

**City of St. Clairsville**  
*Audited Financial Statements*

*December 31, 2007*





Mary Taylor, CPA  
Auditor of State

City Council  
City of St. Clairsville  
100 N. Market Street  
P.O. Box 537  
St. Clairsville, Ohio 43950

We have reviewed the *Independent Auditor's Report* of the City of St. Clairsville, Belmont County, prepared by Rea & Associates, Inc., for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of St. Clairsville is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

August 14, 2008

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**CITY OF ST. CLAIRSVILLE  
BELMONT COUNTY**

**DECEMBER 31, 2007**

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**CITY OF ST. CLAIRSVILLE  
BELMONT COUNTY**

**DECEMBER 31, 2007**

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**Rea & Associates, Inc.**  
ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020  
New Philadelphia, OH 44663-5120

June 30, 2008

Mayor and Members of Council  
City of St. Clairsville  
St. Clairsville, Ohio 43950

**INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Clairsville, Ohio (the "City"), as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Clairsville, Ohio, as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund, Recreation Fund, and Police Fund 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 June 30, 2008 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Audit Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Kea & Associates, Inc.*

**City of St. Clairsville**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*

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The discussion and analysis of the City of St. Clairsville's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2007. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

***Financial Highlights***

Key financial highlights for 2007 are as follows:

- General Revenues accounted for \$2,421,657 in revenue or 73.2 percent of all revenues for governmental activities and \$55,601 or 0.9 percent of all revenues in business-type activities. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$886,476 or 26.8 percent of total revenues of \$3,308,133 for governmental activities. Business-type accounted for \$6,479,530 program specific revenues or 99.1 percent of total revenues of \$6,535,131.
- Total program expenses were \$10,132,502. \$3,095,266 in governmental activities and \$7,037,236 in business-type activities.
- In total, net assets decreased \$289,238. Net assets of governmental activities increased \$212,867. Net assets of business-type activities decreased \$502,105 from 2006.
- Outstanding debt, including capital leases, increased from \$5,018,976 in 2006 to \$8,658,886 in 2007. This increase was a result of the issuance of general obligation bonds.

***Using this Annual Financial Report***

This report is designed to allow the reader to look at the financial activities of the City of St. Clairsville as a whole and is intended to allow the reader to obtain a summary view or a more detailed view of the City operations, as they prefer.

The Statement of Net Assets and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2007 and how they affected the operations of the City as a whole.

***Reporting the City of St. Clairsville as a Whole***

*Statement of Net Assets and the Statement of Activities*

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column. In the case of St. Clairsville, the general, recreation and police funds are the most significant governmental funds. The water, sewer, and light funds are the significant enterprise funds.

**City of St. Clairsville**  
*Management's Discussion and Analysis (Continued)*  
*For the Year Ended December 31, 2007*

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A question typically asked about the City's finances "How did we do financially during fiscal year 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's *net assets and changes in those assets*. This change in net assets is important because it tells the reader that, for the City as a whole, the *financial position* of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two distinct kinds of activities:

- ü **Governmental Activities** - Most of the City's programs and services are reported here, including general government, security of persons and property, community environment, leisure time activities and transportation.
- ü **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's business-type activities are water, sewer and light.

***Reporting the City of St. Clairsville's Most Significant Funds***

***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The City uses many funds to account for financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the general, recreation and police funds.

**Governmental Funds** - Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. This shows what level of financial resources is available or will be available to provide the services that the general government provides in the near future. These services include police protection, as well as improving and maintaining the City's streets, parks, cemeteries and City Hall. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, recreation, and police funds, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for each of its funds. A budgetary comparison statement has been provided for the general fund and each major special revenue fund to demonstrate compliance with this budget.

**City of St. Clairsville**  
*Management's Discussion and Analysis (Continued)*  
For the Year Ended December 31, 2007

**Proprietary Funds** - Proprietary funds use the same basis of accounting as business-type activities (water, sewer and light); therefore, these statements will essentially match.

**The City of St. Clairsville as a Whole**

Recall that the Statement of Net Assets provides the perspective of the City as a whole.

Table 1 provides a summary of the City's net assets for 2007 compared to 2006:

**(Table 1)**  
**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Assets:</b>						
Current and Other Assets	\$ 3,940,284	\$ 3,469,353	\$ 7,913,091	\$ 4,447,732	\$ 11,853,375	\$ 7,917,085
Capital Assets	4,640,075	4,828,563	7,764,277	8,195,029	12,404,352	13,023,592
Total Assets	8,580,359	8,297,916	15,677,368	12,642,761	24,257,727	20,940,677
<b>Liabilities:</b>						
Long-Term Liabilities	1,324,194	1,238,420	7,431,427	3,860,004	8,755,621	5,098,424
Other Liabilities	751,137	767,335	578,747	613,458	1,329,884	1,380,793
Total Liabilities	2,075,331	2,005,755	8,010,174	4,473,462	10,085,505	6,479,217
<b>Net Assets:</b>						
Invested in Capital						
Assets, Net of Debt	3,359,393	3,654,809	4,853,565	5,515,773	8,212,958	9,170,582
Restricted	1,681,900	1,698,871	0	0	1,681,900	1,698,871
Unrestricted	1,463,735	938,481	2,813,629	2,653,526	4,277,364	3,592,007
Total Net Assets	\$ 6,505,028	\$ 6,292,161	\$ 7,667,194	\$ 8,169,299	\$ 14,172,222	\$ 14,461,460

Total assets increased by \$3,317,050 with governmental assets increasing \$282,443 and business-type assets increasing \$3,034,607. The majority of the increase in total assets for governmental activities was a result of an increase in cash and taxes receivable. The majority of the large increase in total assets for business-type activities was a result of an increase in cash due to unspent debt proceeds. A decrease of \$619,240 in total capital assets reflects current year depreciation exceeding additional purchases. Total liabilities increased by \$3,606,288 with governmental liabilities increasing \$69,576 and business-type liabilities increasing \$3,536,712. The majority of this increase was the result of increased long-term liabilities in governmental and business-type activities due to the issuance of new debt during the year.

**City of St. Clairsville**  
*Management's Discussion and Analysis (Continued)*  
For the Year Ended December 31, 2007

Total net assets decreased by \$289,238. This number reflects an increase of \$212,867 in governmental activities and a decrease of \$502,105 in the net assets of the business-type activities. Table 2 shows the changes in net assets for fiscal years 2007 and 2006. This table presents two fiscal years in side-by-side comparisons. This will enable the reader to draw further conclusion about the City's financial status and possibly project future problems.

**(Table 2)**  
**Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for Services	\$ 252,308	\$ 371,717	\$ 6,479,530	\$ 5,023,236	\$ 6,731,838	\$ 5,394,953
Operating Grants	634,168	372,039	0	0	634,168	372,039
<i>General Revenues:</i>						
Property Taxes	1,156,303	969,668	0	0	1,156,303	969,668
Kilowatt Per Hour Taxes	0	0	25,330	22,245	25,330	22,245
Grants and Entitlements	837,889	237,443	0	0	837,889	237,443
Investments	350,283	194,395	0	0	350,283	194,395
Other	77,182	152,007	30,271	56,086	107,453	208,093
<b>Total Revenues</b>	<b>3,308,133</b>	<b>2,297,269</b>	<b>6,535,131</b>	<b>5,101,567</b>	<b>9,843,264</b>	<b>7,398,836</b>
<b>Program Expenses</b>						
General Government	359,279	451,242	0	0	359,279	451,242
Security of Persons and Property	998,378	940,553	0	0	998,378	940,553
Transportation	581,580	527,891	0	0	581,580	527,891
Public Health Services	33,189	30,636	0	0	33,189	30,636
Community Environment	613,317	244,989	0	0	613,317	244,989
Leisure Time Activities	455,819	420,637	0	0	455,819	420,637
Interest and Fiscal Charges	53,704	59,870	0	0	53,704	59,870
<i>Enterprise Operations:</i>						
Water	0	0	1,061,861	953,747	1,061,861	953,747
Sewer	0	0	1,049,561	912,322	1,049,561	912,322
Light	0	0	4,925,814	4,484,149	4,925,814	4,484,149
<b>Total Program Expenses</b>	<b>3,095,266</b>	<b>2,675,818</b>	<b>7,037,236</b>	<b>6,350,218</b>	<b>10,132,502</b>	<b>9,026,036</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 212,867</b>	<b>\$ (378,549)</b>	<b>\$ (502,105)</b>	<b>\$ (1,248,651)</b>	<b>\$ (289,238)</b>	<b>\$ (1,627,200)</b>

**Governmental Activities**

The funding for the governmental activities comes from several different sources. Prominent sources are property taxes, grants and entitlements, and charges for services.

General revenues include property taxes and grants and entitlements, such as local government funds. With the combination of general and program revenues, all expenses in the governmental activities are funded. The City monitors its source of revenues very closely for fluctuations. Intergovernmental and property tax revenues increased this year causing an increase in governmental net asset balance.

**City of St. Clairsville**  
*Management's Discussion and Analysis (Continued)*  
*For the Year Ended December 31, 2007*

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Police represents the largest expense of the Governmental Activities. This expense of \$998,378 represents 32.3 percent of the total governmental activities expenses. This department operates out of the police fund.

**Business-Type Activities**

Business-type activities include water, sewer and light operations. The revenues are generated primarily from charges for services. In 2007, charges for services of \$6,479,530 accounted for 99.1 percent of the business-type revenues. The total expenses for the utilities were \$7,037,236. The increase in expenses outpaced the increase in revenues during the year causing a decrease in net assets for business-type activities.

***The City's Funds***

Information about the City's governmental funds begins on page 13. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues (including other financing sources) of \$4,503,764 and expenditures (including other financing uses) of \$4,260,799. The City's general fund balance increased by \$86,007 and the Recreation fund balance increased by \$17,179. These increases in fund balances can be attributed to revenues increasing faster than expenditures. The Police fund balance decreased by \$6,428. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

Information about the proprietary funds starts on page 20. These funds are accounted for on an accrual basis. All business type funds had operating expenses of \$6,642,729 and operating revenues of \$6,509,801.

***General Fund Budgeting Highlights***

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of 2007, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the general fund, final budget basis revenue (including other financing sources) was \$1,223,436 and the original budget estimate was \$907,013. Of this \$316,423 increase, most was attributable to an increase in intergovernmental revenue and increased licenses and permits revenue due to an increase in cable franchise fees.

Final appropriations (including other financing uses) of \$1,501,064 were \$135,000 higher than the \$1,366,064 in the original budget. This increase is due to increases in transfers out and general government expenditures for employee benefits.

**City of St. Clairsville**  
*Management's Discussion and Analysis (Continued)*  
For the Year Ended December 31, 2007

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of year 2007, the City had \$12,404,352 in land, buildings, improvements other than buildings, machinery and equipment, vehicles, infrastructure and CIP. A total of \$4,640,075 of this was for governmental activities with the remainder attributable to business-type activities. Table 3 shows fiscal year 2007 balances compared with 2006.

**(Table 3)**  
**Capital Assets at December 31**  
**(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 1,187,706	\$ 1,187,706	\$ 320,596	\$ 280,596	\$ 1,508,302	\$ 1,468,302
Buildings	1,116,495	1,234,564	1,757,823	1,825,059	2,874,318	3,059,623
Improvements Other Than Buildings	81,813	93,108	0	0	81,813	93,108
Machinery and Equipment	238,685	265,357	340,516	288,586	579,201	553,943
Vehicles	91,895	109,337	71,261	58,833	163,156	168,170
Infrastructure	1,842,010	1,918,491	4,970,097	5,651,787	6,812,107	7,570,278
CIP	81,471	20,000	303,984	90,168	385,455	110,168
<b>Totals</b>	<b>\$ 4,640,075</b>	<b>\$ 4,828,563</b>	<b>\$ 7,764,277</b>	<b>\$ 8,195,029</b>	<b>\$ 12,404,352</b>	<b>\$ 13,023,592</b>

The \$619,240 decrease in capital assets was attributable to current year depreciation exceeding additional purchases. Note 8 provides capital asset activity during the 2007 year.

**Debt**

The outstanding debt for the City of St. Clairsville as of December 31, 2007 was \$8,658,886 with \$283,429 due within one year. Table 4 summarizes outstanding debt.

**(Table 4)**  
**Outstanding Debt, at December 31**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
General Obligation Bonds	\$ 315,000	\$ 0	\$ 6,846,251	\$ 0	\$ 7,161,251	\$ 0
Rural Development Bonds	0	0	125,929	128,055	125,929	128,055
OPWC Loans	0	0	433,813	475,885	433,813	475,885
OWDA Loans	0	0	0	115,607	0	115,607
Bond Anticipation Notes	934,209	1,167,814	0	3,122,000	934,209	4,289,814
Capital Leases	1,473	5,940	2,211	3,675	3,684	9,615
<b>Total</b>	<b>\$ 1,250,682</b>	<b>\$ 1,173,754</b>	<b>\$ 7,408,204</b>	<b>\$ 3,845,222</b>	<b>\$ 8,658,886</b>	<b>\$ 5,018,976</b>

**City of St. Clairsville**  
*Management's Discussion and Analysis (Continued)*  
*For the Year Ended December 31, 2007*

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The bond anticipation note is for the purpose of acquiring land. The principal and interest for this bond is paid from the collection of recreation fees and general revenues. The OPWC and OWDA loans are for various water and sewer projects. During 2007, the City issued \$6,995,000 of various purpose general obligation bonds.

Additional information concerning the City's debt can be found in Note 14 to the basic financial statements.

***Current Financial Issues***

The City of St. Clairsville had a busy 2007. We began construction on a new substation on the east end. We put a new roof on the J.B. Martin Recreation Center. We spent the year in negotiations with the St. Clairsville/Richland School District for a parcel of land to expand the National Road Bikeway. We continued to work on the Clarendon project. The City received a discretionary grant for the construction of a new housing development, Loudon Terrace. These were all in addition to our daily services that we provide our citizens.

The City of St. Clairsville issued \$6,995,000 in bonds to repay bond anticipation notes that were taken out as early as 1995 and to finance the various projects and to purchase a new sludge truck and tank.

The St. Clairsville Revitalization Task Force, in conjunction with the City, continued their afternoon Farmers' Market on Tuesdays throughout the summer. They also built a beautiful Mother's Day Garden on the north side of the National Road Bikeway, dedicated to Mayor Vincenzo.

The City of St. Clairsville joined forces with Richland Township to form a new park district and a new \$40,000 playground was constructed during the summer. City workers volunteered as did many residents.

The Recreation Department continued their summer program at the "Fairgrounds" and added a Fourth of July celebration which brought fireworks back to the City of St. Clairsville for the first time in over three decades. Plans are being discussed for the use of the Fairground property once the Belmont County Fair moves to their new site.

One of our proudest moments this year came at the end of September when the winner of the America in Bloom contest was announced. The City of St. Clairsville won first place for communities with less than 10,000 population. This was a nationwide contest, and we competed with some of the prettiest cities in the United States. The City employees, the Revitalization Committee and many, many volunteers worked extremely hard to make St. Clairsville even more beautiful than ever.

Mayor Vincenzo concluded his term as the President of the Ohio Municipal League and Finance Director, Jill Lucidi was appointed President of the Ohio Association of Public Treasurers after a number of years on the board. The City hired a new Water/Wastewater Superintendent, Josh Goodridge, who made an immediate impact on the departments. Long time Secretary to the Service Director, Peggy Menoski retired as did street worker Rick Games. Full-time Utility Clerk, Nancy Edgar moved to the Secretary position and Jenny Vera was hired to replace her. The City chose not to fill Rick's empty position until Spring 2008. Our summer workers stepped it up to cover his void.

The City of St. Clairsville has an excellent group of people that run and service the town and its residents. At just over 5,000 residents, this small town is very progressive and is managed with forethought and eyes on the future. We may be small but we have big plans for our "Paradise on the Hilltop".



**City of St. Clairsville**  
*Management's Discussion and Analysis (Continued)*  
*For the Year Ended December 31, 2007*

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***Contacting the City's Finance Department***

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Jill Lucidi, Auditor of St. Clairsville, Ohio, Municipal Building, St. Clairsville, or [jlucidi@stclairsville.com](mailto:jlucidi@stclairsville.com).

**City of St. Clairsville**  
*Statement of Net Assets*  
*December 31, 2007*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 1,424,574	\$ 6,813,661	\$ 8,238,235
Cash and Cash Equivalents in Segregated Accounts	725	0	725
Investments with Trustees	132	0	132
Taxes Receivable	1,198,062	19,912	1,217,974
Accounts Receivable	25,403	536,741	562,144
Intergovernmental Receivable	841,105	0	841,105
Special Assessments Receivable	2,566	0	2,566
Loans Receivable	395,185	0	395,185
Prepaid Items	9,432	6,336	15,768
Materials and Supplies Inventory	43,100	320,150	363,250
Deferred Charges	0	109,332	109,332
Restricted Assets:			
Customer Deposits	0	106,959	106,959
Non-Depreciable Capital Assets	1,269,177	624,580	1,893,757
Depreciable Capital Assets, Net	3,370,898	7,139,697	10,510,595
<i>Total Assets</i>	<u>8,580,359</u>	<u>15,677,368</u>	<u>24,257,727</u>
<b>Liabilities</b>			
Accounts Payable	41,254	322,190	363,444
Accrued Wages	22,178	22,600	44,778
Contracts Payable	30,000	0	30,000
Intergovernmental Payable	71,864	44,547	116,411
Undistributed Monies	725	0	725
Customer Deposits Payable	0	106,959	106,959
Accrued Interest Payable	4,704	24,090	28,794
Accrued Vacation Leave Payable	25,939	58,361	84,300
Deferred Revenue	554,473	0	554,473
Long-Term Liabilities:			
Due Within One Year	120,921	219,124	340,045
Due in More Than One Year	1,203,273	7,212,303	8,415,576
<i>Total Liabilities</i>	<u>2,075,331</u>	<u>8,010,174</u>	<u>10,085,505</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	3,359,393	4,853,565	8,212,958
Restricted for Capital Outlay	231,615	0	231,615
Restricted for Other Purposes	1,450,285	0	1,450,285
Unrestricted	1,463,735	2,813,629	4,277,364
<i>Total Net Assets</i>	<u>\$ 6,505,028</u>	<u>\$ 7,667,194</u>	<u>\$ 14,172,222</u>

The accompanying notes are an integral part of the basic financial statements.

**City of St. Clairsville**  
*Statement of Activities*  
For the Year Ended December 31, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>						
General Government	\$ 359,279	\$ 136,858	\$ 0	\$ (222,421)	\$ 0	\$ (222,421)
Security of Persons and Property	998,378	565	92,452	(905,361)	0	(905,361)
Public Health Services	33,189	0	0	(33,189)	0	(33,189)
Lesiure Time Activities	455,819	114,885	0	(340,934)	0	(340,934)
Community and Economic Development	613,317	0	253,395	(359,922)	0	(359,922)
Transportation	581,580	0	288,321	(293,259)	0	(293,259)
Interest and Fiscal Charges	53,704	0	0	(53,704)	0	(53,704)
<i>Total Governmental Activities</i>	<u>3,095,266</u>	<u>252,308</u>	<u>634,168</u>	<u>(2,208,790)</u>	<u>0</u>	<u>(2,208,790)</u>
<b>Business-Type Activities</b>						
Water	1,061,861	857,948	0	0	(203,913)	(203,913)
Sewer	1,049,561	773,215	0	0	(276,346)	(276,346)
Light	4,925,814	4,848,367	0	0	(77,447)	(77,447)
<i>Total Business-Type Activities</i>	<u>7,037,236</u>	<u>6,479,530</u>	<u>0</u>	<u>0</u>	<u>(557,706)</u>	<u>(557,706)</u>
<i>Total - Primary Government</i>	<u>\$ 10,132,502</u>	<u>\$ 6,731,838</u>	<u>\$ 634,168</u>	<u>(2,208,790)</u>	<u>(557,706)</u>	<u>(2,766,496)</u>
<b>General Revenues:</b>						
Property and Other Taxes Levied for:						
General Purposes				608,258	0	608,258
Other Purposes				551,353	0	551,353
Kilowatt Per Hour Taxes Levied for General Purposes				0	25,330	25,330
Grants and Entitlements Not Restricted to Specific Program:				834,581	0	834,581
Investment Earnings				350,283	0	350,283
Miscellaneous				77,182	30,271	107,453
<i>Total General Revenues</i>				<u>2,421,657</u>	<u>55,601</u>	<u>2,477,258</u>
<i>Change in Net Assets</i>				212,867	(502,105)	(289,238)
<i>Net Assets Beginning of Year</i>				<u>6,292,161</u>	<u>8,169,299</u>	<u>14,461,460</u>
<i>Net Assets End of Year</i>				<u>\$ 6,505,028</u>	<u>\$ 7,667,194</u>	<u>\$ 14,172,222</u>

The accompanying notes are an integral part of the basic financial statements.

**City of St. Clairsville**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2007*

	<u>General</u>	<u>Recreation</u>	<u>Police</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 622,171	\$ 57,155	\$ 8,077	\$ 737,171	\$ 1,424,574
Cash and Cash Equivalents					
in Segregated Accounts	0	0	0	725	725
Investments with Trustees	0	0	0	132	132
Taxes Receivable	577,155	0	567,846	53,061	1,198,062
Accounts Receivable	25,403	0	0	0	25,403
Intergovernmental Receivable	536,078	0	14,882	290,145	841,105
Special Assessments Receivable	0	0	0	2,566	2,566
Loans Receivable	0	0	0	395,185	395,185
Advances To Other Funds	3,458	0	0	0	3,458
Prepaid Items	6,195	0	3,237	0	9,432
Materials and Supplies Inventory	0	4,800	0	38,300	43,100
<i>Total Assets</i>	<u>\$ 1,770,460</u>	<u>\$ 61,955</u>	<u>\$ 594,042</u>	<u>\$ 1,517,285</u>	<u>\$ 3,943,742</u>
<b>Liabilities</b>					
Accounts Payable	24,797	4,200	894	11,363	41,254
Accrued Wages	453	2,640	14,200	4,885	22,178
Contracts Payable	0	30,000	0	0	30,000
Intergovernmental Payable	8,168	8,236	22,214	33,246	71,864
Undistributed Monies	0	0	0	725	725
Advances From Other Funds	0	0	0	3,458	3,458
Deferred Revenue	1,079,597	0	582,728	269,541	1,931,866
<i>Total Liabilities</i>	<u>1,113,015</u>	<u>45,076</u>	<u>620,036</u>	<u>323,218</u>	<u>2,101,345</u>
<b>Fund Balances</b>					
Reserved for Encumbrances	0	10,041	7,222	209,122	226,385
Reserved for Advances	3,458	0	0	0	3,458
Reserved for Loans Receivable	0	0	0	395,185	395,185
Reserved for Unclaimed Monies	1,400	0	0	0	1,400
Unreserved, Undesignated, Reported in:					
General Fund	652,587	0	0	0	652,587
Special Revenue Funds	0	6,838	(33,216)	433,459	407,081
Debt Service Funds	0	0	0	(3,294)	(3,294)
Capital Projects Funds	0	0	0	159,595	159,595
<i>Total Fund Balances</i>	<u>657,445</u>	<u>16,879</u>	<u>(25,994)</u>	<u>1,194,067</u>	<u>1,842,397</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,770,460</u>	<u>\$ 61,955</u>	<u>\$ 594,042</u>	<u>\$ 1,517,285</u>	<u>\$ 3,943,742</u>

The accompanying notes are an integral part of the basic financial statements.

**City of St. Clairsville**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2007*

<b>Total Governmental Fund Balances</b>		\$ 1,842,397
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		4,640,075
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Intergovernmental	\$ 731,238	
Special Assessments	2,566	
Property Taxes	<u>643,589</u>	
Total		1,377,393
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(4,704)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(315,000)	
Bond Anticipation Notes	(934,209)	
Capital Leases	(1,473)	
Accrued Vacation Payable	(25,939)	
Compensated Absences	<u>(73,512)</u>	
Total		<u>(1,350,133)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$ 6,505,028</u></u>

The accompanying notes are an integral part of the basic financial statements.

**City of St. Clairsville**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
**Governmental Funds**  
*For the Year Ended December 31, 2007*

	General	Recreation	Police	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property and Other Taxes	\$ 430,785	\$ 0	\$ 341,287	\$ 27,496	\$ 799,568
Special Assessments	0	0	0	18,084	18,084
Charges for Services	0	114,885	0	0	114,885
Licenses and Permits	290,890	0	0	0	290,890
Fines and Forfeitures	9,763	0	0	1,585	11,348
Intergovernmental	413,774	20,000	57,766	890,377	1,381,917
Interest	340,070	0	0	10,213	350,283
Rent	14,550	0	0	0	14,550
Contributions and Donations	2,000	0	0	0	2,000
Other	16,464	13,527	37,797	9,414	77,202
<i>Total Revenues</i>	<u>1,518,296</u>	<u>148,412</u>	<u>436,850</u>	<u>957,169</u>	<u>3,060,727</u>
<b>Expenditures</b>					
Current:					
General Government	315,980	0	0	240	316,220
Security of Persons and Property	2,556	0	888,178	88,738	979,472
Public Health Services	33,189	0	0	0	33,189
Lesiure Time Activities	0	387,495	0	13,058	400,553
Community and Economic Development	0	0	0	594,652	594,652
Transportation	0	0	0	476,241	476,241
Capital Outlay	0	55,871	0	35,000	90,871
Debt Service:					
Principal Retirement	2,705	35,367	0	200,000	238,072
Interest and Fiscal Charges	309	40,122	0	8,569	49,000
Issuance Costs	0	1,251	0	3,728	4,979
<i>Total Expenditures</i>	<u>354,739</u>	<u>520,106</u>	<u>888,178</u>	<u>1,420,226</u>	<u>3,183,249</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,163,557</u>	<u>(371,694)</u>	<u>(451,328)</u>	<u>(463,057)</u>	<u>(122,522)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	0	312,600	444,900	320,050	1,077,550
Bonds Issued	0	75,000	0	240,000	315,000
Premium on Debt Issued	0	1,273	0	4,319	5,592
Proceeds from Sale of Capital Assets	0	0	0	44,895	44,895
Transfers Out	(1,077,550)	0	0	0	(1,077,550)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,077,550)</u>	<u>388,873</u>	<u>444,900</u>	<u>609,264</u>	<u>365,487</u>
<i>Net Change in Fund Balances</i>	86,007	17,179	(6,428)	146,207	242,965
<i>Fund Balance (Deficit) Beginning of Year</i>	<u>571,438</u>	<u>(300)</u>	<u>(19,566)</u>	<u>1,047,860</u>	<u>1,599,432</u>
<i>Fund Balance (Deficit) End of Year</i>	<u>\$ 657,445</u>	<u>\$ 16,879</u>	<u>\$ (25,994)</u>	<u>\$ 1,194,067</u>	<u>\$ 1,842,397</u>

The accompanying notes are an integral part of the basic financial statements.

**City of St. Clairsville**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2007*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	242,965
 <i>Amounts reported for governmental activities in the statement of activities are different because</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Capital Asset Additions	\$ 74,339	
Current Year Depreciation	(184,519)	
Total		(110,180)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(78,308)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes	356,735	
Special Assessments	(20,717)	
Intergovernmental	90,140	
Charges for Services	(179,365)	
Total		246,793
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Capital Lease Principal	4,467	
Bond Anticipation Notes Principal	233,605	
Total		238,072
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		(4,704)
Proceeds of bonds in the governmental funds that increase long-term liability in the statement of net assets are not reported as revenues in the statement of activities.		
		(315,000)
Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	(8,846)	
Vacation Payable	2,075	
Total		(6,771)
 <i>Change in Net Assets of Governmental Activities</i>	 \$	 <u>212,867</u>

The accompanying notes are an integral part of the basic financial statements.

**City of St. Clairsville**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2007*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$ 515,000	\$ 515,000	\$ 430,785	\$ (84,215)
Licenses and Permits	53,200	244,462	266,063	21,601
Fines and Forfeitures	13,000	13,000	9,187	(3,813)
Intergovernmental	184,413	254,574	420,400	165,826
Interest	100,000	155,000	319,299	164,299
Rent	14,400	14,400	14,550	150
Contributions and Donations	0	0	2,000	2,000
Other	11,200	11,200	16,464	5,264
<i>Total Revenues</i>	<u>891,213</u>	<u>1,207,636</u>	<u>1,478,748</u>	<u>271,112</u>
<b>Expenditures</b>				
Current:				
General Government	357,950	364,100	316,161	47,939
Security of Persons and Property	3,200	3,200	2,676	524
Public Health Services	33,200	33,200	33,189	11
Capital Outlay	20,000	20,000	0	20,000
Debt Service:				
Principal Retirement	2,705	2,705	2,705	0
Interest and Fiscal Charges	309	309	309	0
<i>Total Expenditures</i>	<u>417,364</u>	<u>423,514</u>	<u>355,040</u>	<u>68,474</u>
<i>Excess of Revenues Over Expenditures</i>	<u>473,849</u>	<u>784,122</u>	<u>1,123,708</u>	<u>339,586</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	15,800	15,800	17,300	1,500
Transfers Out	(948,700)	(1,077,550)	(1,077,550)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(932,900)</u>	<u>(1,061,750)</u>	<u>(1,060,250)</u>	<u>1,500</u>
<i>Net Change in Fund Balance</i>	(459,051)	(277,628)	63,458	341,086
<i>Fund Balance Beginning of Year</i>	460,652	460,652	460,652	0
Prior Year Encumbrances Appropriated	10,083	10,083	10,083	0
<i>Fund Balance End of Year</i>	<u>\$ 11,684</u>	<u>\$ 193,107</u>	<u>\$ 534,193</u>	<u>\$ 341,086</u>

The accompanying notes are an integral part of the basic financial statements.



**City of St. Clairsville**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Recreation Fund*  
*For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Charges for Services	\$ 198,000	\$ 201,000	\$ 113,528	\$ (87,472)
Intergovernmental	20,000	20,000	20,000	0
Other	4,000	14,000	15,172	1,172
<i>Total Revenues</i>	<u>222,000</u>	<u>235,000</u>	<u>148,700</u>	<u>(86,300)</u>
<b>Expenditures</b>				
Current:				
Leisure Time Services	287,124	454,124	392,173	61,951
Capital Outlay	3,000	78,000	55,871	22,129
Debt Service:				
Principal Retirements	32,762	34,762	35,367	(605)
Interest and Fiscal Charges	44,114	45,114	43,904	1,210
Issuance Costs	0	0	1,251	(1,251)
<i>Total Expenditures</i>	<u>367,000</u>	<u>612,000</u>	<u>528,566</u>	<u>83,434</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(145,000)</u>	<u>(377,000)</u>	<u>(379,866)</u>	<u>(2,866)</u>
<b>Other Financing Sources</b>				
Transfers In	215,900	302,900	312,600	9,700
Bonds Issued	0	75,000	75,000	
Premium on Debt Issued	0	0	1,273	1,273
<i>Total Other Financing Sources</i>	<u>215,900</u>	<u>377,900</u>	<u>388,873</u>	<u>10,973</u>
<i>Net Change in Fund Balance</i>	70,900	900	9,007	8,107
<i>Fund Balance Beginning of Year</i>	72	72	72	0
Prior Year Encumbrances Appropriated	4,562	4,562	4,562	0
<i>Fund Balance End of Year</i>	<u>\$ 75,534</u>	<u>\$ 5,534</u>	<u>\$ 13,641</u>	<u>\$ 8,107</u>

The accompanying notes are an integral part of the basic financial statements.

**City of St. Clairsville**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Police Fund*  
*For the Year Ended December 31, 2007*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$ 306,200	\$ 364,200	\$ 341,287	\$ (22,913)
Intergovernmental	0	0	57,766	57,766
Other	10,000	26,666	37,797	11,131
<i>Total Revenues</i>	<u>316,200</u>	<u>390,866</u>	<u>436,850</u>	<u>45,984</u>
<b>Expenditures</b>				
Current:				
Security of Persons and Property	746,200	957,200	884,333	72,867
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(430,000)</u>	<u>(566,334)</u>	<u>(447,483)</u>	<u>118,851</u>
<b>Other Financing Source</b>				
Transfers In	567,700	567,700	444,900	(122,800)
<i>Net Change in Fund Balance</i>	137,700	1,366	(2,583)	(3,949)
<i>Fund Balance Beginning of Year</i>	90	90	90	0
Prior Year Encumbrances Appropriated	2,991	2,991	2,991	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$ 140,781</u>	<u>\$ 4,447</u>	<u>\$ 498</u>	<u>\$ (3,949)</u>

The accompanying notes are an integral part of the basic financial statements.

**City of St. Clairsville**  
*Statement of Fund Net Assets*  
*Proprietary Funds*  
*December 31, 2007*

	Business-Type Activities			
	Water	Sewer	Light	Total
<b>Assets</b>				
<i>Current Assets</i>				
Equity in Pooled Cash and Cash Equivalents	\$ 178,389	\$ 175,548	\$ 6,459,724	\$ 6,813,661
Taxes Receivable	0	0	19,912	19,912
Accounts Receivable	71,539	63,507	401,695	536,741
Advances To Other Funds	0	158,000	0	158,000
Prepaid Items	2,112	2,112	2,112	6,336
Interfund Receivable	0	0	105,000	105,000
Materials and Supplies Inventory	68,550	20,050	231,550	320,150
<i>Total Current Assets</i>	<u>320,590</u>	<u>419,217</u>	<u>7,219,993</u>	<u>7,959,800</u>
<i>Non-Current Assets</i>				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	52,355	40,560	14,044	106,959
Deferred Charges	4,212	6,554	98,566	109,332
Non-Depreciable Capital Assets	0	0	624,580	624,580
Depreciable Capital Assets, Net	2,201,734	2,955,610	1,982,353	7,139,697
<i>Total Non-Current Assets</i>	<u>2,258,301</u>	<u>3,002,724</u>	<u>2,719,543</u>	<u>7,980,568</u>
<i>Total Assets</i>	<u>2,578,891</u>	<u>3,421,941</u>	<u>9,939,536</u>	<u>15,940,368</u>
<b>Liabilities</b>				
<i>Current Liabilities</i>				
Accounts Payable	9,055	4,571	308,564	322,190
Accrued Wages	9,217	5,563	7,820	22,600
Intergovernmental Payable	11,784	13,121	19,642	44,547
Customer Deposits Payable	52,355	40,560	14,044	106,959
Accrued Interest Payable	942	1,486	21,662	24,090
Accrued Vacation Leave Payable	18,487	12,894	26,980	58,361
Interfund Payable	105,000	0	0	105,000
Advances From Other Funds	158,000	0	0	158,000
Compensated Absences Payable	2,345	1,240	3,282	6,867
General Obligation Bonds Payable	0	25,000	140,000	165,000
Capital Leases Payable	543	543	543	1,629
Rural Development Loan Payable	0	2,272	0	2,272
OPWC Loans Payable	2,262	41,094	0	43,356
<i>Total Current Liabilities</i>	<u>369,990</u>	<u>148,344</u>	<u>542,537</u>	<u>1,060,871</u>
<i>Long-Term Liabilities</i>				
Compensated Absences Payable- Net of Current Portion	2,666	5,512	8,178	16,356
General Obligation Bonds Payable - Net of Current Portion	263,123	399,176	6,018,952	6,681,251
Capital Leases Payable- Net of Current Portion	194	194	194	582
Rural Development Loan Payable- Net of Current Portion	0	123,657	0	123,657
OPWC Loans Payable- Net of Current Portion	46,221	344,236	0	390,457
<i>Total Long-Term Liabilities</i>	<u>312,204</u>	<u>872,775</u>	<u>6,027,324</u>	<u>7,212,303</u>
<i>Total Liabilities</i>	<u>682,194</u>	<u>1,021,119</u>	<u>6,569,861</u>	<u>8,273,174</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	1,889,391	2,019,438	944,736	4,853,565
Unrestricted	7,306	381,384	2,424,939	2,813,629
<i>Total Net Assets</i>	<u>\$ 1,896,697</u>	<u>\$ 2,400,822</u>	<u>\$ 3,369,675</u>	<u>\$ 7,667,194</u>

The accompanying notes are an integral part of the basic financial statements.

**City of St. Clairsville**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Funds*  
*For the Year Ended December 31, 2007*

	Business-Type Activities			
	Water	Sewer	Light	Total
<b>Operating Revenues</b>				
Charges for Services	\$ 857,948	\$ 773,215	\$ 4,848,367	\$ 6,479,530
Other	4,435	16,666	9,170	30,271
<i>Total Operating Revenues</i>	<u>862,383</u>	<u>789,881</u>	<u>4,857,537</u>	<u>6,509,801</u>
<b>Operating Expenses</b>				
Personal Services	520,320	405,411	529,146	1,454,877
Contractual Services	151,570	134,337	3,960,078	4,245,985
Materials and Supplies	106,184	17,601	101,243	225,028
Depreciation	247,174	356,683	112,982	716,839
<i>Total Operating Expenses</i>	<u>1,025,248</u>	<u>914,032</u>	<u>4,703,449</u>	<u>6,642,729</u>
<i>Operating Income (Loss)</i>	<u>(162,865)</u>	<u>(124,151)</u>	<u>154,088</u>	<u>(132,928)</u>
<b>Non-Operating Revenue (Expenses)</b>				
Kilowatt Taxes	0	0	25,330	25,330
Interest and Fiscal Charges	(20,437)	(43,539)	(213,860)	(277,836)
Loss on Sale of Capital Assets	(16,176)	(91,990)	(8,505)	(116,671)
<i>Total Non-Operating Revenue (Expenses)</i>	<u>(36,613)</u>	<u>(135,529)</u>	<u>(197,035)</u>	<u>(369,177)</u>
<i>Change in Net Assets</i>	(199,478)	(259,680)	(42,947)	(502,105)
<i>Net Assets Beginning of Year</i>	<u>2,096,175</u>	<u>2,660,502</u>	<u>3,412,622</u>	<u>8,169,299</u>
<i>Net Assets End of Year</i>	<u>\$ 1,896,697</u>	<u>\$ 2,400,822</u>	<u>\$ 3,369,675</u>	<u>\$ 7,667,194</u>

The accompanying notes are an integral part of the basic financial statements.

**City of St. Clairsville**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2007**

	Business-Type Activities			
	Water	Sewer	Light	Total
<b>Increase in Cash and Cash Equivalents</b>				
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$ 874,929	\$ 784,859	\$ 4,777,951	\$ 6,437,739
Other Operating Receipts	4,435	16,666	9,170	30,271
Cash Payments for Goods and Services	(114,978)	(17,656)	(105,110)	(237,744)
Cash Payments to Employees	(511,814)	(395,294)	(513,317)	(1,420,425)
Cash Payments for Contractual Services	(155,615)	(140,319)	(3,979,165)	(4,275,099)
<i>Net Cash Provided by Operating Activities</i>	<u>96,957</u>	<u>248,256</u>	<u>189,529</u>	<u>534,742</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Tax Receipts	0	0	24,352	24,352
Advances In	105,000	0	0	105,000
Advance Out	0	0	(105,000)	(105,000)
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>105,000</u>	<u>0</u>	<u>(80,648)</u>	<u>24,352</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Proceeds from Bonds	255,000	410,000	6,015,000	6,680,000
Premium on Debt Issued	8,123	14,176	143,952	166,251
Bond Issuance Costs	(4,212)	(6,554)	(98,566)	(109,332)
Acquisition of Capital Assets	(12,947)	(122,777)	(273,764)	(409,488)
Principal Payments on Debt	(373,313)	(359,468)	(2,550,488)	(3,283,269)
Interest Payments	(26,859)	(51,207)	(248,053)	(326,119)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(154,208)</u>	<u>(115,830)</u>	<u>2,988,081</u>	<u>2,718,043</u>
<i>Net Increase in Cash and Cash Equivalents</i>	47,749	132,426	3,096,962	3,277,137
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>182,995</u>	<u>83,682</u>	<u>3,376,806</u>	<u>3,643,483</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 230,744</u>	<u>\$ 216,108</u>	<u>\$ 6,473,768</u>	<u>\$ 6,920,620</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>				
Operating Income (Loss)	\$ (162,865)	\$ (124,151)	\$ 154,088	\$ (132,928)
Adjustments:				
Depreciation	247,174	356,683	112,982	716,839
(Increase) Decrease in Assets:				
Accounts Receivable	3,730	1,378	(73,971)	(68,863)
Prepaid Items	167	167	167	501
Materials and Supplies Inventory	(7,050)	2,450	(4,950)	(9,550)
Increase (Decrease) in Liabilities:				
Accounts Payable	4,548	(517)	(15,473)	(11,442)
Accrued Wages	1,634	1,550	1,951	5,135
Customer Deposits Payable	2,747	2,129	737	5,613
Compensated Absences Payable	1,328	2,671	4,442	8,441
Accrued Vacation Payable	2,035	731	3,167	5,933
Intergovernmental Payable	3,509	5,165	6,389	15,063
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 96,957</u>	<u>\$ 248,256</u>	<u>\$ 189,529</u>	<u>\$ 534,742</u>

The accompanying notes are an integral part of the basic financial statements.

**City of St. Clairsville**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2007*

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	<u>Agency</u>
<b>Assets</b>	
Cash and Cash Equivalents in Segregated Accounts	\$ 3,747
Accounts Receivable	<u>40</u>
<i>Total Assets</i>	<u><u>3,787</u></u>
<b>Liabilities</b>	
Undistributed Monies	<u><u>\$ 3,787</u></u>

The accompanying notes are an integral part of the basic financial statements.

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2007*

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**NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION**

The City of St. Clairsville (the “City”) is a body politic, incorporated as a village in 1801, and became a City on March 20, 1977. The City merged with St. Clairsville Township on January 1, 1994. The City is a charter municipal corporation, incorporated under the laws of the State of Ohio. The City operates under a “Mayor-Council-Manager” form of government. The Council, Finance Director, and Mayor are elected. The Council appoints a Manager who is the Chief Administrative Officer of the City.

Legislative power is vested in a seven member Council; three are elected at large and four are elected from wards established in the City. The Ward Council and At-Large Council members are elected at the regular City elections. The terms of the members are for four years, commencing at the first regular meeting in January following their election and continuing until their successors have been elected and sworn in.

The Mayor is elected at the regular City election and every fourth year thereafter. The Mayor serves a four year term. The Mayor, when authorized by Council, serves as judge and has all the judicial powers granted generally by the laws of Ohio to mayors of municipalities of St. Clairsville’s class. The President of Council presides at Council meetings but has no vote therein, unless there is a tie. In the event of a tie, the President of Council casts the tie breaking vote. The Mayor is the official and ceremonial head of the City government.

The City’s Manager (Service Director) is appointed by a majority vote of Council to an indefinite term but serves at the pleasure of Council. The Service Director is responsible to Council for the administration of all affairs of the City and the enforcement of all laws and ordinances within the scope of the designated powers and duties of the office. The Service Director has the power to appoint, promote, transfer, reduce or remove, subject to the provisions of the Charter and enactments of Council, any officer or employee of the City, except those required by the Charter to be elected and those whose appointment or term of office may otherwise be provided for in the Charter.

***Reporting Entity***

In evaluating how to define the City for financial reporting purposes, management has considered all agencies, departments, and organizations making up the City (the primary government) and its potential component units consistent with Government Accounting Standards Board Statements No. 14, “The Financial Reporting Entity” and No. 39, “Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14.”

The City provides various services including police, parks and recreation, cemetery, planning, zoning, street construction, maintenance and repair, water, sewer and electric services, and general administrative services. The operation of these activities is directly controlled by Council through the budgetary process. None of these services are provided by a legally separate organization; therefore, these operations are included in the primary government.

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2007*

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**NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)**

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the levying of taxes or the issuance of debt.

***St. Clairsville Community Improvement Corporation*** – St. Clairsville Community Improvement Corporation (“CIC”) is a legally separate organization, which was established during 2007. The members of the CIC are the current Council members of the City of St. Clairsville. The CIC is governed by a board of trustees who are elected by the members. At least two of the trustees must be elected officeholders with the City of St. Clairsville. The purpose of the CIC is to provide improvements to the City, encourage businesses to locate and stay in the downtown area, resolve parking issues and downtown revitalization. There was no activity during 2007. In future years, the CIC will be shown as a component unit of the City on the financial statements.

The City is involved with the Ohio Mid-Eastern Governments Association, Jefferson-Belmont Joint Solid Waste Authority, Southeastern Ohio Narcotics Task Force, Bel-O-Mar Regional Council, and Belmont County Board of Health which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 17.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has elected not to apply Financial Accounting Standards Board (FASB) Statements of Interpretation issued after November 30, 1989 to its enterprise and business-type activities. The most significant of the City's accounting policies are described below.

***A. Basis of Presentation***

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.



**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2007*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

***Fund Financial Statements*** During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

***B. Fund Accounting***

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

***Governmental Funds*** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

***General Fund*** The general fund accounts 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.

***Recreation*** The recreation special revenue fund is used to account for the costs associated with maintaining the parks.

***Police Fund*** The police special revenue fund is to account for the property taxes levied in the City for the operation of its Police Department.

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2007*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

**Proprietary Fund Type** Proprietary fund reporting focuses on the determination of operating income, changes in net asset, financial position, and cash flows. The following is the City's proprietary fund type:

**Enterprise Funds** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The water, sewer and light funds are the City's major enterprise funds.

**Water Fund** The water fund accounts for the provision of water service to the residents and commercial users located within the City.

**Sewer Fund** The sewer fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

**Light Fund** The light fund accounts for revenues generated from charges for electric services provided to residential and commercial users of the City.

**Fiduciary Funds** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's two agency funds account for court collections that are distributed to various other subdivisions and City funds and employee medical savings.

**C. Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
December 31, 2007

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of revenues, expenses and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary fund activities.

***D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Non-Exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 6.) Revenue from grants, entitlements, and donations 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 the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fines and forfeitures, interest, grants and entitlements, and rentals.

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2007*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deferred Revenue** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. Pooled Cash and Cash Equivalents**

To improve cash management, all 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."

Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating certificates of deposit and repurchase agreements, which are reported at cost.

During fiscal year 2007, the City's investments were limited to certificates of deposit, money market funds, STAROhio, and overnight sweep accounts.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2007. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price for which the investment could be sold on December 31, 2007.

Investment procedures are restricted by the provisions of the Ohio Revised Code and the City's investment policy and Charter. Interest revenue credited to the general fund during 2007 amounted to \$340,070, which includes \$272,736 assigned from other City funds.

The City has segregated bank accounts for monies held separate from the City's central bank account. These depository accounts are presented on the balance sheet as "Cash and Cash Equivalents in Segregated Accounts" since they are not required to be deposited into the City's treasury.

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2007*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The City utilizes a trustee bank to service bonded debt as principal and interest payments come due. The balances in these accounts are presented on the balance sheet as “Investments with Trustees” for investments in money market accounts.

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2007 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the payment and an expenditure/expense is reported in the year in which services are consumed.

***G. Materials and Supplies Inventory***

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expended/expensed when used. Inventories consist of expendable supplies.

***H. Restricted Assets***

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Customer deposits have been restricted in the enterprise funds because the deposit remains the property of the customer. The restricted asset account is balanced by a customer deposit payable liability account.

***I. Capital Assets***

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$2,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
 December 31, 2007

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

All reported capital assets, except for land and construction-in-progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	20-30 Years	20-30 Years
Improvements Other Than Buildings	15 - 30 Years	15 - 30 Years
Machinery and Equipment	5 - 20 Years	5-15 Years
Vehicles	5 - 10 Years	5 - 10 Years
Infrastructure	30 Years	N/A

The City's infrastructure consists of streets, sidewalks and storm sewers. For 2004, the City reported governmental activities infrastructure for the first time. The City only reports the amounts acquired after 2004.

***J. Interfund Balances***

During the course of operations, transactions occur between individual funds for goods provided or services rendered. On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." Long-term interfund loans (advances) are classified as "advances to other funds" and "advances from other funds." These amounts are eliminated in the governmental columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

***K. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned, if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. The City records a liability for accumulated unused sick leave for employees to the extent it is probable that the benefits will result in termination payments based upon an estimate of past experience of making termination payments for sick leave. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's union contracts.

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2007*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***L. Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds, capital leases, and long-term loans are recognized as a liability on the government fund financial statements when due.

***M. Fund Balance Reserves***

The City reserves those portions of fund balance which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves are established for encumbrances, advances, long-term loans receivable and unclaimed monies.

***N. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions, enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At December 31, 2007, \$11,839 of the City's net assets were restricted by enabling legislation.

Net assets restricted for other purposes include recreation, street construction and repair, and the operation of the police department.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

***O. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water and sewer services. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2007*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***P. Interfund Activity***

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

***Q. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the current year.

***R. Estimates***

The preparation of 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 may differ from those estimates.

***S. Budgetary Data***

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level within each department in the general fund and at the object level for all other funds. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time the final appropriations were enacted by Council.



**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
 December 31, 2007

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

**NOTE 3 – BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance 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 Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Basis), and Actual presented for the General fund and the Recreation, and Police major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between budget basis and 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 for governmental fund types (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and the recreation and police special revenue funds.

**Net Change in Fund Balance**

	General	Recreation	Police
GAAP Basis	\$ 86,007	\$ 17,179	\$ (6,428)
Revenue Accruals	(39,548)	288	0
Advances In	17,300	0	0
Expenditure Accruals	21,748	33,667	11,424
Encumbrances	(22,049)	(42,127)	(7,579)
Budget Basis	\$ 63,458	\$ 9,007	\$ (2,583)

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2007*

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**NOTE 4 – ACCOUNTABILITY**

The following funds had a deficit fund balance as of December 31, 2007:

	<u>Deficit Fund Balance</u>
Major Funds:	
Police	\$ 25,994
Non-Major Funds:	
Litter	890
Police Pension	22,163
Street Assessment	3,294

The deficit balances were created 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.

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

*Interim deposits* are deposits of interim monies. 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.

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2007*

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**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

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;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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.

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
 December 31, 2007

**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

According to State law, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the City's name. During 2007, the City and public depositories complied with the provisions of these statutes.

***Deposits with Financial Institutions***

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City.

At fiscal year-end, the carrying amount of the City's deposits was \$7,981,841. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of December 31, 2007, \$6,538,200 of the City's bank balance of \$8,032,601 was exposed to custodial risk as discussed above, while \$1,494,401 was covered by Federal Deposit Insurance Corporation.

***Investments***

As of December 31, 2007, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities 6 Months or Less
Repurchase Agreement	\$ 363,781	\$ 363,781
STAROhio	4,176	4,176
	\$ 367,957	\$ 367,957

***Interest Rate Risk*** As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the City's investment policy limits investment portfolio maturities to five years or less for investments with a fixed interest rate, and two years or less for investments with a variable interest rate.

***Credit Risk*** The City's repurchase agreement is unrated. STAROhio is rated AAA by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The City has no investment policy that would further limit its investment choices.

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
 December 31, 2007

**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

**Concentration of Credit Risk** The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the City at December 31, 2007:

Investment Type	Fair Value	Percent of Total
Repurchase Agreement	\$ 363,781	99%
STAROhio	4,176	1%
Total	\$ 367,957	100%

**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2007 for real and public utility property taxes represents collections of the 2007 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) are for 2007 taxes.

2007 real property taxes are levied after October 1, 2007, on the assessed value as of January 1, 2007, the lien date. Assessed values are established by the State law at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2007.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 public utility property taxes which became a lien on December 31, 2006, are levied after October 1, 2007, and are collected in 2007 with real property taxes.

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2007, on the value as of December 31, 2006. For 2007, tangible personal property is assessed at 12.5 percent for property including inventory. This percentage will be reduced to 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 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 September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2007*

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**NOTE 6 - PROPERTY TAXES (Continued)**

The full tax rate for all City operations for the year ended December 31, 2007, was \$12.05 per \$1,000 of assessed value for real property and \$12.35 per \$1,000 of assessed value for intangible property. The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property	\$ 101,578,410
Tangible Personal Property	<u>644,870</u>
Total	<u>\$ 102,223,280</u>

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 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 September 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 September 20.

The County Treasurer collects property tax on behalf of all taxing districts in the County, including the City of St. Clairsville. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represent real and tangible personal property, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2007, and for which there is an enforceable legal claim. In the general fund, and the police levy and police pension special revenue funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2007 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

**NOTE 7 - RECEIVABLES**

Receivables at December 31, 2007 consisted of taxes, accounts (billings for user charged services including unbilled utility services), special assessments, loans, interfund and intergovernmental receivables arising from grants and shared revenues. All receivables are deemed collectible in full.

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
 December 31, 2007

**NOTE 8 - CAPITAL ASSETS**

A summary of changes in capital assets during 2007 follows:

	Balance 12/31/2006	Additions	Deletions	Balance 12/31/2007
<b>Governmental Activities</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 1,187,706	\$ 0	\$ 0	\$ 1,187,706
Construction in Progress	20,000	61,471	0	81,471
<i>Total Capital Assets Not Being Depreciated</i>	1,207,706	61,471	0	1,269,177
 <i>Capital Assets, Being Depreciated:</i>				
Buildings	2,953,278	0	(71,274)	2,882,004
Improvements Other Than Buildings	139,641	0	(5,600)	134,041
Machinery and Equipment	529,623	12,868	(24,312)	518,179
Vehicles	296,229	0	0	296,229
Infrastructure	2,077,263	0	0	2,077,263
<i>Total Capital Assets, Being Depreciated</i>	5,996,034	12,868	(101,186)	5,907,716
 <i>Less Accumulated Depreciation:</i>				
Buildings	(1,718,714)	(51,784)	4,989	(1,765,509)
Improvements Other Than Buildings	(46,533)	(5,695)	0	(52,228)
Machinery and Equipment	(264,266)	(33,117)	17,889	(279,494)
Vehicles	(186,892)	(17,442)	0	(204,334)
Infrastructure	(158,772)	(76,481)	0	(235,253)
<i>Total Accumulated Depreciation</i>	(2,375,177)	(184,519) *	22,878	(2,536,818)
 <i>Total Capital Assets Being Depreciated, Net</i>	 3,620,857	 (171,651)	 (78,308)	 3,370,898
 <i>Total Governmental Activities Capital Assets, Net</i>	 \$ 4,828,563	 \$ (110,180)	 \$ (78,308)	 \$ 4,640,075

\*Depreciation expense was charged to governmental functions as follows:

General Government	\$ 17,931
Leisure Time Services	50,189
Security of Persons and Property	13,764
Transportation	83,970
Community and Economic Development	18,665
	184,519
Total	\$ 184,519

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
 December 31, 2007

**NOTE 8 - CAPITAL ASSETS (Continued)**

	Balance 12/31/2006	Additions	Deletions	Balance 12/31/2007
<b>Business-Type Activities</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 280,596	\$ 40,000	\$ 0	\$ 320,596
Construction in Progress	90,168	213,816	0	303,984
<i>Total Capital Assets Not Being Depreciated</i>	<u>370,764</u>	<u>253,816</u>	<u>0</u>	<u>624,580</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings	2,436,365	0	0	2,436,365
Machinery and Equipment	664,183	116,881	(55,415)	725,649
Vehicles	270,968	18,843	0	289,811
Infrastructure	18,756,305	13,218	(99,334)	18,670,189
<i>Total Capital Assets, Being Depreciated</i>	<u>22,127,821</u>	<u>148,942</u>	<u>(154,749)</u>	<u>22,122,014</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(611,306)	(67,236)	0	(678,542)
Machinery and Equipment	(375,597)	(39,336)	29,800	(385,133)
Vehicles	(212,135)	(6,415)	0	(218,550)
Infrastructure	(13,104,518)	(603,852)	8,278	(13,700,092)
<i>Total Accumulated Depreciation</i>	<u>(14,303,556)</u>	<u>(716,839)</u>	<u>38,078</u>	<u>(14,982,317)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>7,824,265</u>	<u>(567,897)</u>	<u>(116,671)</u>	<u>7,139,697</u>
<i>Total Business-Type Activities Capital Assets, Net</i>	<u>\$ 8,195,029</u>	<u>\$ (314,081)</u>	<u>\$ (116,671)</u>	<u>\$ 7,764,277</u>

**NOTE 9 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City of St. Clairsville has a Public Employee Dishonesty policy with a \$100,000 limit with Westfield Insurance through Pilney, Costine & Foster Insurance Agency. The City's Public Official's Liability policy has a \$1,000,000 liability limit with a \$2,500 deductible with Scottsdale, through Pilney, Costine & Foster Insurance Agency. The City's Comprehensive Package is with Westfield Insurance, also through Pilney, Costine & Foster Insurance Agency. The liability limits are: general aggregate limit of \$2,000,000; products aggregate limit of \$2,000,000; personal and advertising injury limit of \$1,000,000; each occurrence limit of \$1,000,000; fire damage limit (any one fire) of \$150,000, no medical expense coverage. The City's Law Enforcement Liability is with Scottsdale Insurance Co., through Pilney, Costine & Foster Insurance Agency. The liability limit is \$5,000,000 with a \$2,500 deductible. The City's vehicle insurance is with Westfield Insurance Company (Pilney, Costine & Foster Insurance Agency). The liability limits are: bodily injury & property damage combined single limit \$1,000,000, no medical payments coverage; uninsured motorist's bodily injury of \$1,000,000 combined single limit. The vehicle insurance deductible for comprehensive coverage is \$250. The collision deductible is either \$500 or \$1,000, depending on vehicle. The Commercial Umbrella policy with Westfield Insurance (Pilney Costine & Foster Insurance Agency) has a \$3,000,000 limit.



**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2007*

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**NOTE 9 - RISK MANAGEMENT (Continued)**

Settlement claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

***A. Ohio Public Employees Retirement System***

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2007, the members of all three plans, except those in law enforcement, were required to contribute 9.50 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary. The City's contribution rate for pension benefits for 2007 was 13.85 percent, except for those plan members in law enforcement or public safety. For those classifications, the employer's pension contributions were 16.93 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006 and 2005 were \$219,318, \$208,231 and \$200,795, respectively. 92 percent has been contributed for 2007 and 100 percent for 2006 and 2005.

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2007*

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

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

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple employer defined pension plan. 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 statements and required supplementary information. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 19.5 percent for police officers. The City has no firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police for the years ended December 31, 2007, 2006 and 2005 were \$87,662, \$82,008 and \$81,994, respectively. The full amount has been contributed for 2006 and 2005. 76 percent has been contributed for 2007.

***C. Medicare System***

All employees hired after April 1, 1986 are required to contribute to Medicare at a rate of 1.45 percent of their covered salary. The City of St. Clairsville is required to contribute 1.45 percent also. It is paid bi-weekly with the employee's federal withholding by bank transfer within three working days of the pay date. There is a liability reported under intergovernmental payables in each fund for Medicare on the accrued wages only. All other contributions were paid for the year.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

***A. Ohio Public Employees Retirement System***

The Ohio Public Employees Retirement System of Ohio (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85 percent of covered payroll (17.11 percent for public safety and law enforcement); 5.0 percent of covered payroll was the portion that was used to fund health care from January 1 to June 30, 2007 and 6.0 percent from July 1 to December 31, 2007.

Benefits are advanced-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006 (the latest information available), include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between .5 percent and 5.00 percent annually for the next eight years and four percent annually after eight years.

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2007*

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**NOTE 11 - 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 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 374,979 as of December 31, 2007. The number of active contributing participants for both plans used in the December 31, 2006 actuarial valuation was 362,130. The City's actual contributions for 2007 which were used to fund postemployment benefits were \$87,319. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006 (the latest information available) were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Members and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which will allow additional funds to be allocated to the health care plan.

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

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

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 rate is 19.5 percent of covered payroll, of which 6.75 percent of covered payroll was applied to the postemployment health care program during 2007 and 2006. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2007 that were used to fund postemployment benefits were \$30,331 for police. The City has no firefighters. The OP&F's total health care expenses for the year ended December 31, 2006 (the latest information available) was \$120,373,722, which was net of member contributions of \$58,532,848. The number of OP&F participants eligible to receive health care benefits as of December 31, 2006 was 14,120 for police and 10,563 for firefighters.

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
 December 31, 2007

**NOTE 12 - OTHER EMPLOYEE BENEFITS**

**A. Additional Insurance**

The City provides life insurance and accidental death and dismemberment insurance to employees, excluding part-time elected officials, appointed part-time officials, and part-time employees. The policy is in the amount of \$25,000 life insurance and \$25,000 accidental death and dismemberment.

The City contracts with Health Plan of the Upper Ohio Valley for hospitalization insurance and Delta Dental for dental insurance for all employees, excluding part-time elected officials, part-time appointed officials, and part-time employees. The City offers Ohio AFSCME Eye Care and Hearing Care for AFSCME and FOP members. The City contracts with Vision Service Plan for eye care for full-time employees that are not in a union and elected officials who choose to pay for it themselves. The City and employees share the cost of the total monthly premiums of \$1,255.13 family health care, \$502.05 single health care; \$105.38 family dental care, \$30.23 single dental care, employee and one dependent dental care \$56.28; and \$7.25 family or single eye and hearing care for union employees and \$20.00 for non-union employees. Health insurance co-payments for doctors' visits are reimbursed by the City. Premiums and co-payments are paid from the same funds that pay the employee's salaries.

**B. Compensated Absences**

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn vacation time based on the length of service. Typically, vacation can not be carried over, however, unforeseen circumstances may come into play and the superintendent may elect to permit an employee to carryover minimal vacation time. Sick leave is accumulated at a rate of 4.6 hours per each 80 hours worked. For employees that work less than a 40 hour work week, the sick leave accumulation is prorated based on 4.6 hours per 80 hours worked. All accumulated, unused vacation time and personal days are paid upon separation if the employee has acquired at least one year of service with the City. Upon separation, AFSCME members and non-union employees other than police, are paid for a maximum of 400 hours of accumulated sick time provided they have ten years of service with OPERS. Police are paid a maximum of 400 hours of accumulated sick time provided they have ten years of service with the City. Upon separation, police are paid all accumulated unused comp time up to a maximum of 60 hours. As of December 31, 2007, the liability for unpaid compensated absences was \$96,735.

**NOTE 13 - CONTRACTUAL COMMITMENTS**

As of December 31, 2007, the City had contractual commitments for the following projects:

<b>For Electric Substation:</b>	Contractual Commitment	Expended	Balance 12/31/2007
GDP Associates	\$ 196,562	\$ 124,077	\$ 72,485
Wesco	129,164	0	129,164
Professional Electric Products Co.	345,383	0	345,383
Siemens Power Co.	78,000	0	78,000
Nitro Electric	1,459,339	0	1,459,339
N.F. Mansuetto & Sons, Inc.	30,000	0	30,000
	<u>\$ 2,238,448</u>	<u>\$ 124,077</u>	<u>\$ 2,114,371</u>

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
 December 31, 2007

**NOTE 14 - LONG-TERM OBLIGATIONS**

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
<b>Governmental Activities:</b>			
Recreation Bond Anticipation Note	4.25%	\$ 1,000,000	10/27/2025
Bike Trail Bond Anticipation Note	4.25%	2,000,000	04/26/2007
Road Equipment General Obligation Bonds	4.0-5.5%	35,000	12/01/2017
Recreational Facilities General Obligation Bonds	4.00%	70,000	12/01/2013
Recreational Bike Trails General Obligation Bonds	4.00%	135,000	12/01/2012
Recreational Facilities General Obligation Bonds	4.0-5.0%	75,000	12/01/2032
<b>Business-Type Activities:</b>			
Belmont Drive Pump Station Replacement OPWC Loan	0.02%	74,000	01/01/2025
Wastewater Compliance Project OPWC Loan	0.04%	190,000	01/01/2009
East Main Force Liner OPWC Loan	0.02%	214,890	07/01/2023
Wastewater System Repairs OPWC Loan	0.02%	133,216	07/01/2024
Water Improvements OWDA Loan	12.00%	1,015,560	11/01/2007
Joint Sewer Rural Development Loan	6.125%	146,600	01/01/2032
Water Transmission Connection OPWC Loan	0.02%	52,875	01/01/2026
<b>General Obligation Bonds:</b>			
Sanitary Sewer System Improvements	4.0-5.5%	255,000	12/01/2032
Wastewater System Improvements	4.0-5.0%	65,000	12/01/2032
Wastewater B System Improvements	4.0-5.5%	65,000	12/01/2029
Sanitary Sewer System Improvements	4.0-5.5%	185,000	12/01/2017
Sewer System Equipment	4.0-5.5%	95,000	12/01/2017
Light Garage Construction	4.0-5.5%	1,045,000	12/01/2025
Electric System Substation	4.0-5.5%	1,500,000	12/01/2027
Electric System	4.0-5.5%	3,470,000	12/01/2032
<b>Bond Anticipation Notes:</b>			
Water Vehicles and Reservoir Improvements	4.25%	255,000	04/26/2007
Sewer Vehicles, Chlorine Removal and West End Improvements	4.25%	317,000	04/26/2007
Light Garage Construction	4.25%	2,550,000	04/26/2007

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
 December 31, 2007

**NOTE 14 - LONG-TERM OBLIGATIONS (Continued)**

Changes in long-term obligations of the City during the year ended December 31, 2007 consisted of the following:

	<u>Principal Balance 12/31/2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Balance 12/31/2007</u>	<u>Due in One Year</u>
<b>Governmental Activities:</b>					
Recreation Bond Anticipation Notes	\$ 967,814	\$ 0	\$ (33,605)	\$ 934,209	\$ 35,086
Bike Trail Bond Anticipation Note	200,000	0	(200,000)	0	0
General Obligation Bonds:					
Road Equipment	0	35,000	0	35,000	0
Recreational Facilities	0	70,000	0	70,000	10,000
Recreational Bike Trails	0	135,000	0	135,000	25,000
Recreational Facilities	0	75,000	0	75,000	0
<i>Total General Obligation Bonds</i>	<u>0</u>	<u>315,000</u>	<u>0</u>	<u>315,000</u>	<u>35,000</u>
Compensated Absences	64,666	13,252	(4,406)	73,512	49,749
Capital Leases	5,940	0	(4,467)	1,473	1,086
<i>Total Governmental Activities</i>	<u>\$ 1,238,420</u>	<u>\$ 328,252</u>	<u>\$ (242,478)</u>	<u>\$ 1,324,194</u>	<u>\$ 120,921</u>

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**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
 December 31, 2007

**NOTE 14 - LONG-TERM OBLIGATIONS (Continued)**

	<b>Principal Balance 12/31/2006</b>	<b>Additions</b>	<b>Reductions</b>	<b>Principal Balance 12/31/2007</b>	<b>Due in One Year</b>
<b>Business-Type Activities:</b>					
OPWC Loans:					
Water Transmission Connection	\$ 50,701	\$ 0	\$ (2,218)	\$ 48,483	\$ 2,262
Belmont Drive Pump Station Replacement	73,774	0	(3,034)	70,740	3,094
Wastewater Compliance Project	44,246	0	(21,684)	22,562	22,561
East Main Force Main Liner	187,848	0	(9,379)	178,469	9,567
Wastewater System Repairs	119,316	0	(5,757)	113,559	5,872
<i>Total OPWC Loans</i>	<u>475,885</u>	<u>0</u>	<u>(42,072)</u>	<u>433,813</u>	<u>43,356</u>
General Obligation Bonds:					
Water System Improvements	0	255,000	0	255,000	0
Unamortized Premium	0	8,123	0	8,123	0
Wastewater System Improvements	0	65,000	0	65,000	0
Unamortized Premium	0	1,279	0	1,279	0
Wastewater B System Improvements	0	65,000	0	65,000	0
Unamortized Premium	0	935	0	935	0
Sanitary Sewer System Improvements	0	185,000	0	185,000	15,000
Unamortized Premium	0	9,296	0	9,296	0
Sewer System Equipment	0	95,000	0	95,000	10,000
Unamortized Premium	0	2,666	0	2,666	0
Light Garage Construction	0	1,045,000	0	1,045,000	40,000
Unamortized Premium	0	21,880	0	21,880	0
Electric System Substation	0	1,500,000	0	1,500,000	45,000
Unamortized Premium	0	20,516	0	20,516	0
Electric System	0	3,470,000	0	3,470,000	55,000
Unamortized Premium	0	101,556	0	101,556	0
<i>Total General Obligation Bonds</i>	<u>0</u>	<u>6,846,251</u>	<u>0</u>	<u>6,846,251</u>	<u>165,000</u>
OWDA Loan	115,607	0	(115,607)	0	0
Joint Sewer Rural Development	128,055	0	(2,126)	125,929	2,272
Bond Anticipation Notes:				0	0
Water Vehicle and Reservoir Improvements	255,000	0	(255,000)	0	0
Sewer Vehicles, Chlorine Removal and West End Improvements	317,000	0	(317,000)	0	0
Light Garage Construction	2,550,000	0	(2,550,000)	0	0
Compensated Absences	14,782	8,441	0	23,223	6,867
Capital Leases	3,675	0	(1,464)	2,211	1,629
<i>Total Business-Type Activities</i>	<u>\$ 3,860,004</u>	<u>\$ 6,854,692</u>	<u>\$ (3,283,269)</u>	<u>\$ 7,431,427</u>	<u>\$ 219,124</u>

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
 December 31, 2007

**NOTE 14 - LONG-TERM OBLIGATIONS (Continued)**

The OPWC loans will be paid from revenues derived from charges for services in the enterprise funds. The City and Belmont County are jointly obligated for the Rural Development Loan for Water Works System #3, Phase I Project. At December 31, 2007, the total debt was \$1,718,000 with the City's share being 7.33 percent or \$125,929. The bond anticipation note will be paid with recreation fees and general revenues. Compensated absences will be paid from the fund from which the employees' salaries are paid. The business-type capital lease will be paid from user charges and the governmental activities lease will be paid from the General Fund revenues.

During 2007, the City issued \$6,995,000 of various purpose general obligation bonds, which included serial and term bonds in the amount of \$5,025,000 and \$1,970,000, respectively. The bonds were issued for a twenty-five year period with final maturity at December 1, 2032.

The bonds were issued with a premium of \$166,251, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for year 2007 was \$0. The issuance costs of \$109,332 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for year 2007 was \$0.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2007 are as follows:

Year	General Obligation Bonds		OPWC Loans		Rural Development Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 200,000	\$ 306,193	\$ 43,356	\$ 8,801	\$ 2,272	\$ 7,713
2009	205,000	298,192	21,214	7,704	2,419	7,574
2010	215,000	289,993	21,641	7,277	2,566	7,426
2011	230,000	281,392	22,076	6,842	2,712	7,269
2012	240,000	272,193	22,519	6,398	2,859	7,103
2013-2017	1,230,000	1,204,513	119,572	25,018	17,079	32,667
2018-2022	1,585,000	888,913	132,082	12,508	23,163	26,740
2023-2027	1,780,000	541,236	51,353	1,545	31,006	18,744
2028-2032	1,310,000	203,500	0	0	41,853	7,996
	<u>\$ 6,995,000</u>	<u>\$4,286,125</u>	<u>\$ 433,813</u>	<u>\$ 76,093</u>	<u>\$ 125,929</u>	<u>\$ 123,232</u>

  

Year	Bond Anticipation Note		Total	
	Principal	Interest	Principal	Interest
2008	\$ 35,086	\$ 40,353	\$ 280,714	\$ 363,060
2009	36,632	38,807	265,265	352,277
2010	38,247	37,192	277,454	341,888
2011	39,933	35,506	294,721	331,009
2012	41,693	33,746	307,071	319,440
2013-2017	237,702	139,494	1,604,353	1,401,692
2018-2022	294,910	82,284	2,035,155	1,010,445
2023-2027	210,006	16,312	2,072,365	577,837
2028-2032	0	0	1,351,853	211,496
	<u>\$ 934,209</u>	<u>\$ 423,694</u>	<u>\$ 8,488,951</u>	<u>\$ 4,909,144</u>



**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
 December 31, 2007

**NOTE 15 – CAPITALIZED LEASES**

In prior years the City entered into a lease for the acquisition of a copier in the finance department. This 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 capital asset acquired by the lease has been capitalized in the governmental activities and business-type activities in the amounts of \$4,600 and \$6,900, respectively, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded and is reduced for each required principal payment.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments:

	Governmental Activities	Business-Type Activities	Total
Year Ending December 31, 2008	\$ 1,191	\$ 1,786	\$ 2,977
2009	397	595	992
Minimum lease payments	<u>1,588</u>	<u>2,381</u>	<u>3,969</u>
Less: amount representing interest at the City's incremental borrowing rate of interest	<u>(115)</u>	<u>(170)</u>	<u>(285)</u>
Present value of minimum lease payments	<u>\$ 1,473</u>	<u>\$ 2,211</u>	<u>\$ 3,684</u>

**NOTE 16 – INTERFUND ACTIVITY**

**A. Interfund Transfers**

Interfund transfers for the year ended December 31, 2007, consisted of the following:

<b>Governmental Activities</b>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 0	\$ 1,077,550
Street	234,300	0
Recreation	312,600	0
Police	444,900	0
Litter	8,450	0
Police Pension	52,000	0
Bike Trail	13,400	0
Bike Trail Maintenance	<u>11,900</u>	<u>0</u>
<i>Totals</i>	<u>\$ 1,077,550</u>	<u>\$ 1,077,550</u>

The general fund transfers were made to provide additional resources for current operations and capital improvements.

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
 December 31, 2007

**NOTE 16 – INTERFUND ACTIVITY (Continued)**

***B. Interfund Balances***

As of December 31, 2007, receivables and payables that resulted from interfund transactions were as follows:

	Interfund		Advances To Other Funds	Advances From Other Funds
	Receivable	Payable		
<b>Governmental Activities</b>				
General	\$ 0	\$ 0	\$ 3,458	\$ 0
Street Assessment	0	0	0	3,458
<i>Total Governmental Activities</i>	\$ 0	\$ 0	\$ 3,458	\$ 3,458
<b>Business-Type Activities</b>				
Water	\$ 0	\$ 105,000	\$ 0	\$ 158,000
Sewer	0	0	158,000	0
Light	105,000	0	0	0
<i>Total Business-Type Activities</i>	\$ 105,000	\$ 105,000	\$ 158,000	\$ 158,000

The advance to the Street Assessment fund from the General fund was to provide additional resources for current operations. The advances to the Water fund from the Sewer and Light funds were also to provide additional resources for current operations.

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

***A. Ohio Mid-Eastern Governments Association (OMEGA)***

The City is associated with Ohio Mid-Eastern Governments Association (OMEGA), which 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 St. Clairsville serves as the City's representative on the board, however the City is not active. Each member currently pays a per capita membership fee based upon the most recent United States census. During 2007, no fees were paid to OMEGA. The continued existence of OMEGA is not dependent on the City's continued participation and no equity interest exists. OMEGA has no outstanding debt.

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2007*

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**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (Continued)**

***B. Jefferson-Belmont Joint Solid Waste Authority***

The City is also associated with Jefferson-Belmont Joint Solid Waste Authority (“Authority”) as a jointly governed organization. The 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 St. Clairsville is a member. The Authority is not dependent on the City of St. Clairsville 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 Authority.

***C. Bel-O-Mar Regional Council***

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 St. Clairsville serves as the City’s representative on the board. The Council is not dependent upon the City of St. Clairsville for its continued existence, no debt exists, and the City does not maintain an equity interest. During 2007, the City made a contribution of \$1,669 to Bel-O-Mar Regional Council.

***D. Southeastern Ohio Narcotics Task Force (SENT)***

SENT is a multi-jurisdictional drug task force with the primary goal of combating major narcotic traffickers in Belmont, Carroll, Guernsey, Harrison, Monroe, and Tuscarawas counties. The Task Force is jointly governed among the participating counties and cities. A grant is received from the State of Ohio of which the participating entities must match 25 percent. Of the 14 members of the board, the Police Chief of the City of St. Clairsville acts as the City’s representative on the board. Each member’s control over the operation of SENT is limited to its representation on the board, and the City does not maintain an equity interest. During 2007, the City made no contribution to the Task Force.

***E. Belmont County Board of Health***

Belmont County Board of Health is operated as a non-profit organization formed to provide health care services to all areas within Belmont County. The governing board is comprised of officials from Belmont County. The City of St. Clairsville has a contract with the Board of Health. The Board is not dependent upon the City of St. Clairsville for its continued existence, no debt exists, and the City does not maintain an equity interest. During 2007, Belmont County Board of Health received \$33,189 from the City of St. Clairsville for annual fees, which are deducted from the property tax collections and distributed to the Board by the County Auditor.

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2007*

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**NOTE 18 - 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, 2007.

***B. Litigation***

The City of St. Clairsville, Ohio is a defendant in a couple of lawsuits, the outcome of which cannot be determined. It is the opinion of the City's management that any judgment against the City would not have a material adverse effect on the City's financial position.

**NOTE 19 – SUBSEQUENT EVENT**

During February 2008, the City transferred the Clarendon Hotel property, in the amount of \$588,344, to the St. Clairsville Community Improvement Corporation ("CIC"), which is a component unit of the City. In the same month, the CIC transferred the property to the Clarendon LLC ("LLC"), a limited liability company. This transfer was made to enable the LLC to apply for federal and state tax credits which can be passed on to a potential developer of the property. Neither the City, nor the CIC is eligible for the subject tax credits.



122 4th St. NW | PO Box 1020  
New Philadelphia, OH 44663-5120

June 30, 2008

Mayor and Members of Council  
City of St. Clairsville  
St. Clairsville, OH 43950

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Clairsville (the "City") as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 30, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. We did note certain matters that we have reported to management of the City in a separate letter dated June 30, 2008.

City of St. Clairsville, Ohio  
Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards  
June 30, 2008  
Page 2

Compliance and Other Matters

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 grant agreements, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and city council and is not intended to be and should not be used by anyone other than those specified parties.

*Rea & Associates, Inc.*



122 4th St. NW | PO Box 1020  
New Philadelphia, OH 44663-5120

June 30, 2008

Mayor and Members of Council  
City of St. Clairsville  
St. Clairsville, OH 43950

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of the City of St. Clairsville (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 each of its major federal programs for the year ended December 31, 2007. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. 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 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. 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, 2007.

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 but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* is an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we noted one matter regarding internal control over compliance that we have reported to management in a separate letter dated June 30, 2008.

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

*Rea & Associates, Inc.*



**CITY OF ST CLAIRSVILLE  
BELMONT COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	<u>Federal CFDA #</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements</u>
<b>US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD):</b>			
(Passed through Ohio Department of Development):			
Community Development Block Grant	14.228	A-C-05-178-1	\$ 43,773
Home Investment Partnerships Program	14.239	A-C-05-178-2	170,575
Home Investment Partnerships Program- Discretionary Program	14.239	A-D-04-178-3	391,941
			<u>562,516</u>
<b>Total U.S. Department of Housing and Urban Development Programs</b>			<u>606,289</u>
Total Expenditures of Federal Awards			<u><u>\$ 606,289</u></u>

Note A - Significant Accounting Policies

The Schedule of Expenditures of Federal Awards summarizes activity of the City's federal awards programs. The schedule has been prepared on the cash basis of accounting.

**City of St. Clairsville  
Belmont County**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2007

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

A-133 Ref.  
.505(d)

(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 internal control deficiencies reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any internal control deficiencies reported for major programs which were not considered to be material?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section 510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list): Home Investment Partnership Program	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

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

<b>NONE</b>	
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**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

<b>NONE</b>	
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**Mary Taylor, CPA**  
Auditor of State

**CITY OF ST. CLAIRSVILLE**

**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  
AUGUST 26, 2008**