

**CITY OF ST. CLAIRSVILLE
BELMONT COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1998

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REPORT OF INDEPENDENT ACCOUNTANTS

City of St. Clairsville
Belmont County
100 North Market Street
St. Clairsville, Ohio 43950

To the City Council:

We have audited the accompanying general-purpose financial statements of the City of St. Clairsville, Belmont County, as of and for the year ended December 31, 1998, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of St. Clairsville, Belmont County, as of December 31, 1998, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 4, 1999, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

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


JIM PETRO
Auditor of State

November 4, 1999

City of St. Clairsville

City of St. Clairsville

CITY OF ST. CLAIRSVILLE

Combined Balance Sheet
All Fund Types and Account Groups

December 31, 1998

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 111,955	\$ 175,102	\$ 4	\$ 16,234
Cash in Cash Equivalents:				
In Segregated Accounts	0	0	725	0
With Fiscal Agents	0	0	0	2,379
Investment in Pooled Accounts	0	0	0	0
Receivables:				
Taxes - Current	246,218	337,801	0	0
Taxes - Delinquent	14,841	20,362	0	0
Accounts	25,985	150	0	0
Special Assessments - Current	0	18,359	150,670	0
Special Assessments - Delinquent	0	1,106	0	0
Intergovernmental	158,239	13,453	0	1,910
Accrued Interest	43,786	0	0	90
Revolving Loans	0	651,389	0	0
Interfund Receivable	0	0	0	0
Prepaid Items	0	2,573	0	0
Materials and Supply Inventories	0	5,000	0	0
Restricted Assets:				
Customer Deposits	0	0	0	0
Investments with Trustees	0	0	91	0
Fixed Assets (net of accumulated depreciation, where applicable)	0	0	0	0
Other Debits:				
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
Amount to be Provided for Debt Service	0	0	0	0
Amount to be Provided from Special Assessments to Property Owners	0	0	0	0
Total Assets and Other Debits	\$ 601,024	\$ 1,225,295	\$ 151,490	\$ 20,613

The accompanying notes are an integral part of these general purpose financial statements.

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$ 532,148	\$ 354	\$ 0	\$ 0	\$ 835,797
0	1,055	0	0	1,780
0	0	0	0	2,379
1,253,262	0	0	0	1,253,262
0	0	0	0	584,019
0	0	0	0	35,203
264,592	4,725	0	0	295,452
0	0	0	0	169,029
0	0	0	0	1,106
0	0	0	0	173,602
1,432	0	0	0	45,308
0	0	0	0	651,389
108,910	0	0	0	108,910
0	0	0	0	2,573
345,626	0	0	0	350,626
62,888	0	0	0	62,888
166,192	0	0	0	166,283
9,276,013	0	2,586,975	0	11,862,988
0	0	0	70,708	70,708
0	0	0	95	95
0	0	0	140,000	140,000
<u>\$ 12,011,063</u>	<u>\$ 6,134</u>	<u>\$ 2,586,975</u>	<u>\$ 210,803</u>	<u>\$ 16,813,397</u>

CITY OF ST. CLAIRSVILLE

Combined Balance Sheet
All Fund Types and Account Groups

December 31, 1998

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, EQUITY, AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$ 3,552	\$ 18,338	\$ 0	\$ 10,225
Contracts Payable	0	0	0	17,101
Accrued Wages and Benefits	611	20,572	0	0
Compensated Absences Payable	0	1,979	0	0
Interfund Payable	0	0	0	108,910
Intergovernmental Payables	6,578	41,512	0	0
Deferred Revenue	291,983	377,628	150,670	0
Undistributed Monies	0	0	725	0
OWDA Loan Payable	0	0	0	0
OPWC Loan Payable	0	0	0	0
Farmers Home Administration Note Payable	0	0	0	0
Revenue Bonds Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Payable from Restricted Assets:				
Customer Deposits	0	0	0	0
Police and Fire Pension Liability	0	0	0	0
Capital Lease Liability	0	0	0	0
Special Assessment Bond Payable with Government Commitment	0	0	0	0
Bond Anticipation Notes Payable	0	18,557	0	225,000
Total Liabilities	302,724	478,586	151,395	361,236
Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Reserved:				
Debt Service	0	0	0	0
Unreserved (Deficit)	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	6,204	27,567	0	17,725
Reserved for Supplies Inventory	0	5,000	0	0
Reserved for Loans Receivable	0	651,389	0	0
Reserved for Debt Service	0	0	95	0
Unreserved:				
Undesignated	292,096	62,753	0	(358,348)
Total Equity and Other Credits	298,300	746,709	95	(340,623)
Total Liabilities, Equity, and Other Credits	\$ 601,024	\$ 1,225,295	\$ 151,490	\$ 20,613

The accompanying notes are an integral part of these general purpose financial statements.

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$ 155,077	\$ 0	\$ 0	\$ 0	\$ 187,192
0	0	0	0	17,101
19,064	0	0	0	40,247
51,144	0	0	65,383	118,506
0	0	0	0	108,910
35,680	0	0	3,418	87,188
0	4,725	0	0	825,006
0	1,409	0	0	2,134
689,921	0	0	0	689,921
190,000	0	0	0	190,000
141,103	0	0	0	141,103
845,000	0	0	0	845,000
295,000	0	0	0	295,000
62,888	0	0	0	62,888
0	0	0	0	0
0	0	0	2,002	2,002
0	0	0	140,000	140,000
729,443	0	0	0	973,000
3,214,320.	6,134	0	210,803	4,725,198
0	0	2,586,975	0	2,586,975
856,690	0	0	0	856,690
166,192	0	0	0	166,192
7,773,861	0	0	0	7,773,861
0	0	0	0	51,496
0	0	0	0	5,000
0	0	0	0	651,389
0	0	0	0	95
0	0	0	0	(3,499)
8,796,743	0	2,586,975	0	12,088,199
<u>\$ 12,011,063</u>	<u>\$ 6,134</u>	<u>\$ 2,586,975</u>	<u>\$ 210,803</u>	<u>\$ 16,813,397</u>

CITY OF ST. CLAIRSVILLE

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

For the Year Ended December 31, 1998

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Taxes	\$ 237,816	\$ 280,298	\$ 16,343	\$ 0	\$ 534,457
Intergovernmental Revenue	491,226	340,415	0	328,127	1,159,768
Charges for Services	0	91,581	0	0	91,581
License and Permits	29,307	0	0	0	29,307
Investment Earnings	107,119	7,916	0	1,844	116,879
Fines and Forfeitures	37,352	3,745	0	0	41,097
Rentals	10,500	0	0	0	10,500
Other Revenue	7,741	34,557	0	31,040	73,338
Total Revenues	921,061	758,512	16,343	361,011	2,056,927
Expenditures:					
Current:					
General Government	187,807	0	0	0	187,807
Security of Persons and Property	10,481	562,695	0	0	573,176
Public Health and Welfare Services	20,431	0	0	0	20,431
Leisure Time Activities	37,561	226,045	0	10,552	274,158
Community Environment	600	11,635	0	0	12,235
Transportation	0	492,978	362	0	493,340
Capital Outlay	0	42,440	0	192,053	234,493
Debt Service:					
Principal Retirements	0	0	10,000	0	10,000
Interest and Fiscal Charges	0	432	10,135	3,198	13,765
Total Expenditures	256,880	1,336,225	20,497	205,803	1,819,405
Excess of Revenues Over (Under) Expenditures	664,181	(577,713)	(4,154)	155,208	237,522
Other Financing Sources (Uses):					
Proceeds from Sale of Fixed Assets	0	3,833	0	0	3,833
Transfers In	0	562,836	4,150	0	566,986
Transfers Out	(566,986)	0	0	0	(566,986)
Total Other Financing Sources (Uses)	(566,986)	566,669	4,150	0	3,833
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	97,195	(11,044)	(4)	155,208	241,355
Fund Balance at Beginning of Year	201,105	767,753	99	(495,831)	473,126
Increase (Decrease) Reserve for Inventory	0	(10,000)	0	0	(10,000)
Fund Balance at End of Year	\$ 298,300	\$ 746,709	\$ 95	\$ (340,623)	\$ 704,481

The accompanying notes are an integral part of these financial statements.

CITY OF ST. CLAIRSVILLE

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

For the Year Ended December 31, 1998

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 238,400	\$ 237,816	\$ (584)	\$ 293,170	\$ 293,298	\$ 128
Intergovernmental Revenue	363,730	363,911	181	386,830	331,808	(55,022)
Charges for Services	0	0	0	105,879	91,581	(14,298)
Licenses and Permits	27,568	26,209	(1,359)	0	0	0
Investment Earnings	88,000	88,061	61	7,916	7,916	0
Fines and Forfeitures	37,000	37,144	144	7,000	3,595	(3,405)
Rentals	10,500	10,500	0	0	0	0
Other	7,701	7,786	85	76,464	66,432	(10,032)
Total Revenues	772,899	771,427	(1,472)	877,259	794,630	(82,629)
Expenditures:						
General Government	241,497	219,592	21,905	0	0	0
Security of Persons and Property	11,150	11,110	40	575,078	548,802	26,276
Public Health and Welfare Services	21,000	20,431	569	0	0	0
Leisure Time Activities	37,561	37,561	0	230,398	229,566	832
Community Environment	600	600	0	147,755	30,669	117,086
Transportation	0	0	0	502,884	500,560	2,324
Capital Outlay	0	0	0	47,619	42,477	5,142
Debt Service:		0			0	
Principal Retirement	0	0	0	28,557	28,557	0
Interest and Fiscal Charges	0	0	0	1,277	1,277	0
Total Expenditures	311,808	289,294	22,514	1,533,568	1,381,908	151,660
Excess of Revenue Over (Under) Expenditures	461,091	482,133	21,042	(656,309)	(587,278)	69,031
Other Financing Sources (Uses):						
Proceeds of Notes	0	0	0	19,000	18,557	(443)
Proceeds from Sale of Fixed Assets	0	0	0	3,833	3,833	0
Advance In	0	0	0	0	0	0
Advance Out	0	0	0	0	0	0
Operating Transfer In	0	0	0	616,290	562,836	(53,454)
Operating Transfer Out	(608,840)	(566,986)	41,854	0	0	0
Other Financing Sources (Uses)	(608,840)	(566,986)	41,854	639,123	585,226	(53,897)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(147,749)	(84,853)	62,896	(17,186)	(2,052)	15,134
Fund Balance at Beginning of Year	174,416	174,416	0	99,233	99,233	0
Prior Year Encumbrances Appropriated	13,522	13,522	0	38,150	38,150	0
Fund Balance at End of Year	\$ 40,189	\$ 103,085	\$ 62,896	\$ 120,197	\$ 135,331	\$ 15,134

The accompanying notes are an integral part of these general purpose financial statements.

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 17,500	\$ 16,343	\$ (1,157)	\$ 0	\$ 0	\$ 0
0	0	0	1,019,890	605,358	(414,532)
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	2,000	1,911	(89)
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	50,000	31,040	(18,960)
<u>17,500</u>	<u>16,343</u>	<u>(1,157)</u>	<u>1,071,890</u>	<u>638,309</u>	<u>(433,581)</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	16,074	15,464	610
0	0	0	0	0	0
400	362	38	0	0	0
0	0	0	766,291	598,845	167,446
10,000	10,000	0	150,000	150,000	0
10,450	10,135	315	3,468	3,465	3
<u>20,850</u>	<u>20,497</u>	<u>353</u>	<u>935,833</u>	<u>767,774</u>	<u>168,059</u>
(3,350)	(4,154)	(804)	136,057	(129,465)	(265,522)
0	0	0	225,000	225,000	0
0	0	0	0	0	0
0	0	0	107,000	108,910	1,910
0	0	0	(276,300)	(276,300)	0
4,150	4,150	0	0	0	0
0	0	0	0	0	0
<u>4,150</u>	<u>4,150</u>	<u>0</u>	<u>55,700</u>	<u>57,610</u>	<u>1,910</u>
800	(4)	(804)	191,757	(71,855)	(263,612)
8	8	0	(52,737)	(52,737)	0
0	0	0	125,089	125,089	0
<u>\$ 808</u>	<u>\$ 4</u>	<u>\$ (804)</u>	<u>\$ 284,109</u>	<u>\$ 497</u>	<u>\$ (263,612)</u>

CITY OF ST. CLAIRSVILLE

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

For the Year Ended December 31, 1998

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ 549,070	\$ 547,457	\$ (1,613)
Intergovernmental Revenue	1,770,450	1,301,077	(469,373)
Charges for Services	105,879	91,581	(14,298)
Licenses and Permits	27,568	26,209	(1,359)
Investment Earnings	97,916	97,888	(28)
Fines and Forfeitures	44,000	40,739	(3,261)
Rentals	10,500	10,500	0
Other	134,165	105,258	(28,907)
Total Revenues	2,739,548	2,220,709	(518,839)
Expenditures:			
Security of Persons and Property	241,497	219,592	21,905
Public Health and Welfare Services	586,228	559,912	26,316
Leisure Time Activities	21,000	20,431	569
Community Environment	284,033	282,591	1,442
Transportation	148,355	31,269	117,086
General Government	503,284	500,922	2,362
Capital Outlay	813,910	641,322	172,588
Principal Retirement	188,557	188,557	0
Interest and Fiscal Charges	15,195	14,877	318
Total Expenditures	2,802,059	2,459,473	342,586
Excess of Revenue Over (Under) Expenditures	(62,511)	(238,764)	(176,253)
Other Financing Sources (Uses):			
Proceeds of Notes	244,000	243,557	(443)
Proceeds from Sale of Fixed Assets	3,833	3,833	0
Advance In	107,000	108,910	1,910
Advance Out	(276,300)	(276,300)	0
Operating Transfer In	620,440	566,986	(53,454)
Operating Transfer Out	(608,840)	(566,986)	41,854
Other Financing Sources (Uses)	90,133	80,000	(10,133)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	27,622	(158,764)	(186,386)
Fund Balance at Beginning of Year	220,920	220,920	0
Prior Year Encumbrances Appropriated	176,761	176,761	0
Fund Balance at End of Year	\$ 425,303	\$ 238,917	\$ (186,386)

The accompanying notes are an integral part of these general purpose financial statements.

CITY OF ST. CLAIRSVILLE

*Combined Statement of Revenues, Expenses,
and Changes in Fund Equity*
All Proprietary Fund Types

For The Year Ended December 31, 1998

	Enterprise Funds
Operating Revenues:	
Charges for Services	\$ 3,711,872
Other Operating Revenue	12,756
	3,724,628
Operating Expenses:	
Personal Services	858,353
Contractual Services	1,912,030
Materials and Supplies	37,792
Depreciation	651,028
	3,459,203
Operating Income	265,425
Non-Operating Revenues and (Expenses):	
Investment Earnings	83,818
Intergovernmental	24,298
Proceeds from Sale of Fixed Assets	876
Interest and Fiscal Charges	(267,567)
Other Non-Operating Revenue	24,220
	(134,355)
Net Income	131,070
Retained Earnings at Beginning of Year	7,808,983
Retained Earnings at End of Year	7,940,053
Contributed Capital at Beginning of Year	856,690
Current Year Contributions - Capital Grants	0
	856,690
Contributed Capital at End of Year	856,690
Fund Equity at End of Year	\$ 8,796,743

The accompanying notes are an integral part of these general purpose financial statements.

CITY OF ST. CLAIRSVILLE

Combined Statement of Cash Flows
All Proprietary Fund Types

For the Year Ended December 31, 1998

	Enterprise Funds
Cash flows from Operating Activities:	
Cash Received from Customers	\$ 3,817,017
Other Operating Receipts	12,756
Cash Payments to Suppliers for Goods and Services	(141,735)
Cash Payments to Employees	(834,074)
Cash Payments for Contractual Services	(1,917,460)
Net Cash Provided by Operating Activities	936,504
Cash Flows from Noncapital Financing Activities:	
Intergovernmental Receipts	24,298
Other Non-Operating Receipts	24,220
Advances In	276,300
Advances Out	(108,910)
Net Cash Provided by Noncapital Financing Activities	215,908
Cash Flows from Capital and Related Financing Activities:	
Proceeds from Notes	729,443
Proceeds from Loans	85,396
Proceeds from Sale of Assets	876
Acquisition of Capital Assets	(369,889)
Principal Payments on Debt	(1,308,380)
Interest Payments	(263,781)
Net Cash Used for Capital and Related Financing Activities	(1,126,335)
Cash Flows from Investing Activities:	
Interest	69,848
Payments for Purchase of Investments	(978,005)
Proceeds from Sale of Investments	1,025,984
Net Cash Provided by Noncapital Financing Activities	117,827
Net Decrease in Cash and Cash Equivalents	143,904
Cash and Cash Equivalents at Beginning of Year	451,132
Cash and Cash Equivalents at End of Year	\$ 595,036
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 265,425
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	651,028
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	96,130
(Increase) in Materials and Supplies Inventory	(104,747)
Increase in Customer Deposits	9,015
(Decrease) in Accounts Payable	(4,626)
(Decrease) in Accrued Wages	(13,963)
Increase in Compensated Absences	5,673
Increase in Intergovernmental Payable	32,569
Net Cash Provided by Operating Activities	\$ 936,504

The accompanying notes are an integral part of these general purpose financial statements.

**Notes to the General Purpose Financial Statements
December 31, 1998**

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 and Mayor are elected. The Council appoints a Manager who is the Chief Administrative Officer of the Municipality.

Legislative power is vested in a seven member Council, three are elected at large and four are elected from wards established in the merger of the former township and the Municipality. The ward Council members were elected at the regular Municipal election in 1993 and every fourth year thereafter, while at-large Council members were elected at the regular Municipal election in 1995 and every fourth year thereafter. The terms of the members are for four years, commencing at the first regular meeting in January following their election and continue until their successors have been elected and sworn in.

The Mayor was elected at the regular Municipal election in 1995 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 Municipal governmental.

The City's Manager, the 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 the Chief Administrative Officer of the Municipality, responsible to Council for the administration of all affairs of the Municipality 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 Municipality, 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.

A. Reporting Entity

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

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

**Notes to the General Purpose Financial Statements
December 31, 1998**

The City provides various services including police, park, 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.

The following potential component units have been excluded from the City's financial statements because the City is not financially accountable for them nor are the entities fiscally dependent on the City:

St. Clairsville City School District
St. Clairsville Public Library
St. Clairsville Richland Township Memorial Park
Cumberland Trail Fire District

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 18.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to Generally Accepted Accounting Principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources. The City applies the Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989 to proprietary activities provided they do not conflict with Governmental Accounting Standards Board Statements and Interpretations.

A. Basis of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

Notes to the General Purpose Financial Statements
December 31, 1998

General Fund - This fund is the operating fund of the City and is used to account for 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. The following cash basis funds will be combined to form the GAAP basis general fund:

General - This fund is to account for the resources traditionally associated with the general government operations that are not required to be accounted for in another fund.

General Escrow - This fund is to account for the funds reserved by Council to be used for a capital project. This fund was created from estate taxes from Mr. Mobley to be held in reserve for a future project. Council has decided to use these funds for the Bikeway project.

Special Revenue Funds - Special revenue funds are established to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or for major capital projects) that are legally restricted to expenditure for specified purposes. The following cash basis funds will be combined to form the GAAP basis special revenue funds:

Street Construction, Maintenance, and Repair - This fund is required by the Ohio Revised Code to account for state gasoline tax and motor vehicle registration fees designated for maintenance of streets within the City.

State Highway - This fund is required by the Ohio Revised Code to account for state gasoline tax and motor vehicle registration fees designated for maintenance of state highways within the City.

Parks and Recreation - This fund is to account for the receipts used for the operation of the Recreation Department.

Police Levy - This fund is to account for the property taxes levied in the City for the operation of its Police Department.

Litter Fund - This fund is to account for state grant monies for litter control in the City.

Community Development Fund (CDBG) - These funds are to account for the federal and state grant monies for community and economic development. The following cash basis funds will be combined to form the GAAP basis community development fund:

Community Development Block Grant - This fund is to account for the federal and state grant monies for community and economic development.

Community Housing Improvements Program Fund - This fund is to account for the federal and state grant money for community and economic development.

Revolving Loan Fund - This fund is to account for the repayment of grant monies that were loaned to local businesses and individuals for improvements to their property. These loans were issued at low interest rates and interest free.

**Notes to the General Purpose Financial Statements
December 31, 1998**

Downtown Renovation Fund - This fund is to account for grant monies used to issue loans to downtown businesses and individuals for sidewalks and facial renovations and repayment of those monies loaned.

COPS FAST Grant Fund - This fund is to account for the federal and state grants for local law enforcement agencies to establish or expand community policing programs.

Federal Emergency Management Agency Grant Fund - This fund is to account for federal and state grant monies used for flooding damage assistance.

Bike Trail Maintenance - This fund is to account for donations and other revenues used for maintaining the bike trail.

Police Pension - This fund is to account for property taxes levied for the payment of the current and accrued liability for police disability and pension benefits.

Mayor's Court Computer Improvement - This fund is to account for a portion of fines and cost revenues allocated for the cost and maintenance of the Mayor's Court computer system.

Debt Service Funds - The debt service funds are used for the accumulation of financial resources for and the payment of general and special assessment long-term debt principal, interest, and related costs.

General Obligation Bond Retirement - These funds are to account for the accumulation of resources that are utilized for the repayment of general obligation bonds of the City. They include the following funds:

Fire Bond Retirement - This fund is to account for the tax levies to support the fire debt. The fire bonds were defeased in 1994. The only activity in this fund for 1995 was an expenditure for the trust department fees. In 1996, the Law Director petitioned the court and received approval to transfer the balance of this money into the City's general fund.

Special Assessment Fund - This fund is to account for the special property assessments for downtown renovations. Expenditures from this fund are principal and interest payments for the streetscape general obligation bonds issued for downtown renovations.

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

Bike Trail Fund - The bike trail fund accounts for donations to the bike trail and the expenditures for its' construction.

I.S.T.E.A. Grant Fund - The I.S.T.E.A. grant fund accounts for the receipt of Intermodal Surface Transportation Efficiency Act grant monies and the expenditures for the construction of the bike trail.

Notes to the General Purpose Financial Statements
December 31, 1998

Proprietary Fund Type:

Proprietary funds are used to account for the City's ongoing activities which are similar to those found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business and quasi-business activities, where net income and capital maintenance are measured, are accounted for through proprietary funds. The following is the City's proprietary fund type:

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

Water Fund - The water fund accounts for the revenues generated from the charges for distribution of water to the residential and commercial users of the City. They include:

Water - This fund is to account for the revenues used to operate, maintain, and improve the water operation.

Water Guarantee Deposits - To account for refundable deposits from renters for water service. For every new customer, a combined \$100 service deposit is received (this deposit includes all utility services and will be prorated by the number of customers on a GAAP basis) which is refundable if and when they move their residence.

Water Replacement and Improvement Fund - This fund is to account for the collection of specified percentage of charges for services to be used on capital improvements and equipment replacement.

Sewer Fund - The sewer fund accounts for the revenues generated from the charges for wastewater services provided to residential and commercial users of the City. They include:

Sewer - This fund is to account for the revenues used to operate, maintain, and improve sewer collection, treatment and disposal for the City and its' surrounding areas.

Sewer Guarantee Deposits - To account for refundable deposits from renters for sewer service. For every new customer, a combined \$100 service deposit is received (this deposit includes all utility services and will be prorated by the number of customers on a GAAP basis) which is refundable if and when they move their residence.

Sewer Replacement and Improvement Fund - This fund is to account for the collection of specified percentage of charges for services to be used on capital improvements and equipment replacement.

OPWC Issue II - The OPWC issue II fund accounts for the receipt of Ohio Public Works Commission Issue II grant monies and the expenditures for the construction of the project.

Notes to the General Purpose Financial Statements
December 31, 1998

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

Light - This fund is to account for the revenues used to operate, maintain, and improve electric service for the City and its' surrounding areas.

Light Guarantee Deposits - To account for refundable deposits from renters for electric service. For every new customer, a combined \$100 service deposit is received (this deposit includes all utility services and will be prorated by the number of customers on a GAAP basis) which is refundable if and when they move their residence.

Light Debt Reserve Fund - This fund is to account for the accumulation of resources for the repayment of debt issues.

Light Replacement and Improvement Fund - This fund is to account for a specified percentage of charges for services to be used on capital improvements and equipment replacement.

Fiduciary Fund Type:

Fiduciary funds are used to account for the assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments units, and/or other funds. Agency funds are purely custodial and thus do not involve measurement of results of operations. The following is the City's fiduciary fund:

Agency Funds:

Employees' Savings - This fund is to account for the payroll deductions invested by the City on behalf of the employees and redistributed with earnings to the employees on November 1st.

Flower Fund - This fund is to account for the payroll deductions used to purchase flowers for ill employees and family members and deaths of employees and family members.

Mayor's Court Agency - This fund is to account for the Mayor's Court clearing account. Money is received from individuals for fines and distributed to the state and to the general fund.

Payroll Fund - This fund is used to account for the payroll clearing account which is a holding account for payroll, payroll taxes, and other related payroll deductions accumulated for payment to other government units and private organizations.

Account Groups:

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

General Fixed Assets Account Group (GFAAG) - This account group accounts for all general fixed assets of the City other than those accounted for in proprietary funds.

**Notes to the General Purpose Financial Statements
December 31, 1998**

General Long-Term Obligations Account Group (GLTOAG) - This account group accounts for all unmatured long-term indebtedness of the City that is not a specific liability of proprietary funds, including special assessment debt for which the City is obligated in some manner except that which is accounted for in proprietary funds.

B. Measurement Focus and Basis of Accounting

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

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

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

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

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, federal and state grants and subventions, and charges for current services.

The City reports deferred revenues on its' Combined Balance Sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the Combined Balance Sheet and revenue is recognized. Current and delinquent property taxes measurable as of December 31, 1998, whose availability is indeterminate and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue. Special assessments have been recorded as receivables and deferred revenue.

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

**Notes to the General Purpose Financial Statements
December 31, 1998**

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

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Ordinance, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department; however, the City uses line item level for control. Any budgetary modifications at this level may be made by the Finance Director.

Tax Budget:

Prior to July 15, the City Finance Director submits to the City Council a proposed operating budget for the year commencing the following January. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20, of each year, for the period January 1 to December 31 of the following year.

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its' budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the annual Appropriation Ordinance. On or about January 1, the Certificate of Estimated Resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the City Finance Director determines, and the budget Commission agrees that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official Certificate of Estimated Resources issued during 1998.

Appropriations:

A temporary Appropriation Ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual Appropriation Ordinance must be passed by April 1 of each year for the period January 1 to December 31. The Appropriation Ordinance fixes spending authority at the fund, department, object, and line item level. The Appropriation Ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year only by an ordinance of Council; however, the Finance Director may make line item transfers within a fund. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Notes to the General Purpose Financial Statements
December 31, 1998

Encumbrances:

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

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents:

Cash received by the City is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase investments. 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" on the Combined Balance Sheet. During 1998, investments were limited to certificates of deposit, STAROhio, and money market funds. These investments are stated at cost which approximates market. These investments are presented on the Combined Balance Sheet as "Investments in Pooled Accounts". Investment procedures are restricted by the provisions of the Ohio Revised Code.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 1998. 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 the investment could be sold for on December 31, 1998.

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

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 Combined Balance Sheet as "Restricted Assets: Investments with Trustees" for investments in obligations of the U.S. Treasury.

The City utilizes a trustee bank to hold monies set aside for current and future debt service payments and asset replacement. The balances in these accounts are presented on the Combined Balance Sheet as "Restricted Assets: Cash and Cash Equivalents with Trustees" for deposits of short-term investments in certificates of deposit and "Restricted Assets: Investments with Trustees" for investments in obligations of the U. S. Treasury. See Note 6, Deposits and Investments.

For purposes of the Combined Statement of Cash Flows and for presentation on the Combined Balance Sheet, investments with an original maturity of three months or less and investments from the cash management pool are considered to be cash equivalents. Investments with an original maturity of more than three months are considered to be investments. Interest income earned during 1998 totaled \$200,697.

Notes to the General Purpose Financial Statements
December 31, 1998

- E. Inventory:
Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.
- F. Prepaid Items:
Payments made to vendors for services that will benefit periods beyond December 31, 1998 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. At December 31, 1998 the City had prepaid insurance that is reflected on the Combined Balance Sheet.
- G. Fixed Assets and Depreciation:
General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The City maintains a capitalization threshold of five hundred dollars, with the exception of land, as land is recorded regardless of cost.
- The costs of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.
- Assets in the general fixed assets account group are not depreciated. Depreciation of fixed assets in the proprietary funds is computed using the straight-line method over an estimated useful life of four to twenty years for furniture, fixtures, and machinery and thirty years for buildings.
- Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized or reported, as these assets are immovable and of value only to the City.
- H. Compensated Absences:
GASB Statement 16, Accounting for Compensated Absences, specifies the methods used to accrue liabilities for leave benefits. Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employee for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the 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.

Notes to the General Purpose Financial Statements
December 31, 1998

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

I. Contributed Capital:

Contributed capital represents resources provided to the enterprise funds from other funds, other governments, and private sources that is not subject to repayment. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end except for depreciation on assets acquired through federal and state grants, which is expensed and closed to retained earnings at year end.

Because the City had not prepared financial statements in accordance with generally accepted accounting principles prior to 1996, the exact amount of contributed capital at December 31, 1995 could not be determined. Consequently, only those amounts that have been able to be identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to the proprietary funds have been classified as retained earnings.

J. Intergovernmental Revenues:

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, shared revenues, and entitlements are recorded as receivables and revenues when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants, entitlements, or shared revenues received for proprietary fund operating purposes are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. Such resources restricted for the construction of capital assets are recorded as contributed capital.

K. Fund Equity:

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Fund balances are reserved for encumbrances, inventories of materials and supplies, loans receivable, debt service, and prepaid items. Undesignated fund balance indicates the portion of fund equity which is available for appropriation in future periods.

Reserves have been established in the enterprise funds for debt service to the extent necessary to satisfy bond indenture agreements that require the segregation of the money with a trustee.

L. Interfund Transactions:

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

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

CITY OF ST. CLAIRSVILLE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 1998**

M. Long-Term Obligations:

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be paid with current resources. However, compensated absences and contractually required pension contributions are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available financial resources. Payments made more than thirty-one days after year end are generally considered not to have been paid with current available resources. Special Assessment bonds and capital leases are recognized as a liability of the general long-term obligations account group until due.

Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

N. Total Columns on General Purpose Financial Statements:

Total columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

O. Preparation of the Financial Statements:

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 could differ from those estimates.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 1998, the City has implemented GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investments Pools." The statement established accounting and reporting guidelines for government investments and investment pools. Certain investments, which were reported at cost in the previous year, are now reported at fair value. The implementation of GASB Statement No. 31 had no effect on fund balance/retained earnings as it was previously reported as of December 31, 1997.

The City has also implemented Governmental Accounting Standards Board (GASB) Statement Number 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" for its deferred compensation plan through the Ohio Public Employees Deferred Compensation Program (OPEDCP). On September 21, 1998, the OPEDCP created a trust for the assets of the plan which the City has no fiduciary responsibility. Therefore, the City's balance in the ODEDCP plan of \$70,006 was shown as a reduction in the deferred compensation agency fund.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

**Notes to the General Purpose Financial Statements
December 31, 1998**

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.
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).
5. Adjustments necessary to convert the results of operations at the end of the year on the Budget basis to the GAAP basis are as follows:

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$ 97,195	\$ (11,044)	\$ (4)	\$ 155,208
Net adjustment for revenue accruals	(149,634)	36,118	0	277,298
Advances In	0	0	0	108,910
Proceeds of Notes	0	18,557	0	225,000
Net adjustments for expenditure accruals	(23,544)	23,490	0	(393,588)
Advances Out	0	0	0	(276,300)
Debt principal retirement	0	(28,557)	0	(150,000)
Debt interest payment	0	(845)	0	(267)
Encumbrances	(8,870)	(39,771)	0	(18,116)
Budget basis	<u>\$ (84,853)</u>	<u>\$ (2,052)</u>	<u>\$ (4)</u>	<u>\$ (71,855)</u>

**Notes to the General Purpose Financial Statements
December 31, 1998**

NOTE 5 - ACCOUNTABILITY AND COMPLIANCE

The Bike Trail Capital Projects Fund had a deficit balance of \$340,623 as of December 31, 1998. The deficit was largely the result of the recognition of liabilities in accordance with 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 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

**Notes to the General Purpose Financial Statements
December 31, 1998**

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

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

During fiscal year 1998, the City's investments were limited to certificates of deposit, money market funds, STAROhio, and overnight sweep accounts.

Deposits: At year-end, the carrying amount of the City's deposits was \$1,695,076, which includes \$2,111 cash on hand, and the bank balance was \$1,805,725. Of the bank balance:

1. \$413,396 was covered by federal depository insurance.
2. \$100,000 was collateralized with securities held by a third-party trustee in the name of the City.
3. \$1,292,329 was uninsured and uncollateralized. Although the collateral for the securities was held by the pledging financial institution's trust department in the City's name and all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the City to a successful claim by the FDIC.

Investments: STAR Ohio amounting to \$627,313 is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Cash and cash equivalents are defined to include investments with original maturities of three months or less.

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

CITY OF ST. CLAIRSVILLE, OHIO

Notes to the General Purpose Financial Statements
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	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$ 902,844	\$ 1,419,545
Certificates of Deposit with maturities of greater than three months	1,419,545	(1,419,545)
State Treasurer's Investment Pool	(627,313)	627,313
	<u>\$ 1,695,076</u>	<u>\$ 627,313</u>

As a result of Bond Indenture covenants, the City has reported "Restricted Assets: Investments with Trustees" in the amount of \$166,283 which is included in the deposits and investments above. These restricted assets reflect the amount of accumulated resources for principal and interest payments and for the repair and replacement of Electric Fund assets that were originally acquired with mortgage revenue bond proceeds.

The City is reporting "Restricted Assets: Customer Deposits" in the amount of \$62,888 for utility customer deposits.

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property, and tangible personal (used in business) property located in the City. Real property taxes were levied after October 1, 1997 on the assessed value as of January 1, 1997, the lien date, and were collected in 1998. Assessed values for real property are established by State law at 35% of appraised market value. All property is required to be revalued every six years. Public utility property taxes received in 1998 attached as a lien on December 31, 1997, were levied after October 1, 1997 and are collected with real property taxes. Public utility property taxes are assessed on tangible personal property at 88% of true value. 1997 tangible personal property taxes are levied after October 1, 1997, on the value listed as of December 31, 1997 and are collected in 1998. Tangible personal property assessments are 25% of true value.

The assessed value upon which the 1998 taxes were collected was \$72,036,840. Real estate represented 92% (\$66,003,450) of this total, tangible personal property represented 5% (\$3,782,720), and public utilities tangible personal property represented 3% (\$2,250,670). The full tax rate for all City operations applied to taxable property for the year ended December 31, 1998 was \$12.35 per \$1,000 of assessed valuation.

Real and public utility 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 alternate 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.

CITY OF ST. CLAIRSVILLE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 1998**

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which became measurable as of December 31, 1998. Total property tax collections for the next fiscal year are measurable amounts, however, since these tax collections will not be received during the available period nor are they intended to finance 1998 operations, the receivable is offset by a credit to deferred revenue.

NOTE 8 - RECEIVABLES

Receivables at December 31, 1998 consisted of taxes, accounts (billings for user charged services including unbilled utility services), loans, and intergovernmental receivables arising from grants and shared revenues. All receivables are deemed collectible in full.

The special revenue funds reflect housing rehabilitation loans receivable of \$468,000. The housing rehabilitation loans receivable are for the principal owed to the City for Community Housing Improvement Program grants loaned to Woda Construction to renovate several historical buildings into low-income housing apartments. The loans were issued at zero percent interest. The loans are to be repaid over periods ranging from fifteen to twenty years. Also, included in the Special Revenue Funds are revolving loans of \$183,389. These business revolving loans were issued to local downtown business owners to improve their facades and sidewalks. The loans were issued at rates varying from zero to 6.5% interest. They are to be repaid over periods ranging from three to ten years.

A summary of the principal items of intergovernmental receivables follows:

Special Revenue Funds:	
Gasoline Tax	\$ 13,453
Capital Projects Funds:	
ISTEA Grant	1,910
General Funds:	
Local Government Assistance	34,543
Estate Taxes	<u>123,696</u>
Total Intergovernmental Receivables	<u>\$ 173,602</u>

CITY OF ST. CLAIRSVILLE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 1998**

NOTE 9 - FIXED ASSETS AND DEPRECIATION

A summary of changes in general fixed assets during 1998 were as follows:

	Balance 1/1/98	Additions	Deletions	Balance 12/31/98
Land	\$ 276,979	\$ 0	\$ (1,534)	\$ 275,445
Buildings	1,897,912	44,359	0	1,942,271
Machinery, Equipment & Fixtures	136,715	11,987	0	148,702
Vehicles	259,699	3,369	(42,511)	220,557
	<u>\$ 2,571,305</u>	<u>\$ 59,715</u>	<u>\$ (44,045)</u>	<u>\$ 2,586,975</u>

Proprietary Fund fixed assets by major classes of fixed assets at December 31, 1998:

	<u>December 31, 1998</u>
Buildings	\$ 374,896
Improvements other than Buildings	17,097,062
Machinery, Equipment and Fixtures	398,545
Vehicles	454,525
	<u>18,325,028</u>
Accumulated Depreciation	9,049,015
	<u>9,049,015</u>
Net Fixed Assets	<u>\$ 9,276,013</u>

NOTE 10 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City of St. Clairsville has a public employee dishonesty policy with a \$50,000 bond with Ohio Casualty, through Pilney Insurance Agency. The City's public official's liability policy has a \$1,000,000 liability with a \$3,000 deductible with Monticello, through Pilney Insurance Agency. The City's comprehensive package is with Indiana Insurance, also through Pilney 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 \$50,000; and medical expense limit (any one person) of \$5,000. The City's law enforcement liability is with National Casualty Co., through Andrew Yanok Insurance Agency. The liability limit is \$5,000,000 with a \$2,500 deductible. The City's vehicle insurance is with Grange Mutual Casualty Company. The liability limits are; bodily injury of \$1,000,000 per person per accident; property damage of \$1,000,000 per accident; medical payments of \$5,000; uninsured motorist's bodily injury of \$25,000 per person, \$50,000 per accident. The vehicle insurance deductible is \$500.

**Notes to the General Purpose Financial Statements
December 31, 1998**

The City pays the Ohio Bureau of Workers' Compensation a premium based on the Greater Cleveland Safety Council group rate of .025017 of salaries and service contractor rates. This rate is calculated based on accident history and administrative costs to provide coverage to employees and service contractors for job related injuries.

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 11 - DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System:

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

Plan members, other than those engaged in law enforcement, are required to contribute 8.5% of their annual covered salary to fund pension obligations and the City of St. Clairsville is required to contribute 13.55%. There are no City employees on PERS in law enforcement. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 1998, 1997, and 1996 were \$137,565, \$130,847 and \$127,856, respectively. The full amount has been contributed for 1997 and 1996. 1998 contributions have been paid for the first eleven months. 1998 contributions have been accrued and are reflected in the intergovernmental payables of each fund.

B. Police and Firemen's Disability and Pension Fund:

The City of St. Clairsville contributes to the Police and Firemen's Disability and Pension Fund of Ohio (the Fund), a cost-sharing, multiple employer, public employee retirement system, administered by the Fund's Board of Trustees. The Fund provides retirement benefits, disability, and health care benefits to qualified participants and survivor and death benefits to qualified spouses, children and dependent parents. Benefits are based on eligible service credit. Benefits are established by Chapter 742 of the Ohio Revised Code. The Fund issues a publicly available financial report that includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Police and Firemen's Disability and Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43215.

Police officers are required to contribute 10% of their annual covered salary to fund pension obligations and the City is required to contribute 19.5%. Contributions are authorized by State statute. An actuary, however, is used to determine the actuarial implications of the statutory requirements. The City's contributions to the fund for police for the years ended December 31, 1998, 1997, and 1996 were \$50,692, \$46,579 and \$44,694, respectively. The full amount has been contributed for 1997 and 1996. 1998 contributions have been paid for the first eleven months. 1998 contributions have been accrued and are reflected in the intergovernmental payables of the Police Pension Fund.

C. Medicare System:

All employees hired after April 1, 1986 are required to contribute to Medicare at a rate of 1.45% of their covered salary. The City of St. Clairsville is required to contribute 1.45% 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.

Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 1998 employer contribution rate was 13.55% of covered payroll for employees not engaged in law enforcement; 4.2% was the portion that was used to fund health care for 1998. There are no City employees on PERS in law enforcement.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. Expenditures for OPEB during 1998 were \$440,596,663. As of December 31, 1998, the unaudited estimated net assets available for future OPEB payments were \$9,447,325,318. The number of benefit recipients eligible for OPEB at December 31, 1998 was 115,579.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

B. Police and Firemen's Disability and Pension Fund

The Police and Firemen's Disability and Pension Fund (the Fund) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 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 health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Police and Firemen's Disability and Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the Police and Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5% of covered payroll, of which 6.5% of covered payroll is applied to the postemployment health care program. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 1997 was 11,239 for police and 9,025 for firefighters. The City's actual contributions for 1998 that were used to fund postemployment benefits were \$16,880 for police. The City has no firefighters. The Fund's total health care expenses for the year ended December 31, 1997 (the latest information available) were \$76,459,832.

CITY OF ST. CLAIRSVILLE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 1998**

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Additional Insurance

The City provides life insurance and accidental death and dismemberment insurance to all employees, excluding part-time elected officials and appointed part-time officials. The policy is in the amount of \$10,000 life insurance and \$10,000 accidental death and dismemberment.

The City contracts with Health Plan of the Upper Ohio Valley for hospitalization insurance; Delta Dental for dental insurance; for all employees, excluding part-time elected and part-time appointed officials. The City offers Ohio AFSCME Eye Care for AFSCME members. The City pays 100% of the total monthly premiums of \$472.56 family health care, \$189.02 single health care; \$60.69 family dental care, \$16.87 single dental care, employee and one dependent dental care \$32.65; and \$5.75 family or single eye care. Non-AFSCME members receive a \$100 reimbursement per family, per year towards eye exams and or glasses or contacts. 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 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, employees other than police, are paid for a maximum of 240 hours of accumulated sick time provided they have ten years of service with the City. Police are paid a maximum of 320 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, 1998, the liability for unpaid compensated absences was \$118,506.

NOTE 14 - CONSTRUCTION COMMITMENTS

As of December 31, 1998, the City had outstanding contracts for engineering and construction on the Bikeway project. They have been recorded as liabilities in their respective funds. The City has been awarded Issue II monies for a dechlorination project and the liabilities have been recorded in their respective funds. The City has also been awarded an Intermodal Surface Transportation Efficiency Act grant for the Bikeway project for partial construction costs.

On I.S.T.E.A. projects, funding is actually received after a payment request form and invoices are submitted to the State. The City pays all contractors the City's portion of 100% of the construction costs and submits the payment request to the State for 80% of their share. On Issue II projects, the City pays their portion of 32% and sends a copy of the invoice to the State to pay their share.

CITY OF ST. CLAIRSVILLE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 1998**

NOTE 15 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City during the year ended December 31, 1998 consisted of the following:

	<u>Outstanding 12/31/97</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12/31/98</u>
<u>Enterprise Funds Obligations</u>				
General Obligation Bonds:				
Sewer Bonds	\$ 320,000	\$ 0	\$ 25,000	\$ 295,000
Mortgage Revenue Bonds:				
Sewer Bonds	910,000	0	65,000	845,000
Electric Bonds	395,000	0	395,000	0
Total Mortgage Revenue Bond	<u>1,305,000</u>	<u>0</u>	<u>460,000</u>	<u>845,000</u>
OPWC Loan:				
Sewer Fund	161,734	28,266	0	190,000
OWDA Loan:				
Water Fund	<u>731,611</u>	<u>0</u>	<u>41,690</u>	<u>689,921</u>
Total Enterprise Funds	2,518,345	28,266	526,690	2,019,921
<u>General Long Term Obligations</u>				
Police and Fire Pension Liability				
	4,374	0	4,374	0
Compensated Absences	76,406	0	11,023	65,383
Intergovernmental Payable	0	3,418	0	3,418
Capital Lease	3,364	0	1,362	2,002
Special Assessment Bonds	<u>150,000</u>	<u>0</u>	<u>10,000</u>	<u>140,000</u>
Total Long Term Obligations	<u>234,144</u>	<u>3,418</u>	<u>26,759</u>	<u>210,803</u>
Grand Total	<u>\$ 2,752,489</u>	<u>\$ 31,684</u>	<u>\$ 553,449</u>	<u>\$ 2,230,724</u>

CITY OF ST. CLAIRSVILLE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 1998**

General obligation bonds, mortgage revenue bonds, the OWDA loan, and the OPWC loan, will be paid from revenues derived from charges for services in the Enterprise funds. Compensated absences will be paid from the fund from which the employees' salaries are paid. The capital lease will be paid from the General Fund. The special assessment bonds will be paid from revenues assessed to property owners. Any shortage between special assessments collected and the required bond payments will be covered by General Fund revenues.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 1998 which will be paid during 1998 and subsequent years are as follows:

Year	Enterprise					Total
	General Obligation Bonds	Mortgage Revenue Bonds	OWDA	Special Assessment	OPWC	
1999	\$ 44,051	\$ 127,130	\$ 129,484	\$ 19,515	\$ 13,562	\$ 333,742
2000	42,470	127,416	129,484	23,875	23,240	346,485
2001	45,695	127,300	129,484	22,900	23,240	348,619
2002	43,730	126,580	129,484	21,910	23,240	344,944
2003	46,568	130,100	129,484	20,905	23,240	350,297
2004	44,205	128,080	129,484	19,885	23,240	344,894
2005	41,808	125,700	129,484	18,850	23,240	339,082
2006	44,200	127,780	129,484	22,800	23,240	347,504
2007	41,400	124,320	129,484	21,400	23,240	339,844
2008	0	0	64,742	0	23,240	87,982
2009	0	0	0	0	11,620	11,620
	<u>\$ 394,127</u>	<u>\$ 1,144,406</u>	<u>\$ 1,230,098</u>	<u>\$ 192,040</u>	<u>\$ 234,342</u>	<u>\$ 3,195,013</u>

CITY OF ST. CLAIRSVILLE, OHIO

Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 16 - NOTE DEBT

The City's note activity for 1998, including amounts outstanding, interest rates, and the purpose for which the note was issued, is as follows:

	<u>Outstanding 12/31/97</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12/31/98</u>
<u>Special Revenue:</u>				
Bond Anticipation Note				
Street Fund				
Vehicles	\$ 28,557	\$ 18,557	\$ 28,557	\$ 18,557
<u>Capital Projects:</u>				
Note Payable Bank				
Bike Trail				
Construction	150,000	0	150,000	0
Bond Anticipation Note				
Bike Trail Fund				
Construction	0	225,000	0	225,000
<u>Enterprise Funds:</u>				
Farmers Home Administration				
Indebtedness				
Sewer				
Joint Project	142,349	0	1,246	141,103
Bond Anticipation Notes				
Electric				
Vehicles	2,665	0	2,665	0
Water				
Vehicles and Reservoir				
Improvements	458,889	430,722	458,889	430,722
Sewer				
Vehicles, Chlorine Removal				
and West End Improvements	318,889	298,721	318,889	298,721
Total Enterprise Bond	780,443	729,443	780,443	729,443
Anticipation Notes				
Total Enterprise Funds	922,792	729,443	781,689	870,546
Grand Total	\$ 1,101,349	\$ 973,000	\$ 960,246	\$ 1,114,103

**Notes to the General Purpose Financial Statements
December 31, 1998**

The Bond Anticipation Notes were originally issued on May 11, 1995 at an interest rate of 5.04%. The entire principal is due annually. Any portion of the original debt can be renewed with the issuance of new Bond Anticipation Notes. The notes were reissued on May 8, 1998 at an interest rate of 4.26%. A principal payment of 20% was made on the portion related to the vehicle acquisition, which was originally for a total of \$82,700 split as follows: Street Fund \$48,200; Light Fund \$4,500; Water Fund \$15,000; and Waste Water Fund \$15,000 with the exception of the light fund pension, which was paid in 1998. A principal payment of 5% was made on the portion related to capital improvements, which was originally for a total of \$668,500 split as follows: Water Fund \$500,000 and Waste Water Fund \$168,500. In 1997, the additional borrowing of \$159,000 was allocated to the Waste Water Fund.

It is the City's intent to continue to pay 20% principal payments on the vehicle portion annually to pay off that portion in five years and to pay 5% principal payments on the capital improvement portion annually to pay off that portion in twenty years. The City reserves the right to make any size principal payments depending on circumstances annually. The City also reserves the right to issue bonds in a future year and pay off the remaining principal balance in full.

The Bond Anticipation Notes are backed by the full faith and credit of the City of St. Clairsville. The Bond Anticipation Notes will be paid from the funds which originally received the proceeds.

The City and Belmont County are jointly obligated for Farmers Home Administration indebtedness for the Water Works System #3 Phase I Project. At December 31, 1998, the total debt was \$1,925,000 with the City's share being 7.33% or \$141,103.

Notes to the General Purpose Financial Statements
December 31, 1998

NOTE 17 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City's enterprise fund account for the provision of water, waste water, electric, utility deposits, and electric reserves for debt. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise funds of the City of St. Clairsville as of and for the year December 31, 1998:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Light Fund</u>	<u>Total Funds</u>
Operating Revenues	\$ 788,486	\$ 613,451	\$ 2,322,691	\$ 3,724,628
Operating Expenses				
Before Depreciation	439,429	332,061	2,036,685	2,808,175
Depreciation	256,225	317,347	77,456	651,028
Operating Income (Loss)	92,832	(35,957)	208,550	265,425
Interest Income	(762)	14,979	69,601	83,818
Interest and Fiscal Charges	(108,306)	(113,716)	(45,545)	(267,567)
Other Non Operating Revenue	8,741	24,820	15,833	49,394
Net Income	(7,495)	(109,874)	248,439	131,070
Net Working Capital	379,358	344,919	1,773,744	2,498,021
Total Assets	3,860,931	5,397,733	2,752,399	12,011,063
Long Term Liabilities to be				
Paid from Fund Revenues	1,120,642	1,769,825	0	2,890,467
Total Equity	2,668,858	3,565,973	2,561,912	8,796,743
Encumbrances Outstanding at December 31, 1998	23,914	22,515	176,723	223,152

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

A. Ohio Mid-Eastern Governments Association (OMEGA) is a ten county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum, and Tuscarawas counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a sixteen member executive board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. The Mayor of the City of 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 1998, 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.

B. Jefferson-Belmont Joint Solid Waste Authority is established by State statutes and is operated to provide solid waste services to Jefferson and Belmont counties. The Authority is governed by a fourteen member board of directors of which the Mayor of the City of 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.

**Notes to the General Purpose Financial Statements
December 31, 1998**

C. 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 1998, Bel-O-Mar Regional Council received no annual fees.

D. Southeastern Ohio Narcotics Task Force (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%. Of the 32 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 1998, the City made no contribution to the Task Force.

E. 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 1998, Belmont County Board of Health received \$19,995 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.

NOTE 19 - CONTINGENCIES

A. Grants:

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with term and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 1998.

B. Litigation:

The City of St. Clairsville is currently party to pending litigation proceedings seeking damages or injunctive relief as confirmed by the City Law Director and outside legal counsel. The outcome and possible effects on the financial statements cannot be determined at this time.

CITY OF ST. CLAIRSVILLE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 1998**

NOTE 20 - INTERFUND TRANSACTIONS

The City of St. Clairsville makes operating transfers from the general fund to various other funds for their operation throughout the year. These transfers are budgeted and appropriated in accordance with the Ohio Revised Code.

The following table summarizes the interfund transactions for 1998:

TRANSFERS

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 0	\$ 566,986
Street Fund	270,000	0
Recreation Fund	98,700	0
COPS Fast Grant Fund	8,136	0
Police Fund	131,500	0
Litter Fund	5,400	0
Bike Trail Maintenance	30,100	0
Police Pension	19,000	0
Special Assessments Fund	4,150	0
	<u>566,986</u>	<u>0</u>
Total Transfers	<u>\$ 566,986</u>	<u>\$ 566,986</u>

ADVANCES

	<u>Advance In</u>	<u>Advance Out</u>
Bike Trail	\$ 107,000	\$ 0
Light Fund	276,300	108,910
I.S.T.E.A. Fund	1,910	276,300
	<u>385,210</u>	<u>385,210</u>
Total Advances	<u>\$ 385,210</u>	<u>\$ 385,210</u>

NOTE 21 - CAPITAL LEASES

The City of St. Clairsville is currently under a lease agreement with Xerox Corporation for a photocopier in the Mayor's Secretary's office. The equipment value of \$5,925 is included in the General Fixed Asset Account Group. The capital lease liability of \$2,002 is reported in the General long-term obligations account group. The terms of the lease are 48 monthly payments of \$113. The lease expires in April, 2000 with a purchase option amount of \$300 at the end of the lease. The monthly lease payments totaling \$1,361 were made from the General Fund.

**Notes to the General Purpose Financial Statements
December 31, 1998**

NOTE 22 – YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations as early as fiscal 1999.

The City has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue. The City has identified the following systems requiring year 2000 remediation:

- Accounting and financial reporting, payroll, and employee benefits. Testing and validation have been completed and the City has received Y2K compliance assurances for this system from their software vendors.
- The City operates water, sewer, and electric distribution systems serving the residents of the City. The City's system and equipment vendors have performed complete, thorough analysis and testing of software and equipment to determine year 2000 compliance. Testing and validation has been completed and the City has received Y2K compliance assurances for these systems from their system and equipment vendors.
- The City also has buildings with heating and air conditioning systems which have efficiency utilization measures. These systems were tested and the City has received year 2000 compliance assurances for these systems and their system vendors. The City also has a contingency plan, which allows for manual overrides of these systems, to reasonably assure continued operations should these systems not operate properly.
- The City purchases power from American Electric Power (AEP) and then distributes the electricity to their customers. AEP is responsible for remediating these systems and is solely responsible for any costs associated with this project.
- Police, fire and emergency squad services have no significant impact on revenues and expenditures, however, these services are critical to the City's mission to provide public safety. Although these services are an important means of protection and safety at the City level, reliance will be placed upon Belmont County's 911 system. The County is responsible for remediating this system and is solely responsible for any costs associated with this project.
- Property tax collection for the City is handled by Belmont County. The County is responsible for remediating the system, and is solely responsible for any costs associated with this project.
- The State of Ohio distributes a substantial sum of money to the City in the form of state and federal financial aid. The Auditor of State's office has identified two mission critical systems, warrant processing and electronic funds transfer, which could effect the City. The State is responsible for remediating these systems.

Because of the unprecedented nature of the Year 2000 issue, its effect and success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the City is or will be Year 2000 ready, that the City's remediation efforts will be successful in whole or in part, or that the parties with whom the City does business will be Year 2000 ready.

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1998**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Award Amount	Disbursements
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
<i>Passed Through Ohio Department of Transportation:</i>				
Highway Planning and Construction (National Trail Bikeway Project)	PID 17519 / 14905	20.205	\$1,276,187	\$330,078
Total U.S. Department of Transportation				\$330,078
<u>U.S. DEPARTMENT OF JUSTICE</u>				
<i>Direct Program:</i>				
Public Safety Partnership and Community Policing Grants ("Cops Grants")	95CFWX4655	16.710	75,000	28,734
Total U.S. Department of Justice				28,734
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>				
<i>Passed Through Ohio Emergency Management Agency:</i>				
Public Assistance Grants	1227-DR-013-69526	83.544	39,365	34,589
Total Federal Emergency Management Agency				34,589
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
<i>Passed Through Ohio Department of Development:</i>				
Community Development Block Grants/Small Cities Program	A-C-94-176-3	14.219	460,000	6,445
Total U.S. Department of Housing and Urban Development				6,445
Total Federal Awards Expenditures				\$399,846

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

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1998**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

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

The City had established a revolving loan program to provide low-interest loans to businesses for renovations and for a low-income housing renovation project. The Federal Department of Housing and Urban Development (HUD) granted money for these loans to the City and they were passed through the Ohio Department of Development. No additional loan money was granted to the City during 1998. Loans repaid, including interest, were used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by City loan agreements; but, were not included as disbursements on the Schedule of Federal Awards Expenditures.

These loans are collateralized by mortgages on the property. At December 31, 1998, the gross amount of loans outstanding under this program were \$651,389.



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JIM PETRO, AUDITOR OF STATE

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**Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards***

City of St. Clairsville
Belmont County
100 North Market Street
St. Clairsville, Ohio 43950

To the City Council:

We have audited the general-purpose financial statements of the City of St. Clairsville, Belmont County, as of and for the year ended December 31, 1998, and have issued our report thereon dated September 30, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated September 30, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated September 30, 1999.

City of St. Clairsville
Belmont County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro", is written over a large, stylized "X" mark.

JIM PETRO
Auditor of State

September 30, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Report of Independent Accountants on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

City of St. Clairsville
Belmont County
100 North Market Street
St. Clairsville, Ohio 43950

To the City Council:

Compliance

We have audited the compliance of the City of St. Clairsville, Belmont County, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 1998. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 1998.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

**Internal Control Over Compliance
(Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



JIM PETRO
Auditor of State

November 4, 1999

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133, SECTION .505**

FOR THE YEAR ENDED DECEMBER 31, 1998

1. SUMMARY OF AUDITOR'S RESULTS

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

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

There were no findings related to the financial statements that are required to be reported in accordance with GAGAS.

3. FINDINGS FOR FEDERAL AWARDS

There were no findings for federal awards.



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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.

By: *Susan Babbitt*
Clerk of the Bureau

Date: **JAN 13 2000**