrade the water and wastewater system in the city. The City anticipates spending approximately \$54 million to upgrade these facilities over the next several years. Construction began in 2002 to upgrade the water system (raw water transmission mains, raw water intake lines and pump station.)

**CITY OF STEUBENVILLE  
JEFFERSON COUNTY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

<b>FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE</b>	<b>FEDERAL CFDA NUMBER</b>	<b>PASS-THROUGH GRANT NUMBER</b>	<b>EXPENDITURES</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
Direct Programs:			
Community Development Block Grant Entitlement Grants	14.218	B00-MC-39-0020	\$ 829,623
Community Development Block Grant Entitlement Grants	14.218	B01-MC-39-0020	450,936
Total Community Development Block Entitlement Grants			<u>1,280,559</u>
Total U.S. Department of Housing and Urban Development			<u><u>1,280,559</u></u>
<b><u>U.S. Department of Justice:</u></b>			
Direct Programs:			
Local Law Enforcement Block Grant	16.592	01LBBX2318	20,231
Local Law Enforcement Block Grant		02LBBX1703	0
Bulletproof Vest Program	16.607		12,696
Sub-total			<u>32,927</u>
Passed-Through State Office of Criminal Justice Services:			
Title V Delinquency Prevention Program	16.548	00JVT505042	78,320
Title V Communities That Care Grant		01JVT505042	26,080
Sub-total			<u>104,400</u>
Total U.S. Department of Justice			<u><u>137,327</u></u>
<b><u>U.S. Department of Agriculture:</u></b>			
Passed-Through State Department of Education:			
Summer Food Program	10.559		45,004
Total U.S. Department of Agriculture			<u><u>45,004</u></u>
<b><u>U.S. Department of Transportation:</u></b>			
Passed-Through Ohio Department of Transportation:			
Highway Planning and Construction	20.205	JEF-SR043-2.194	655,924
Fort Steuben Project Grant		JEF-Steuben Gateway	276,366
Total U.S. Department of Transportation			<u>\$ 932,290</u>
<b><u>U.S. Department of Health and Human Services:</u></b>			
Passed-Through State Department of Health:			
Childhood Lead Poisoning Prevention Grant	93.197	41-2-001-1-BD-02	\$ 11,158
Childhood Lead Poisoning Prevention Grant	93.197	41-2-001-1-BD-02	\$ 5,148
Total U.S. Department of Health and Human Services			<u>\$ 16,306</u>
<b>Total Federal Financial Assistance</b>			<u><u>\$ 2,411,486</u></u>

*The notes to the Schedule of Federal Awards Expenditures are an integral part of this statement,*

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**CITY OF STEUBENVILLE  
JEFFERSON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
DECEMBER 31, 2002**

**1. Basis of Presentation**

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

**2. Matching Requirements**

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

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**Auditor of State  
Betty Montgomery**

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

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

To the City Council:

We have audited the financial statements of the City of Steubenville, Jefferson County, as of and for the year ended December 31, 2002, and have issued our report thereon dated October 29, 2003, in which we did not express an opinion on the activity of the Internal Service Fund as certain information related to expenses and liabilities was not available to be audited. Our report was also qualified due to the omission of amounts representing property, buildings and equipment and related depreciation. Additionally, we noted the Refuse Enterprise Fund had accumulated a significant deficit. Except for the matters noted above, 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* and are described in the accompanying schedule of findings as items 2002-001 and 2002-002. We also noted certain instances of noncompliance, which we have reported to management of the City of Steubenville in a separate letter dated October 29, 2003.

**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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect City of Steubenville's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-003 and 2002-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. We consider the reportable conditions described above to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the City in a separate letter dated October 29, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

October 29, 2003



## Auditor of State Betty Montgomery

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

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

To the City Council:

#### Compliance

We have audited the compliance of City of Steubenville, Jefferson County, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2002. The City's major federal programs are 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 each of its major federal programs 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 State 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 each of its major federal programs for the year ended December 31, 2002.

#### Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of law, 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 a certain matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the City in a separate letter dated October 29, 2003.

This report is intended for the information and use of the audit committee, management, City Council, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

October 29, 2003

**CITY OF STEUBENVILLE  
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
DECEMBER 31, 2002**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Qualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA #14.218 CFDA #20.205
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	NO

**CITY OF STEUBENVILLE  
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133§.505  
DECEMBER 31, 2002  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2002-001</b>
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**Ohio Revised Code § 5705.41 (D)** provides that no subdivision shall make any contract or give any order involving the expenditure of money unless the certificate of the fiscal officer is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision’s fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. This section also provides two “exceptions” to the above requirement:

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

The City did not properly certify or record the amount against the applicable appropriation accounts for 33% of the tested expenditures of the general fund, 100% of tested expenditures of the capital projects funds, 10% of the tested expenditures of the enterprise funds and 40% of the tested expenditures of the non-expendable trusts. The City did not utilize the certification exceptions described above for those expenditures lacking prior or simultaneous certification.

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

<b>Finding Number</b>	<b>2002-002</b>
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**Ohio Revised Code Section § 5705.10** states that money paid into any fund shall be used only for the purposes for which the fund is established. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The Community Development Fund and Sewage Fund had negative fund cash balances of \$22,677 and \$1,734,832, respectively, at December 31, 2002, indicating monies from another fund(s) were used to cover expenses.

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

**CITY OF STEUBENVILLE  
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133§.505  
DECEMBER 31, 2002  
(Continued)**

<b>Finding Number</b>	<b>2002-003</b>
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The City has delegated employees' health insurance claims processing, which is a significant accounting function, to a third party administrator. The City has not established procedures to determine whether the service organization has sufficient controls in place that are operating effectively to reduce the risk that health insurance claims have not been completely and accurately processed in accordance with the health insurance contract.

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

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

<b>Finding Number</b>	<b>2002-004</b>
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The City has not maintained documentation to support the valuation of fixed assets that should have been recorded in the General Fixed Asset Account Group and in the Proprietary Fund Type.

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

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

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

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**CITY OF STEUBENVILLE  
JEFFERSON COUNTY  
DECEMBER 31, 2002**

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

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected ?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2001-21241-001	Ohio Revised Code § 5705.41(D): failure to properly certify expenditures	No	Reissued as Finding 2002-001
2001-21241-002	Ohio Revised Code § 5705.41(B): expenditures plus encumbrances exceeded appropriations	Yes	
2001-21241-003	Ohio Revised Code § 5705.10: two city funds had negative fund cash balances.	No	Reissued as Finding 2002-002
2001-21241-004	City had not established procedures to determine if health insurance claims and data processing services are accurately administered in accordance with contract.	No	Reissued as Finding 2002-003
2001-21241-005	City's financial statements did not include General Fixed Asset Account Group and Proprietary Fund fixed assets.	No	Reissued as Finding 2002-004





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**CITY OF STEUBENVILLE**

**JEFFERSON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 13, 2004**