

City of St. Clairsville
Audited Financial Statements

December 31, 2008



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of St. Clairsville, Belmont County, prepared by Rea & Associates, Inc., for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 27, 2009

This Page is Intentionally Left Blank.

**CITY OF ST. CLAIRSVILLE
BELMONT COUNTY**

DECEMBER 31, 2008

Table of Contents

	<i>Page</i>
Independent Auditor’s Report	1-2
Management’s Discussion and Analysis	3-10
Government-Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	17
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Police	18
Statement of Fund Net Assets – Proprietary Funds	19
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	20
Statement of Cash Flows – Proprietary Funds	21
Statement of Fiduciary Assets and Liabilities – Agency Funds	22
Notes to the Basic Financial Statements	23-54
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	55-56
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	57-58

**CITY OF ST. CLAIRSVILLE
BELMONT COUNTY**

DECEMBER 31, 2008

*Table of Contents
(Continued)*

Schedule of Expenditures of Federal Awards.....	59
Schedule of Findings and Questioned Costs.....	60-61
City's Response to Finding No. 2008-001.....	62-63



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

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

September 30, 2009

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Clairsville (the "City"), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2008, and the respective changes in financial position and the cash flows where applicable, thereof and the respective budgetary comparison for the General Fund and Police Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2009 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 grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

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

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

Hea & Associates, Inc.

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2008

The discussion and analysis of the City of St. Clairsville's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2008. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- General Revenues accounted for \$2,124,487 in revenue or 47.6 percent of all revenues for governmental activities and \$97,636 or 1.5 percent of all revenues in business-type activities. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$2,336,367 or 52.4 percent of total revenues of \$4,460,854 for governmental activities. Business-type accounted for \$6,260,921 of program specific revenues or 98.5 percent of total revenues of \$8,658,168.
- Total program expenses were \$10,904,068. \$3,677,422 in governmental activities and \$7,266,646 in business-type activities.
- In total, net assets decreased \$84,657. Net assets of governmental activities increased \$487,534. Net assets of business-type activities decreased \$572,191 from 2007.
- Outstanding debt, including capital leases, decreased from \$8,658,886 in 2007 to \$8,429,013 in 2008. This decrease was a result of principal payments during the year.

Using this Annual Financial Report

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

The Statement of Net Assets and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2008 and how they affected the operations of the City as a whole.

Reporting the City of St. Clairsville as a Whole

Statement of Net Assets and the Statement of Activities

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

City of St. Clairsville
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2008

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

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

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

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

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

Fund Financial Statements

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

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

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

City of St. Clairsville
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2008

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

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

The City of St. Clairsville as a Whole

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

Table 1 provides a summary of the City's net assets for 2008 compared to 2007:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	Restated 2007	2008	2007	2008	Restated 2007
Assets:						
Current and Other Assets	\$ 3,801,370	\$ 3,330,813	\$ 5,554,182	\$ 7,913,091	\$ 9,355,552	\$ 11,243,904
Capital Assets	5,200,702	4,640,075	9,579,597	7,764,277	14,780,299	12,404,352
Total Assets	9,002,072	7,970,888	15,133,779	15,677,368	24,135,851	23,648,256
Liabilities:						
Long-Term Liabilities	1,302,746	1,324,194	7,209,524	7,431,427	8,512,270	8,755,621
Other Liabilities	1,316,235	751,137	829,252	578,747	2,145,487	1,329,884
Total Liabilities	2,618,981	2,075,331	8,038,776	8,010,174	10,657,757	10,085,505
Net Assets:						
Invested in Capital						
Assets, Net of Debt	3,959,006	3,359,393	3,572,068	4,853,565	7,531,074	8,212,958
Restricted	1,782,974	1,681,900	0	0	1,782,974	1,681,900
Unrestricted	641,111	854,264	3,522,935	2,813,629	4,164,046	3,667,893
Total Net Assets	\$ 6,383,091	\$ 5,895,557	\$ 7,095,003	\$ 7,667,194	\$ 13,478,094	\$ 13,562,751

Total assets increased by \$487,595 with governmental assets increasing \$1,031,184 and business-type assets decreasing \$543,589. The majority of the increase in total assets for governmental activities was a result of an increase in intergovernmental receivable. The majority of the decrease in total assets for business-type activities was a result of a decrease in cash due to expenses exceeding revenues. An increase of \$2,375,947 in total capital assets reflects additional purchases exceeding current year depreciation. Total liabilities increased by \$572,252 with governmental liabilities increasing \$543,650 and business-type liabilities increasing \$28,602. The increase of liabilities in governmental activities is due to the increase in contracts payable related to various projects that were in progress at year end.

City of St. Clairsville
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2008

Total net assets decreased by \$84,657. This number reflects an increase of \$487,534 in governmental activities and a decrease of \$572,191 in the net assets of the business-type activities. Table 2 shows the changes in net assets for fiscal years 2008 and 2007. This table presents two fiscal years in side-by-side comparisons. This will enable the reader to draw further conclusion about the City's financial status and possibly project future problems.

(Table 2)
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	Restated				Restated	
	2008	2007	2008	2007	2008	2007
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 285,217	\$ 252,308	\$ 6,260,921	\$ 6,479,530	\$ 6,546,138	\$ 6,731,838
Operating Grants	1,233,699	634,168	0	0	1,233,699	634,168
Capital Grants	817,451	0	0	0	817,451	0
<i>General Revenues:</i>						
Property Taxes	836,545	546,832	0	0	836,545	546,832
Kilowatt Per Hour Taxes	0	0	24,882	25,330	24,882	25,330
Grants and Entitlements	891,893	837,889	0	0	891,893	837,889
Investments	204,493	350,283	0	0	204,493	350,283
Other	191,556	77,182	72,754	30,271	264,310	107,453
Total Revenues	4,460,854	2,698,662	6,358,557	6,535,131	10,819,411	9,233,793
Program Expenses						
General Government	372,272	359,279	0	0	372,272	359,279
Security of Persons and Property	1,049,542	998,378	0	0	1,049,542	998,378
Transportation	570,477	581,580	0	0	570,477	581,580
Public Health Services	16,300	33,189	0	0	16,300	33,189
Community Environment	1,121,788	613,317	0	0	1,121,788	613,317
Leisure Time Activities	494,204	455,819	0	0	494,204	455,819
Interest and Fiscal Charges	52,839	53,704	0	0	52,839	53,704
<i>Enterprise Operations:</i>						
Water	0	0	1,190,753	1,061,861	1,190,753	1,061,861
Sewer	0	0	1,020,091	1,049,561	1,020,091	1,049,561
Light	0	0	5,015,802	4,925,814	5,015,802	4,925,814
Total Program Expenses	3,677,422	3,095,266	7,226,646	7,037,236	10,904,068	10,132,502
<i>Increase (Decrease) in Net Assets Before Transfers</i>	783,432	(396,604)	(868,089)	(502,105)	(84,657)	(898,709)
Transfers	(295,898)	0	295,898	0	0	0
Increase (Decrease) in Net Assets	\$ 487,534	\$ (396,604)	\$ (572,191)	\$ (502,105)	\$ (84,657)	\$ (898,709)

Governmental Activities

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

City of St. Clairsville
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2008

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

Community and economic development represents the largest expense of the Governmental Activities. This expense of \$1,121,788 represents 30.5 percent of the total governmental activities expenses. The increase of \$508,471 from 2007 is due to recording the donation of the Clarendon Hotel to the St. Clairsville Community Improvement Corporation.

Business-Type Activities

Business-type activities include water, sewer and light operations. The revenues are generated primarily from charges for services. In 2008, charges for services of \$6,260,921 accounted for 98.5 percent of the business-type revenues. The total expenses for the utilities were \$7,226,646. The increase in expenses outpaced the increase in revenues during the year causing a decrease in net assets for business-type activities.

The City's Funds

Information about the City's governmental funds begins on page 13. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues (including other financing sources) of \$6,207,934 and expenditures (including other financing uses) of \$6,671,299. The City's general fund balance decreased by \$412,826 and the general escrow fund balance decreased by \$236,018. These decreases in fund balances can be attributed to expenditures increasing faster than revenues. The police fund balance decreased by \$4,457. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

Information about the proprietary funds starts on page 19. These funds are accounted for on an accrual basis. All business type funds had operating expenses of \$6,919,715 and operating revenues of \$6,333,675.

General Fund Budgeting Highlights

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

During the course of 2008, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the general fund, final budget basis revenue was \$1,810,528 and the original budget estimate was \$1,210,528. Of this \$600,000 increase, most was attributable to an increase in intergovernmental revenue.

Final appropriations (including other financing uses) of \$2,363,049 were \$600,000 higher than the \$1,763,049 in the original budget. This increase is due to increases in transfers out and general government expenditures for employee benefits.

City of St. Clairsville
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2008

Capital Assets and Debt Administration

Capital Assets

At the end of year 2008, the City had \$14,780,299 in land, buildings, improvements other than buildings, machinery and equipment, vehicles, infrastructure and CIP. A total of \$5,200,702 of this was for governmental activities with the remainder attributable to business-type activities. Table 3 shows fiscal year 2008 balances compared with 2007.

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

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 1,271,438	\$ 1,187,706	\$ 320,596	\$ 320,596	\$ 1,592,034	\$ 1,508,302
Buildings	340,352	1,116,495	1,693,664	1,757,823	2,034,016	2,874,318
Improvements Other Than Buildings	75,559	81,813	0	0	75,559	81,813
Machinery and Equipment	279,949	238,685	435,323	340,516	715,272	579,201
Vehicles	118,127	91,895	106,994	71,261	225,121	163,156
Infrastructure	3,061,132	1,842,010	7,004,742	4,970,097	10,065,874	6,812,107
CIP	54,145	81,471	18,278	303,984	72,423	385,455
Totals	\$ 5,200,702	\$ 4,640,075	\$ 9,579,597	\$ 7,764,277	\$ 14,780,299	\$ 12,404,352

The \$2,375,947 increase in capital assets was attributable to additional purchases exceeding current year depreciation. Note 9 provides capital asset activity during the 2008 year.

Debt

The outstanding debt for the City of St. Clairsville as of December 31, 2008 was \$8,429,013 with \$271,093 due within one year. Table 4 summarizes outstanding debt.

(Table 4)
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
General Obligation Bonds	\$ 280,000	\$ 315,000	\$6,673,204	\$6,846,251	\$6,953,204	\$7,161,251
Rural Development Bonds	0	0	123,657	125,929	123,657	125,929
OPWC Loans	62,573	0	390,456	433,813	453,029	433,813
Bond Anticipation Notes	899,123	934,209	0	0	899,123	934,209
Capital Leases	0	1,473	0	2,211	0	3,684
Total	\$1,241,696	\$1,250,682	\$7,187,317	\$7,408,204	\$8,429,013	\$8,658,886

City of St. Clairsville
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2008

The bond anticipation note is for the purpose of acquiring land. The principal and interest for this bond is paid from the collection of recreation fees and general revenues. The OPWC and OWDA loans are for various water and sewer projects. The general obligation bonds are to fund various projects throughout the City.

Additional information concerning the City's debt can be found in Note 15 to the basic financial statements.

Current Financial Issues

The City of St. Clairsville had its busiest year in a decade in 2008. We completed construction on a new substation on the east end and put it into service. We completed negotiations with the St. Clairsville/Richland School District for a parcel of land to expand the National Road Bikeway using funding from an NRAC Clean Ohio grant. At the end of the year we unveiled our multi phase recreation facility to be located on the Fairground Property. The Belmont County Agriculture Society will end their lease with the 2009 County Fair in September. The first phase will consist of a community garden site which will be under the direction of Brian Kralovic who is the superintendent of the newly formed Landscape & Grounds Department. We continued work on the Clarendon project starting phase two which consists of an elevator, machine room, and new stairway. The City will be using several grants to pay for this project including the last dollars on the Downtown Façade Revolving Loan Grant in the amount of \$138,546, EDSI Special Projects funds (HUD) in the amount of \$99,000, and \$100,000 from the Governor's Appalachian Grant. The City received a CHIP grant for down payments and rehabilitation on qualifying properties. We received funding from OPWC to rebuild Bett-Mar Road and completed that project in 2008 despite long negotiations with the United States Post Office on their delivery of mail along this street, which was originally delivered by a mail truck driving on City sidewalks. This route is now walked for mail delivery. In addition we painted the inside and outside of the main water tank that services the City. This was quite fascinating to watch as scaffolding was put up on the top of the five story tank by workers hanging over the edge by rock climbing gear. We also completed the widening, sidewalks and new water lines on the east side of Main Street/State Route 40, which completed yet another grant that ODOT oversaw. The City also participated in studies, along with Belmont County and the Cafaro Company on a new interchange on Interstate 70. We also received a grant for summer day camps run by our Recreation Department. This program has been an annual event thanks to the PRC Summer Youth Program funds that we have received for several summers. We also expended funds from the Discretionary Grant that is helping to pay for the Loudon Terrace housing development. As if all of this wasn't enough, the City managed to maintain our fine level of services during a time that saw hundreds of communities cutting back due to a recession that we haven't seen the likes of.

Investment firms, banks and insurance companies that had been around for over a century were taken over, filed bankruptcy, or defaulted. The United States Treasury issued bonds at 0% interest, that sold out due to the lack of faith in the country's financial institutions. Our stock market dropped dramatically and many businesses have been forced to shut their doors, increasing the unemployment rate and the default rate of mortgages. The home industry is in a major slump requiring the United States to bail them out by offering huge tax incentives to buy a home as well as very low mortgage rates. The next section of our economy looking for government intervention is the automotive industry which has seen a marked decline in new vehicle sales. Luckily, gasoline has come down to a more reasonable pump price. For the first time, I am glad that the City does not rely on a municipal income tax to fund our departments.

City of St. Clairsville
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2008

The St. Clairsville Revitalization Task Force, in conjunction with the City, continued their afternoon Farmers' Market on Tuesdays throughout the summer. Along with City officials and employees, the Task Force worked on St. Clairsville's entry to Communities in Bloom which is the international competition equivalent of America in Bloom which St. Clairsville won in 2007. St. Clairsville competed alongside cities from all over the world in the population category of 5,000 to 10,000. Once again we showed our pride in the beauty of St. Clairsville and what a wonderful place it is to live.

The Recreation Department continued their summer program at the "Fairgrounds" and celebrated their second Fourth of July which again brought fireworks, a car show, face painting and blow up rides for the children, as well as a great concert.

Finance Director, Jill Lucidi served as President of the Ohio Association of Public Treasurers and was asked to serve as the Chairperson for the Investment Policy Certification Committee for the Association of Public Treasurers of the United States and Canada. The new utility clerk resigned and was replaced by Shannon Kosky in September. The City is currently testing to fill a laborer position in the Street Department that was vacated last year due to retirement. We were disappointed to lose Councilperson Ginny Favede at the end of the year. Ginny moved on to bigger and better challenges as she began her term as Belmont County Commissioner. We will miss her drive and enthusiasm, but will continue all of the wonderful things she began during her first term. With Ginny's empty seat up, Michael Kasper was appointed in January 2009 to fill the vacancy. Mike has already visited our departments and gone out with many employees to see how we operate our City. We're looking forward to a great term with Mike.

"Paradise on the Hilltop" continues to lead our City forward, always offering our residents the best that we can give them. The officials and employees of the City of St. Clairsville are among the best anywhere and are proud to be a part of our growth and commitment to excellence.

Contacting the City's Finance Department

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

City of St. Clairville
Statement of Net Assets
December 31, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Community Improvement Corporation
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 1,061,193	\$ 4,244,439	\$ 5,305,632	\$ 3,748
Cash and Cash Equivalents in Segregated Accounts	29,661	135,660	165,321	0
Taxes Receivable	600,594	21,142	621,736	0
Accounts Receivable	26,768	622,517	649,285	100
Intergovernmental Receivable	1,647,482	0	1,647,482	0
Loans Receivable	393,672	0	393,672	0
Materials and Supplies Inventory	42,000	316,057	358,057	0
Deferred Charges	0	104,063	104,063	0
Restricted Assets:				
Customer Deposits	0	110,304	110,304	0
Non-Depreciable Capital Assets	1,325,583	338,874	1,664,457	46,343
Depreciable Capital Assets, Net	3,875,119	9,240,723	13,115,842	626,727
<i>Total Assets</i>	<u>9,002,072</u>	<u>15,133,779</u>	<u>24,135,851</u>	<u>676,918</u>
Liabilities				
Accounts Payable	24,168	428,901	453,069	0
Accrued Wages	29,654	30,820	60,474	0
Contracts Payable	563,035	0	563,035	0
Retainage Payable	28,936	135,660	164,596	0
Intergovernmental Payable	58,968	34,902	93,870	0
Undistributed Monies	725	0	725	0
Customer Deposits Payable	0	110,304	110,304	0
Accrued Interest Payable	4,453	23,547	28,000	75
Accrued Vacation Leave Payable	27,075	65,118	92,193	0
Loans Payable	0	0	0	0
Deferred Revenue	565,732	0	565,732	0
Long-Term Liabilities:				
Due Within One Year	129,917	200,287	330,204	1,839
Due in More Than One Year	1,186,318	7,009,237	8,195,555	7,161
<i>Total Liabilities</i>	<u>2,618,981</u>	<u>8,038,776</u>	<u>10,657,757</u>	<u>9,075</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	3,959,006	3,572,068	7,531,074	673,070
Restricted for Debt Service	258,297	0	258,297	0
Restricted for Capital Outlay	10,579	0	10,579	0
Restricted for Other Purposes	1,514,098	0	1,514,098	0
Unrestricted	641,111	3,522,935	4,164,046	(5,227)
<i>Total Net Assets</i>	<u>\$ 6,383,091</u>	<u>\$ 7,095,003</u>	<u>\$ 13,478,094</u>	<u>\$ 667,843</u>

See accompanying notes to the basic financial statements.

City of St. Clairsville
Statement of Activities
For the Year Ended December 31, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net			Component
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Unit Community Improvement Corporation
Governmental Activities								
General Government	\$ 372,272	\$ 131,428	\$ 0	\$ 0	\$ (240,844)	\$ 0	\$ (240,844)	\$ 0
Security of Persons and Property	1,049,542	37,212	72,005	0	(940,325)	0	(940,325)	0
Public Health Services	16,300	0	0	0	(16,300)	0	(16,300)	0
Lesiure Time Activities	494,204	116,577	0	0	(377,627)	0	(377,627)	0
Community and Economic Development	1,121,788	0	831,495	0	(290,293)	0	(290,293)	0
Transportation	570,477	0	330,199	817,451	577,173	0	577,173	0
Interest and Fiscal Charges	52,839	0	0	0	(52,839)	0	(52,839)	0
<i>Total Governmental Activities</i>	<u>3,677,422</u>	<u>285,217</u>	<u>1,233,699</u>	<u>817,451</u>	<u>(1,341,055)</u>	<u>0</u>	<u>(1,341,055)</u>	<u>0</u>
Business-Type Activities								
Water	1,190,753	872,144	0	0	0	(318,609)	(318,609)	0
Sewer	1,020,091	778,141	0	0	0	(241,950)	(241,950)	0
Light	5,015,802	4,610,636	0	0	0	(405,166)	(405,166)	0
<i>Total Business-Type Activities</i>	<u>7,226,646</u>	<u>6,260,921</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(965,725)</u>	<u>(965,725)</u>	<u>0</u>
<i>Total - Primary Government</i>	<u>\$ 10,904,068</u>	<u>\$ 6,546,138</u>	<u>\$ 1,233,699</u>	<u>\$ 817,451</u>	<u>(1,341,055)</u>	<u>(965,725)</u>	<u>(2,306,780)</u>	<u>0</u>
Component Unit								
Community Improvement Corporation	<u>\$ 5,327</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 673,170</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>667,843</u>
General Revenues:								
Property and Other Taxes Levied for:								
General Purposes					482,193	0	482,193	0
Other Purposes					354,352	0	354,352	0
Kilowatt Per Hour Taxes Levied for General Purposes					0	24,882	24,882	0
Grants and Entitlements Not Restricted to Specific Programs					891,893		891,893	0
Investment Earnings					204,493	0	204,493	0
Gain on Sale of Capital Assets					118,248		118,248	
Miscellaneous					73,308	72,754	146,062	0
<i>Total General Revenues</i>					<u>2,124,487</u>	<u>97,636</u>	<u>2,222,123</u>	<u>0</u>
Transfers					<u>(295,898)</u>	<u>295,898</u>	<u>0</u>	<u>0</u>
<i>Total General Revenues and Transfers</i>					<u>1,828,589</u>	<u>393,534</u>	<u>2,222,123</u>	<u>0</u>
<i>Change in Net Assets</i>					<u>487,534</u>	<u>(572,191)</u>	<u>(84,657)</u>	<u>667,843</u>
<i>Net Assets Beginning of Year (Restated - See Note 3)</i>					<u>5,895,557</u>	<u>7,667,194</u>	<u>13,562,751</u>	<u>0</u>
<i>Net Assets End of Year</i>					<u>\$ 6,383,091</u>	<u>\$ 7,095,003</u>	<u>\$13,478,094</u>	<u>\$ 667,843</u>

See accompanying notes to the basic financial statements.

City of St. Clairsville
Balance Sheet
Governmental Funds
December 31, 2008

	General	Police	General Escrow	Federal Highway Administration	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 66,860	\$ 7,540	\$ 175,761	\$ 0	\$ 811,032	\$ 1,061,193
Cash and Cash Equivalents in Segregated Accounts	0	0	15,405	0	14,256	29,661
Taxes Receivable	289,781	284,172	0	0	26,641	600,594
Accounts Receivable	24,470	500	0	0	1,798	26,768
Intergovernmental Receivable	554,567	25,633	0	303,859	763,423	1,647,482
Loans Receivable	0	0	0	0	393,672	393,672
Interfund Receivable	138,546	0	0	0	0	138,546
Advances To Other Funds	860	0	0	0	0	860
Materials and Supplies Inventory	0	0	0	0	42,000	42,000
<i>Total Assets</i>	<u>\$ 1,075,084</u>	<u>\$ 317,845</u>	<u>\$ 191,166</u>	<u>\$ 303,859</u>	<u>\$ 2,052,822</u>	<u>\$ 3,940,776</u>
Liabilities						
Accounts Payable	9,894	4,332	0	0	9,942	24,168
Accrued Wages	656	18,588	0	0	10,410	29,654
Contracts Payable	0	0	190,885	303,859	68,291	563,035
Retainage Payable	0	0	15,405	0	13,531	28,936
Intergovernmental Payable	6,081	15,571	0	0	37,316	58,968
Interfund Payable	0	0	0	0	138,546	138,546
Undistributed Monies	0	0	0	0	725	725
Advances From Other Funds	0	0	0	0	860	860
Deferred Revenue	813,834	309,805	0	0	593,213	1,716,852
<i>Total Liabilities</i>	<u>830,465</u>	<u>348,296</u>	<u>206,290</u>	<u>303,859</u>	<u>872,834</u>	<u>2,561,744</u>
Fund Balances						
Reserved for Encumbrances	17,676	4,762	92,022	0	169,260	283,720
Reserved for Advances	860	0	0	0	0	860
Reserved for Loans Receivable	0	0	0	0	393,672	393,672
Reserved for Unclaimed Monies	1,761	0	0	0	0	1,761
Unreserved, Undesignated, Reported in:						
General Fund	224,322	0	0	0	0	224,322
Special Revenue Funds	0	(35,213)	0	0	402,497	367,284
Debt Service Funds	0	0	0	0	257,437	257,437
Capital Projects Funds	0	0	(107,146)	0	(42,878)	(150,024)
<i>Total Fund Balances</i>	<u>244,619</u>	<u>(30,451)</u>	<u>(15,124)</u>	<u>0</u>	<u>1,179,988</u>	<u>1,379,032</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,075,084</u>	<u>\$ 317,845</u>	<u>\$ 191,166</u>	<u>\$ 303,859</u>	<u>\$ 2,052,822</u>	<u>\$ 3,940,776</u>

See accompanying notes to the basic financial statements.

City of St. Clairsville
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2008*

Total Governmental Fund Balances		\$ 1,379,032
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		5,200,702
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds:		
Intergovernmental	\$ 1,116,258	
Property Taxes	<u>34,862</u>	
Total		1,151,120
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(4,453)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(280,000)	
Bond Anticipation Notes	(899,123)	
OPWC Loan	(62,573)	
Accrued Vacation Payable	(27,075)	
Compensated Absences	<u>(74,539)</u>	
Total		<u>(1,343,310)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$ 6,383,091</u></u>

See accompanying notes to the basic financial statements.

City of St. Clairsville
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	General	Police	General Escrow	Federal Highway Administration	Other Governmental Funds	Total Governmental Funds
Revenues						
Property and Other Taxes	\$ 481,808	\$ 325,890	\$ 0	\$ 0	\$ 28,103	\$ 835,801
Special Assessments	0	0	0	0	2,566	2,566
Charges for Services	0	36,756	0	0	116,527	153,283
Licenses and Permits	109,467	0	0	0	0	109,467
Fines and Forfeitures	7,001	0	0	0	1,016	8,017
Intergovernmental	870,282	48,817	0	764,872	873,927	2,557,898
Interest	204,493	0	0	0	0	204,493
Rent	14,400	0	0	0	50	14,450
Contributions and Donations	1,000	125	0	0	900	2,025
Other	15,744	20,769	0	0	34,895	71,408
<i>Total Revenues</i>	<u>1,704,195</u>	<u>432,357</u>	<u>0</u>	<u>764,872</u>	<u>1,057,984</u>	<u>3,959,408</u>
Expenditures						
Current:						
General Government	354,671	0	0	0	1,689	356,360
Security of Persons and Property	1,529	940,214	0	0	93,114	1,034,857
Public Health Services	16,300	0	0	0	0	16,300
Lesiure Time Activities	0	0	0	0	437,283	437,283
Community and Economic Development	0	0	26,133	0	335,103	361,236
Transportation	0	0	56,872	0	434,631	491,503
Capital Outlay	13,281	0	648,167	764,872	679,608	2,105,928
Debt Service:						
Principal Retirement	1,473	0	0	0	70,086	71,559
Interest and Fiscal Charges	113	0	0	0	52,977	53,090
<i>Total Expenditures</i>	<u>387,367</u>	<u>940,214</u>	<u>731,172</u>	<u>764,872</u>	<u>2,104,491</u>	<u>4,928,116</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,316,828</u>	<u>(507,857)</u>	<u>(731,172)</u>	<u>0</u>	<u>(1,046,507)</u>	<u>(968,708)</u>
Other Financing Sources (Uses)						
Transfers In	0	503,400	495,154	0	781,149	1,779,703
Proceeds of Loans	0	0	0	0	62,573	62,573
Proceeds from Sale of Capital Assets	0	0	0	0	406,250	406,250
Transfers Out	(1,729,654)	0	0	0	(13,529)	(1,743,183)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,729,654)</u>	<u>503,400</u>	<u>495,154</u>	<u>0</u>	<u>1,236,443</u>	<u>505,343</u>
<i>Net Change in Fund Balances</i>	(412,826)	(4,457)	(236,018)	0	189,936	(463,365)
<i>Fund Balance (Deficit) Beginning of Year</i>	657,445	(25,994)	220,894	0	990,052	1,842,397
<i>Fund Balance (Deficit) End of Year</i>	<u>\$ 244,619</u>	<u>\$ (30,451)</u>	<u>\$ (15,124)</u>	<u>\$ 0</u>	<u>\$ 1,179,988</u>	<u>\$ 1,379,032</u>

See accompanying notes to the basic financial statements.

City of St. Clairsville
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2008*

Net Change in Fund Balances - Total Governmental Funds	\$	(463,365)
 <i>Amounts reported for governmental activities in the statement of activities are different because</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Capital Asset Additions	\$ 1,773,510	
Current Year Depreciation	(187,558)	
Total		1,585,952
 Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(1,025,325)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes	744	
Special Assessments	(2,566)	
Intergovernmental	385,020	
Total		383,198
 Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Capital Lease Principal	1,473	
General Obligation Bonds Principal	35,000	
Bond Anticipation Notes Principal	35,086	
Total		71,559
 In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		251
 Proceeds of loans in the governmental funds that increase long-term liability in the statement of net assets are not reported as revenues in the statement of activities.		
		(62,573)
 Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	(1,027)	
Vacation Payable	(1,136)	
Total		(2,163)
 <i>Change in Net Assets of Governmental Activities</i>	 \$	 <u>487,534</u>

See accompanying notes to the basic financial statements.

City of St. Clairsville
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 510,000	\$ 510,000	\$ 481,808	\$ (28,192)
Licenses and Permits	116,500	116,500	110,584	(5,916)
Fines and Forfeitures	10,000	10,000	6,817	(3,183)
Intergovernmental	184,378	784,378	873,404	89,026
Interest	350,000	350,000	270,422	(79,578)
Rent	14,400	14,400	14,400	0
Contributions and Donations	0	0	1,000	1,000
Other	25,250	25,250	15,744	(9,506)
<i>Total Revenues</i>	<u>1,210,528</u>	<u>1,810,528</u>	<u>1,774,179</u>	<u>(36,349)</u>
Expenditures				
Current:				
General Government	433,643	433,643	385,163	48,480
Security of Persons and Property	3,000	3,000	1,727	1,273
Public Health Services	33,000	33,000	16,300	16,700
Capital Outlay	38,200	38,200	13,281	24,919
Debt Service:				
Principal Retirement	1,473	1,473	1,473	0
Interest and Fiscal Charges	113	113	113	0
<i>Total Expenditures</i>	<u>509,429</u>	<u>509,429</u>	<u>418,057</u>	<u>91,372</u>
<i>Excess of Revenues Over Expenditures</i>	<u>701,099</u>	<u>1,301,099</u>	<u>1,356,122</u>	<u>55,023</u>
Other Financing Sources (Uses)				
Advances In	0	0	2,598	2,598
Transfers Out	(1,253,620)	(1,853,620)	(1,729,654)	123,966
<i>Total Other Financing Sources (Uses)</i>	<u>(1,253,620)</u>	<u>(1,853,620)</u>	<u>(1,727,056)</u>	<u>126,564</u>
<i>Net Change in Fund Balance</i>	(552,521)	(552,521)	(370,934)	181,587
<i>Fund Balance Beginning of Year</i>	534,193	534,193	534,193	0
Prior Year Encumbrances Appropriated	22,049	22,049	22,049	0
<i>Fund Balance End of Year</i>	<u>\$ 3,721</u>	<u>\$ 3,721</u>	<u>\$ 185,308</u>	<u>\$ 181,587</u>

See accompanying notes to the basic financial statements.

City of St. Clairsville
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Police Fund
For the Year Ended December 31, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$ 295,000	\$ 295,000	\$ 325,890	\$ 30,890
Intergovernmental	10,000	10,000	48,817	38,817
Contributions and Donations	0	0	125	125
Other	55,000	55,000	57,025	2,025
<i>Total Revenues</i>	<u>360,000</u>	<u>360,000</u>	<u>431,857</u>	<u>71,857</u>
Expenditures				
Current:				
Security of Persons and Property	953,479	953,479	943,293	10,186
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(593,479)</u>	<u>(593,479)</u>	<u>(511,436)</u>	<u>82,043</u>
Other Financing Source				
Transfers In	585,500	585,500	503,400	(82,100)
<i>Net Change in Fund Balance</i>	(7,979)	(7,979)	(8,036)	(57)
<i>Fund Balance Beginning of Year</i>	498	498	498	0
Prior Year Encumbrances Appropriated	7,579	7,579	7,579	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$ 98</u>	<u>\$ 98</u>	<u>\$ 41</u>	<u>\$ (57)</u>

See accompanying notes to the basic financial statements.

City of St. Clairsville
Statement of Fund Net Assets
Proprietary Funds
December 31, 2008

	Business-Type Activities			
	Water	Sewer	Light	Total
Assets				
<i>Current Assets</i>				
Equity in Pooled Cash and Cash Equivalents	\$ 172,440	\$ 253,345	\$ 3,818,654	\$ 4,244,439
Cash and Cash Equivalents in Segregated Accounts	0	0	135,660	135,660
Taxes Receivable	0	0	21,142	21,142
Accounts Receivable	78,452	70,186	473,879	622,517
Advances To Other Funds	0	158,000	105,000	263,000
Materials and Supplies Inventory	66,019	18,519	231,519	316,057
<i>Total Current Assets</i>	<u>316,911</u>	<u>500,050</u>	<u>4,785,854</u>	<u>5,602,815</u>
<i>Non-Current Assets</i>				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	53,993	41,828	14,483	110,304
Deferred Charges	4,044	5,899	94,120	104,063
Non-Depreciable Capital Assets	0	18,278	320,596	338,874
Depreciable Capital Assets, Net	2,301,274	2,618,270	4,321,179	9,240,723
<i>Total Non-Current Assets</i>	<u>2,359,311</u>	<u>2,684,275</u>	<u>4,750,378</u>	<u>9,793,964</u>
<i>Total Assets</i>	<u>2,676,222</u>	<u>3,184,325</u>	<u>9,536,232</u>	<u>15,396,779</u>
Liabilities				
<i>Current Liabilities</i>				
Accounts Payable	33,752	2,205	392,944	428,901
Accrued Wages	12,482	7,558	10,780	30,820
Retainage Payable	0	0	135,660	135,660
Intergovernmental Payable	9,867	9,833	15,202	34,902
Customer Deposits Payable	53,993	41,828	14,483	110,304
Accrued Interest Payable	942	1,403	21,202	23,547
Accrued Vacation Leave Payable	21,535	15,604	27,979	65,118
Advances From Other Funds	263,000	0	0	263,000
Compensated Absences Payable	2,759	1,407	2,489	6,655
General Obligation Bonds Payable	5,000	35,000	130,000	170,000
Rural Development Loan Payable	0	2,419	0	2,419
OPWC Loans Payable	2,308	18,905	0	21,213
<i>Total Current Liabilities</i>	<u>405,638</u>	<u>136,162</u>	<u>750,739</u>	<u>1,292,539</u>
<i>Long-Term Liabilities</i>				
Compensated Absences Payable- Net of Current Portion	2,644	5,288	7,620	15,552
General Obligation Bonds Payable - Net of Current Portion	257,798	362,758	5,882,648	6,503,204
Rural Development Loan Payable- Net of Current Portion	0	121,238	0	121,238
OPWC Loans Payable- Net of Current Portion	43,913	325,330	0	369,243
<i>Total Long-Term Liabilities</i>	<u>304,355</u>	<u>814,614</u>	<u>5,890,268</u>	<u>7,009,237</u>
<i>Total Liabilities</i>	<u>709,993</u>	<u>950,776</u>	<u>6,641,007</u>	<u>8,301,776</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	1,996,299	1,776,797	(201,028)	3,572,068
Unrestricted	(30,070)	456,752	3,096,253	3,522,935
<i>Total Net Assets</i>	<u>\$ 1,966,229</u>	<u>\$ 2,233,549</u>	<u>\$ 2,895,225</u>	<u>\$ 7,095,003</u>

See accompanying notes to the basic financial statements.

City of St. Clairsville
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2008

	Business-Type Activities			
	Water	Sewer	Light	Total
Operating Revenues				
Charges for Services	\$ 872,144	\$ 778,141	\$ 4,610,636	\$ 6,260,921
Other	16,094	10,649	46,011	72,754
<i>Total Operating Revenues</i>	<u>888,238</u>	<u>788,790</u>	<u>4,656,647</u>	<u>6,333,675</u>
Operating Expenses				
Personal Services	580,618	436,232	555,988	1,572,838
Contractual Services	195,810	150,524	4,002,810	4,349,144
Materials and Supplies	144,596	37,495	51,578	233,669
Depreciation	257,408	362,524	144,132	764,064
<i>Total Operating Expenses</i>	<u>1,178,432</u>	<u>986,775</u>	<u>4,754,508</u>	<u>6,919,715</u>
<i>Operating Loss</i>	<u>(290,194)</u>	<u>(197,985)</u>	<u>(97,861)</u>	<u>(586,040)</u>
Non-Operating Revenue (Expenses)				
Kilowatt Taxes	0	0	24,882	24,882
Interest and Fiscal Charges	(12,321)	(33,316)	(261,294)	(306,931)
<i>Total Non-Operating Revenue (Expenses)</i>	<u>(12,321)</u>	<u>(33,316)</u>	<u>(236,412)</u>	<u>(282,049)</u>
<i>Loss Before Contributions and Transfers</i>	<u>(302,515)</u>	<u>(231,301)</u>	<u>(334,273)</u>	<u>(868,089)</u>
Capital Contributions	332,418	0	0	332,418
Transfers In	39,629	64,028	0	103,657
Transfers Out	0	0	(140,177)	(140,177)
<i>Change in Net Assets</i>	69,532	(167,273)	(474,450)	(572,191)
<i>Net Assets Beginning of Year</i>	<u>1,896,697</u>	<u>2,400,822</u>	<u>3,369,675</u>	<u>7,667,194</u>
<i>Net Assets End of Year</i>	<u>\$ 1,966,229</u>	<u>\$ 2,233,549</u>	<u>\$ 2,895,225</u>	<u>\$ 7,095,003</u>

See accompanying notes to the basic financial statements.

City of St. Clairsville
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2008

	Business-Type Activities			
	Water	Sewer	Light	Total
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 876,900	\$ 780,501	\$ 4,541,582	\$ 6,198,983
Other Operating Receipts	16,094	10,649	46,011	72,754
Cash Payments for Goods and Services	(141,505)	(36,466)	(49,927)	(227,898)
Cash Payments to Employees	(575,830)	(434,872)	(557,868)	(1,568,570)
Cash Payments for Contractual Services	(179,593)	(158,047)	(3,920,581)	(4,258,221)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(3,934)</u>	<u>161,765</u>	<u>59,217</u>	<u>217,048</u>
Cash Flows from Noncapital Financing Activities				
Tax Receipts	0	0	23,652	23,652
Transfers In	39,629	64,028	0	103,657
Transfers Out	0	0	(140,177)	(140,177)
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>39,629</u>	<u>64,028</u>	<u>(116,525)</u>	<u>(12,868)</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition of Capital Assets	(24,529)	(43,462)	(2,043,314)	(2,111,305)
Principal Payments on Debt	(2,999)	(69,104)	(140,737)	(212,840)
Interest Payments	(12,478)	(34,162)	(263,612)	(310,252)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(40,006)</u>	<u>(146,728)</u>	<u>(2,447,663)</u>	<u>(2,634,397)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(4,311)	79,065	(2,504,971)	(2,430,217)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>230,744</u>	<u>216,108</u>	<u>6,473,768</u>	<u>6,920,620</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 226,433</u>	<u>\$ 295,173</u>	<u>\$ 3,968,797</u>	<u>\$ 4,490,403</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating Loss	\$ (290,194)	\$ (197,985)	\$ (97,861)	\$ (586,040)
Adjustments:				
Depreciation	257,408	362,524	144,132	764,064
(Increase) Decrease in Assets:				
Accounts Receivable	(6,913)	(6,679)	(72,184)	(85,776)
Prepaid Items	2,112	2,112	2,112	6,336
Materials and Supplies Inventory	2,531	1,531	31	4,093
Increase (Decrease) in Liabilities:				
Accounts Payable	24,697	(2,366)	84,380	106,711
Accrued Wages	3,265	1,995	2,960	8,220
Customer Deposits Payable	1,638	1,268	439	3,345
Compensated Absences Payable	392	(57)	(1,351)	(1,016)
Accrued Vacation Payable	3,048	2,710	999	6,757
Intergovernmental Payable	(1,918)	(3,288)	(4,440)	(9,646)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$ (3,934)</u>	<u>\$ 161,765</u>	<u>\$ 59,217</u>	<u>\$ 217,048</u>

Noncash Capital Financing Activities:

During 2008, capital assets were donated by governmental activities to the water fund in the amount of \$332,418.

See accompanying notes to the basic financial statements.

City of St. Clairsville
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2008

	<u>Agency</u>
Assets	
Cash and Cash Equivalents in Segregated Accounts	<u>\$ 1,483</u>
Liabilities	
Undistributed Monies	<u>\$ 1,483</u>

See accompanying notes to the basic financial statements.

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements
December 31, 2008

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

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

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

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

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

Reporting Entity

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

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

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
December 31, 2008

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

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

St. Clairsville Community Improvement Corporation – St. Clairsville Community Improvement Corporation (“CIC”) is a legally separate organization, which was established during 2007. The members of the CIC are the current Council members of the City of St. Clairsville. The CIC is governed by a board of trustees who are elected by the members. At least two of the trustees must be elected officeholders with the City of St. Clairsville. The purpose of the CIC is to provide improvements to the City, encourage businesses to locate and stay in the downtown area, resolve parking issues and downtown revitalization. In accordance with its purpose, the CIC has established the Clarendon, LLC (“LLC”). The consolidated financial statements include the LLC. Additional information concerning the CIC is presented in Note 19.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

B. Fund Accounting

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

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

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

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

General Escrow The general escrow capital projects fund accounts for estate tax settlement set aside by the City's Finance Committee for the purpose of future capital improvements City-wide.

Federal Highway Administration The federal highway administration capital projects fund accounts for the receipts of grant monies and the expenditures for the paving and widening of U.S. Rt. 40.

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

C. Measurement Focus

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

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7.) Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Property taxes for which there is an enforceable legal claim as of December 31, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Pooled Cash and Cash Equivalents

To improve cash management, all cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents."

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

During fiscal year 2008, the City's investments were limited to certificates of deposit, money market funds, STAROhio, and overnight sweep accounts.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2007. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price for which the investment could be sold on December 31, 2008.

Investment procedures are restricted by the provisions of the Ohio Revised Code and the City's investment policy and Charter. Interest revenue credited to the general fund during 2008 amounted to \$204,493, which includes \$183,509 assigned from other City funds.

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

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
 December 31, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Materials and Supplies Inventory

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

G. Restricted Assets

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

H. Capital Assets

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

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

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

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

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

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Interfund Balances

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

J. Compensated Absences

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Balance Reserves

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions, enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. None of the City's net assets were restricted by enabling legislation at December 31, 2008.

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

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

N. Operating Revenues and Expenses

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

O. Interfund Activity

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

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

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Extraordinary and Special Items

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

Q. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

R. Budgetary Data

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

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

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

S. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, of grants or outside contributions of resources restricted to capital acquisition and construction.

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
 December 31, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. Implementation of New Accounting Policies

For 2008, the City has implemented GASB Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”, GASB Statement No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations”, and GASB Statement No. 50, “Pension Disclosures”.

GASB Statement No. 45 provides guidance on all aspects of OPEB reporting by employers.

GASB Statement No. 49 provides guidance on calculating and reporting the costs and obligations associated with pollution cleanup efforts.

GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits.

The implementation of GASB Statement No. 45, No. 49, and No. 50 did not affect the presentation of the financial statements of the City.

NOTE 3 – RESTATEMENT OF NET ASSETS

In the prior year, delinquent real estate and personal property taxes receivable were overstated by \$609,471. As a result, net assets have been restated as follows:

	Governmental Activities
Previously Reported Net Assets at 12/31/07	\$ 6,505,028
Taxes Receivable	(609,471)
Restated Net Assets at 1/1/08	\$ 5,895,557

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

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

The Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Basis), and Actual presented for the General fund, Street, Recreation and Police major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between budget basis and GAAP basis are:

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
 December 31, 2008

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING (Continued)

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

Net Change in Fund Balance

	General	Police
GAAP Basis	\$ (412,826)	\$ (4,457)
Revenue Accruals	69,984	(500)
Advances In	2,598	0
Expenditure Accruals	(10,592)	4,420
Encumbrances	(20,098)	(7,499)
Budget Basis	\$ (370,934)	\$ (8,036)

NOTE 5 – ACCOUNTABILITY

The following funds had a deficit fund balance as of December 31, 2008:

	Deficit Fund Balance
Major Funds:	
Police	\$ 30,451
General Escrow	15,124
Non-Major Funds:	
Litter	654
Police Pension	22,967
Street Assessment	860
OPWC BettMar Replacement	54,016

The deficit balances were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances, however, this is done when cash is needed rather than when accruals occur.

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
December 31, 2008

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
 December 31, 2008

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the City's name. During 2008, the City and public depositories complied with the provisions of these statutes.

Deposits with Financial Institutions

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

At fiscal year-end, the carrying amount of the City's deposits was \$5,578,457. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of December 31, 2008, \$3,208,633 of the City's bank balance of \$6,047,107 was exposed to custodial risk as discussed above, while \$2,838,474 was covered by Federal Deposit Insurance Corporation.

Investments

As of December 31, 2008, the City had the following investment and maturity:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity 6 Months or Less</u>
STAROhio	\$ 4,283	\$ 4,283

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
 December 31, 2008

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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

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

Concentration of Credit Risk The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the City at December 31, 2008:

Investment Type	Fair Value	Percent of Total
STAROhio	\$ 4,283	100%

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2008 for real and public utility property taxes represents collections of the 2008 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) are for 2008 taxes.

2008 real property taxes are levied after October 1, 2008, on the assessed value as of January 1, 2008, the lien date. Assessed values are established by the State law at 35 percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2008.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes which became a lien on December 31, 2007, are levied after October 1, 2008, and are collected in 2008 with real property taxes.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2008, on the value as of December 31, 2007. For 2008, tangible personal property is assessed at 6.25 percent for property including inventory. This percentage will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 7 - PROPERTY TAXES (Continued)

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

The full tax rate for all City operations for the year ended December 31, 2008, was \$12.35 per \$1,000 of assessed value for real property and \$12.35 per \$1,000 of assessed value for intangible property. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

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

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits earlier or later payment dates to be established.

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

The County Treasurer collects property tax on behalf of all taxing districts in the County, including the City of St. Clairsville. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2008, and for which there is an enforceable legal claim. In the general fund, and the police levy and police pension special revenue funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2008 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2008 consisted of taxes, accounts (billings for user charged services including unbilled utility services), loans, interfund and intergovernmental receivables arising from grants and shared revenues. All receivables are deemed collectible in full.

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
 December 31, 2008

NOTE 9 - CAPITAL ASSETS

A summary of changes in capital assets during 2008 follows:

	Balance 12/31/2007	Additions	Deletions	Balance 12/31/2008
Governmental Activities				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 1,187,706	\$ 325,900	\$ (242,168)	\$ 1,271,438
Construction in Progress	81,471	105,838	(133,164)	54,145
<i>Total Capital Assets Not Being Depreciated</i>	1,269,177	431,738	(375,332)	1,325,583
 <i>Capital Assets, Being Depreciated:</i>				
Buildings	2,882,004	61,471	(817,859)	2,125,616
Improvements Other Than Buildings	134,041	0	0	134,041
Machinery and Equipment	518,179	69,488	(4,600)	583,067
Vehicles	296,229	42,396	0	338,625
Infrastructure	2,077,263	1,301,581	0	3,378,844
<i>Total Capital Assets, Being Depreciated</i>	5,907,716	1,474,936	(822,459)	6,560,193
 <i>Less Accumulated Depreciation:</i>				
Buildings	(1,765,509)	(54,457)	34,702	(1,785,264)
Improvements Other Than Buildings	(52,228)	(6,254)	0	(58,482)
Machinery and Equipment	(279,494)	(28,224)	4,600	(303,118)
Vehicles	(204,334)	(16,164)	0	(220,498)
Infrastructure	(235,253)	(82,459)	0	(317,712)
<i>Total Accumulated Depreciation</i>	(2,536,818)	(187,558) *	39,302	(2,685,074)
 <i>Total Capital Assets Being Depreciated, Net</i>	3,370,898	1,287,378	(783,157)	3,875,119
 <i>Total Governmental Activities Capital Assets, Net</i>	\$ 4,640,075	\$ 1,719,116	\$ (1,158,489)	\$ 5,200,702

*Depreciation expense was charged to governmental functions as follows:

General Government	\$ 15,832
Leisure Time Services	54,590
Security of Persons and Property	12,680
Transportation	81,227
Community and Economic Development	23,229
Total	\$ 187,558

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
 December 31, 2008

NOTE 9 - CAPITAL ASSETS (Continued)

	Balance 12/31/2007	Additions	Deletions	Balance 12/31/2008
Business-Type Activities				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 320,596	\$ 0	\$ 0	\$ 320,596
Construction in Progress	303,984	2,144,228	(2,429,934)	18,278
<i>Total Capital Assets Not Being Depreciated</i>	<u>624,580</u>	<u>2,144,228</u>	<u>(2,429,934)</u>	<u>338,874</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings	2,436,365	3,147	0	2,439,512
Machinery and Equipment	725,649	139,835	(6,900)	858,584
Vehicles	289,811	44,822	0	334,633
Infrastructure	18,670,189	2,677,286	0	21,347,475
<i>Total Capital Assets, Being Depreciated</i>	<u>22,122,014</u>	<u>2,865,090</u>	<u>(6,900)</u>	<u>24,980,204</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(678,542)	(67,306)	0	(745,848)
Machinery and Equipment	(385,133)	(45,028)	6,900	(423,261)
Vehicles	(218,550)	(9,089)	0	(227,639)
Infrastructure	(13,700,092)	(642,641)	0	(14,342,733)
<i>Total Accumulated Depreciation</i>	<u>(14,982,317)</u>	<u>(764,064)</u>	<u>6,900</u>	<u>(15,739,481)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>7,139,697</u>	<u>2,101,026</u>	<u>0</u>	<u>9,240,723</u>
<i>Total Business-Type Activities Capital Assets, Net</i>	<u>\$ 7,764,277</u>	<u>\$ 4,245,254</u>	<u>\$ (2,429,934)</u>	<u>\$ 9,579,597</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 \$100,000 limit with Westfield Insurance through Pilney, Costine & Foster Insurance Agency. The City's Public Official's Liability policy has a \$1,000,000 liability limit with a \$2,500 deductible with Scottsdale, through Pilney, Costine & Foster Insurance Agency. The City's Comprehensive Package is with Westfield Insurance, also through Pilney, Costine & Foster Insurance Agency. The liability limits are: general aggregate limit of \$2,000,000; products aggregate limit of \$2,000,000; personal and advertising injury limit of \$1,000,000; each occurrence limit of \$1,000,000; fire damage limit (any one fire) of \$150,000, no medical expense coverage. The City's Law Enforcement Liability is with Scottsdale Insurance Co., through Pilney, Costine & Foster Insurance Agency. The liability limit is \$5,000,000 with a \$2,500 deductible. The City's vehicle insurance is with Westfield Insurance Company (Pilney, Costine & Foster Insurance Agency). The liability limits are: bodily injury & property damage combined single limit \$1,000,000, no medical payments coverage; uninsured motorist's bodily injury of \$1,000,000 combined single limit. The vehicle insurance deductible for comprehensive coverage is \$250. The collision deductible is either \$500 or \$1,000, depending on vehicle. The Commercial Umbrella policy with Westfield Insurance (Pilney Costine & Foster Insurance Agency) has a \$3,000,000 limit.

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 10 - RISK MANAGEMENT (Continued)

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, members in State and local classifications contributed 10 percent of covered payroll and public safety members and law enforcement members contributed 10.1 percent.

The City's contribution rate for 2008 was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.4 percent of covered payroll. For the period January 1 through June 30, a portion of the City's contribution equal to 7.0 percent of covered payroll was allocated to fund the post-employment health care plan. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$118,752, \$132,224, and \$139,834 respectively; 92.17 percent has been contributed for 2008 and 100 percent for 2007 and 2006. Contributions to the member-directed plan for 2008 were \$4,392 made by the City and \$3,137 made by plan members.

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

B. Ohio Police and Fire Pension Fund

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers. The City has no firefighters. Contributions are authorized by State statute. For 2008, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The City's contributions to OP&F for police for the years ended December 31, 2008, 2007 and 2006 were \$61,139, \$57,317 and \$49,415, respectively. The full amount has been contributed for 2007 and 2006. 76.55 percent has been contributed for police 2008.

C. Medicare System

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

NOTE 12 – POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund postemployment health care through contributions to OPERS. A portion of each employer’s contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14 percent of covered payroll (17.4 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 7.00 percent of covered payroll for 2008.

The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree’s surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and coverage selected. Active members do not make contributions to the post-employment health care plan.

The City’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were \$118,752, \$87,094, and \$68,397 respectively; 92.17 percent has been contributed for 2008 and 100 percent for 2007 and 2006.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. Police and Firemen's Disability and Pension Fund

Plan Description – The City contributes to the OP&F sponsored healthcare program, a cost-sharing multiple employer defined post-employment healthcare plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B premium reimbursement and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability or survivor benefit or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy – OP&F’s post-employment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50 percent and 24.00 percent of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2008, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees’ primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

The City’s contributions to OP&F which were allocated to fund post-employment health care benefits for police were \$32,367, \$30,345 and \$32,593 for the years ended December 31, 2008, 2007 and 2006. The full amount has been contributed for 2007 and 2006. 76.55 percent has been contributed for 2008.

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Additional Insurance

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

The City contracts with Health Plan of the Upper Ohio Valley for hospitalization insurance and Delta Dental for dental insurance for all employees, excluding part-time elected officials, part-time appointed officials, and part-time employees. The City offers Ohio AFSCME Eye Care and Hearing Care for AFSCME and FOP members. The City contracts with Vision Service Plan for eye care for full-time employees that are not in a union and elected officials who choose to pay for it themselves. The City and employees share the cost of the total monthly premiums of \$1,161.73 family health care, \$464.69 single health care; \$105.38 family dental care, \$30.23 single dental care, employee and one dependent dental care \$56.28; and \$7.25 family or single eye and hearing care for union employees and \$20.00 for non-union employees. Health insurance co-payments for doctors’ visits are reimbursed by the City. Premiums and co-payments are paid from the same funds that pay the employee’s salaries.

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
 December 31, 2008

NOTE 13 - OTHER EMPLOYEE BENEFITS (Continued)

B. Compensated Absences

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn vacation time based on the length of service. Typically, vacation can not be carried over, however, unforeseen circumstances may come into play and the superintendent may elect to permit an employee to carryover minimal vacation time. Sick leave is accumulated at a rate of 4.6 hours per each 80 hours worked. For employees that work less than a 40 hour work week, the sick leave accumulation is prorated based on 4.6 hours per 80 hours worked. All accumulated, unused vacation time and personal days are paid upon separation if the employee has acquired at least one year of service with the City. Upon separation, AFSCME members and non-union employees other than police, are paid for a maximum of 400 hours of accumulated sick time provided they have ten years of service with OPERS. Police are paid a maximum of 400 hours of accumulated sick time provided they have ten years of service with the City. Upon separation, police are paid all accumulated unused comp time up to a maximum of 60 hours. As of December 31, 2008, the liability for unpaid compensated absences was \$188,939.

NOTE 14 - CONTRACTUAL COMMITMENTS

As of December 31, 2008, the City had contractual commitments for the following projects:

	Contractual Commitment	Expended	Balance 12/31/2008
Savage Construction - Rt. 40 East Widening	\$ 849,097	\$ 461,013	\$ 388,084
Wesco - Substation	129,664	116,698	12,966
Professional Electric Products Co. - Substation	345,383	337,529	7,854
Nitro Electric - Substation	1,532,726	1,410,108	122,618
Lash Paving - Street Paving	332,129	155,611	176,518
APBN Inc. - Bike Trail	570,730	0	570,730
Chambers, Murphy & Burge - Application for Historic Tax Credits	47,600	36,872	10,728
Burgess & Niple - Bike Trail	31,400	17,125	14,275
Miller Pipeline - Sewer Project	244,645	0	244,645
Stanley Miller Construction - Clarendon Hotel	278,800	138,649	140,151
	<u>\$ 4,362,174</u>	<u>\$ 2,673,605</u>	<u>\$ 1,688,569</u>

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
 December 31, 2008

NOTE 15 - LONG-TERM OBLIGATIONS

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Governmental Activities:			
Recreation Bond Anticipation Note	4.36%	\$ 1,000,000	10/27/2025
Road Equipment General Obligation Bonds	4.0-5.5%	35,000	12/01/2017
Recreational Facilities General Obligation Bonds	4.00%	70,000	12/01/2013
Recreational Bike Trails General Obligation Bonds	4.00%	135,000	12/01/2012
Recreational Facilities General Obligation Bonds	4.0-5.0%	75,000	12/01/2032
Bett-Mar & Franklin St. Reconstruction OPWC Loan	0.00%	116,589	01/01/2029
Business-Type Activities:			
Belmont Drive Pump Station Replacement OPWC Loan	0.02%	74,000	01/01/2025
Wastewater Compliance Project OPWC Loan	0.04%	190,000	01/01/2009
East Main Force Liner OPWC Loan	0.02%	214,890	07/01/2023
Wastewater System Repairs OPWC Loan	0.02%	133,216	07/01/2024
Joint Sewer Rural Development Loan	6.125%	146,600	01/01/2032
Water Transmission Connection OPWC Loan	0.02%	52,875	01/01/2026
General Obligation Bonds:			
Water System Improvements	4.0-5.5%	255,000	12/01/2032
Wastewater System Improvements	4.0-5.0%	65,000	12/01/2032
Wastewater B System Improvements	4.0-5.5%	65,000	12/01/2029
Sanitary Sewer System Improvements	4.0-5.5%	185,000	12/01/2017
Sewer System Equipment	4.0-5.5%	95,000	12/01/2017
Light Garage Construction	4.0-5.5%	1,045,000	12/01/2025
Electric System Substation	4.0-5.5%	1,500,000	12/01/2027
Electric System	4.0-5.5%	3,470,000	12/01/2032

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
 December 31, 2008

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

Changes in long-term obligations of the City during the year ended December 31, 2008 consisted of the following:

	Principal Balance 12/31/2007	Additions	Reductions	Principal Balance 12/31/2008	Due in One Year
Governmental Activities:					
Recreation Bond Anticipation Notes	\$ 934,209	\$ 0	\$ (35,086)	\$ 899,123	\$ 36,632
OPWC Loan	0	62,573	0	62,573	5,829
General Obligation Bonds:					
Road Equipment	35,000	0	0	35,000	0
Recreational Facilities	70,000	0	(10,000)	60,000	10,000
Recreational Bike Trails	135,000	0	(25,000)	110,000	25,000
Recreational Facilities	75,000	0	0	75,000	0
<i>Total General Obligation Bonds</i>	<u>315,000</u>	<u>0</u>	<u>(35,000)</u>	<u>280,000</u>	<u>35,000</u>
Compensated Absences	73,512	1,027	0	74,539	52,456
Capital Leases	1,473	0	(1,473)	0	0
<i>Total Governmental Activities</i>	<u>\$ 1,324,194</u>	<u>\$ 63,600</u>	<u>\$ (71,559)</u>	<u>\$ 1,316,235</u>	<u>\$ 129,917</u>
Business-Type Activities:					
OPWC Loans:					
Water Transmission Connection	\$ 48,483	\$ 0	\$ (2,262)	\$ 46,221	\$ 2,308
Belmont Drive Pump Station Replacement	70,740	0	(3,094)	67,646	3,155
Wastewater Compliance Project	22,562	0	(22,562)	0	0
East Main Force Main Liner	178,469	0	(9,567)	168,902	9,760
Wastewater System Repairs	113,559	0	(5,872)	107,687	5,990
<i>Total OPWC Loans</i>	<u>433,813</u>	<u>0</u>	<u>(43,357)</u>	<u>390,456</u>	<u>21,213</u>
General Obligation Bonds:					
Various Water System Improvements	255,000	0	0	255,000	5,000
Unamortized Premium	8,123	0	(325)	7,798	0
Various Wastewater System Improvements	410,000	0	(25,000)	385,000	35,000
Unamortized Premium	14,176	0	(1,418)	12,758	0
Various Light System Improvements	6,015,000	0	(140,000)	5,875,000	130,000
Unamortized Premium	143,952	0	(6,304)	137,648	0
<i>Total General Obligation Bonds</i>	<u>6,846,251</u>	<u>0</u>	<u>(173,047)</u>	<u>6,673,204</u>	<u>170,000</u>
Joint Sewer Rural Development	125,929	0	(2,272)	123,657	2,419
Compensated Absences	23,223	232	(1,248)	22,207	6,655
Capital Leases	2,211	0	(2,211)	0	0
<i>Total Business-Type Activities</i>	<u>\$ 7,431,427</u>	<u>\$ 232</u>	<u>\$ (222,135)</u>	<u>\$ 7,209,524</u>	<u>\$ 200,287</u>

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

During 2008, the City entered into a loan agreement with Ohio Public Work Commission (OPWC) for the Bett-Mar Franklin Street reconstruction project. The total award amount of the loan is \$116,589, with a zero percent interest rate and matures January 1, 2029. As of December 31, 2008, the City had only drawn down \$62,573. An amortization schedule will be available once the loan is fully disbursed.

The OPWC loans will be paid from revenues derived from charges for services in the enterprise funds. The City and Belmont County are jointly obligated for the Rural Development Loan for Water Works System #3, Phase I Project. At December 31, 2008, the total debt was \$1,687,000 with the City's share being 7.33 percent or \$123,657. The bond anticipation note will be paid with recreation fees and general revenues. Compensated absences will be paid from the fund from which the employees' salaries are paid.

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

The bonds were issued with a premium of \$166,251, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for year 2008 was \$8,047. The issuance costs of \$109,332 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for year 2008 was \$5,269.

During 2008, the City transferred unspent bond proceeds from the light fund in the amount of \$140,177 to the bond retirement (\$36,520), water (\$39,629) and the sewer fund (\$64,028) for the repayment of future debt payments, in accordance with Ohio Revised Code.

This space intentionally left blank.

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
 December 31, 2008

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2008 are as follows:

Year	General Obligation Bonds		OPWC Loans		Rural Development Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 205,000	\$ 298,192	\$ 21,214	\$ 7,704	\$ 2,419	\$ 7,574
2010	215,000	289,993	21,641	7,277	2,566	7,426
2011	230,000	281,392	22,076	6,842	2,712	7,269
2012	240,000	272,193	22,519	6,398	2,859	7,103
2013	220,000	262,592	22,972	5,946	3,005	6,927
2014-2018	1,295,000	1,213,863	121,975	22,615	18,178	31,621
2019-2023	1,655,000	837,367	134,737	9,853	24,555	25,321
2024-2028	1,665,000	468,539	23,322	658	32,912	16,845
2029-2032	1,070,000	138,000	0	0	34,451	5,432
	<u>\$ 6,795,000</u>	<u>\$ 4,062,131</u>	<u>\$ 390,456</u>	<u>\$ 67,293</u>	<u>\$ 123,657</u>	<u>\$ 115,518</u>

Year	Bond Anticipation Note		Total	
	Principal	Interest	Principal	Interest
2009	\$ 36,632	\$ 38,807	\$ 265,265	\$ 352,277
2010	38,247	37,192	277,454	341,888
2011	39,932	35,506	294,720	331,009
2012	41,693	33,746	307,071	319,440
2013	43,530	31,909	289,507	307,374
2014-2018	248,179	129,017	1,683,332	1,397,116
2019-2023	307,910	69,286	2,122,202	941,827
2024-2028	143,000	7,878	1,864,234	493,920
2029-2032	0	0	1,104,451	143,432
	<u>\$ 899,123</u>	<u>\$ 383,341</u>	<u>\$ 8,208,236</u>	<u>\$ 4,628,283</u>

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
 December 31, 2008

NOTE 16 – INTERFUND ACTIVITY

A. Interfund Transfers

Interfund transfers for the year ended December 31, 2008, consisted of the following:

Governmental Activities	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 0	\$ 1,729,654
Street	258,500	0
Recreation	298,300	13,529
Police	503,400	0
Landscape and Grounds	43,400	0
Litter	12,800	0
Police Pension	63,400	0
Bike Trail	36,700	0
Bike Trail Maintenance	18,000	0
General Escrow	495,154	0
Bond Retirement	36,520	0
Recreation Debt Reserve	13,529	0
Water	39,629	0
Sewer	64,028	0
Light	<u>0</u>	<u>140,177</u>
<i>Totals</i>	<u>\$ 1,883,360</u>	<u>\$ 1,883,360</u>

The general fund transfers were made to provide additional resources for current operations and capital improvements. The light fund transferred \$36,520 to the bond retirement fund, \$39,629 to the water fund and \$64,028 to the sewer fund to move unspent bond proceeds from the 2007 various purpose bond issue. The recreation fund transferred \$13,529 to the recreation debt reserve fund for the purpose of repaying future debt payments.

Additionally, the governmental activities purchased capital assets in the amount of \$332,418 for the water fund.

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
 December 31, 2008

NOTE 16 – INTERFUND ACTIVITY (Continued)

B. Interfund Balances

As of December 31, 2008, receivables and payables that resulted from interfund transactions were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>
Governmental Funds				
General	\$ 138,546	\$ 0	\$ 860	\$ 0
Downtown Façade	0	138,546	0	0
Street Assessment	<u>0</u>	<u>0</u>	<u>0</u>	<u>860</u>
<i>Total Governmental Funds</i>	<u><u>\$ 138,546</u></u>	<u><u>\$ 138,546</u></u>	<u><u>\$ 860</u></u>	<u><u>\$ 860</u></u>
Enterprise Funds				
Water	\$ 0	\$ 0	\$ 0	\$ 263,000
Sewer	0	0	158,000	0
Light	<u>0</u>	<u>0</u>	<u>105,000</u>	<u>0</u>
<i>Total Enterprise Funds</i>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 263,000</u></u>	<u><u>\$ 263,000</u></u>

In 2008, the General fund advanced money to the Downtown Façade fund to eliminate a negative cash balance at year end. In prior years, the General fund advanced money to the Street Assessment fund to provide additional resources for current operations. In prior years, the Sewer and Light funds advanced money to the Water fund to provide additional resources for current operations.

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

A. Ohio Mid-Eastern Governments Association (OMEGA)

The City is associated with Ohio Mid-Eastern Governments Association (OMEGA), which is a ten county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum, and Tuscarawas counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a sixteen member executive board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. The Mayor of the City of St. Clairsville serves as the City's representative on the board, however the City is not active. Each member currently pays a per capita membership fee based upon the most recent United States census. During 2008, no fees were paid to OMEGA. The continued existence of OMEGA is not dependent on the City's continued participation and no equity interest exists. OMEGA has no outstanding debt.

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Jefferson-Belmont Joint Solid Waste Authority

The City is also associated with Jefferson-Belmont Joint Solid Waste Authority (“Authority”) as a jointly governed organization. The Authority is established by State statutes and is operated to provide solid waste services to Jefferson and Belmont counties. The Authority is governed by a fourteen member board of directors of which the Mayor of the City of St. Clairsville is a member. The Authority is not dependent on the City of St. Clairsville for its continued existence, no debt exists, and the City does not maintain an equity interest. The City does not make any monetary contributions to the Authority.

C. Bel-O-Mar Regional Council

Bel-O-Mar Regional Council is operated as a non-profit organization formed to provide planning and administrative services to all local governments in a four county region comprised of Belmont County, Ohio and three counties in West Virginia. The governing board is comprised of 58 officials from the four county service area of which three members and one alternate member are appointed by Belmont County and one member is appointed by each local government within Belmont County. The Mayor of the City of St. Clairsville serves as the City’s representative on the board. The Council is not dependent upon the City of St. Clairsville for its continued existence, no debt exists, and the City does not maintain an equity interest. During 2008, the City made a contribution of \$1,669 to Bel-O-Mar Regional Council.

D. Southeastern Ohio Narcotics Task Force (SENT)

SENT is a multi-jurisdictional drug task force with the primary goal of combating major narcotic traffickers in Belmont, Carroll, Guernsey, Harrison, Monroe, and Tuscarawas counties. The Task Force is jointly governed among the participating counties and cities. A grant is received from the State of Ohio of which the participating entities must match 25 percent. Of the 14 members of the board, the Police Chief of the City of St. Clairsville acts as the City’s representative on the board. Each member’s control over the operation of SENT is limited to its representation on the board, and the City does not maintain an equity interest. During 2008, the City made no contribution to the Task Force.

E. Belmont County Board of Health

Belmont County Board of Health is operated as a non-profit organization formed to provide health care services to all areas within Belmont County. The governing board is comprised of officials from Belmont County. The City of St. Clairsville has a contract with the Board of Health. The Board is not dependent upon the City of St. Clairsville for its continued existence, no debt exists, and the City does not maintain an equity interest. During 2008, Belmont County Board of Health received \$34,672 from the City of St. Clairsville for annual fees, which are deducted from the property tax collections and distributed to the Board by the County Auditor.

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 18 - CONTINGENCIES

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and are 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, 2008.

B. Litigation

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

NOTE 19 – COMPONENT UNIT

As described in Note 1, the City has a discretely presented component unit. The significant accounting disclosures for the component unit follow.

The St. Clairsville Community Improvement Corporation ("CIC") incorporated in 2007 as an Ohio not-for-profit corporation. The CIC was organized and shall be operated to serve residents of the City in the revitalization and enhancement of property and the business environment with the City by advancing, encouraging and promoting the industrial economic, commercial and civic development of the City.

Significant Accounting Policies and Disclosures for the CIC

The financial statements are prepared on an accrual basis of accounting in accordance with generally accepted accounting principles as prescribed by the Financial Accounting Standards Boards Statements and Interpretations (FASB) and reports on a December 31 fiscal year end.

Cash The CIC had cash on deposit of \$3,748 at December 31, 2008. The balance is insured by FDIC.

Capital Assets All capital assets of the CIC were donated by the City in 2008 and are reported at the fair market value at the time of donation. These assets consist of land and a building with values of \$46,343 and \$626,727, respectively. The building has not been placed in service and therefore is not being depreciated.

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
 December 31, 2008

NOTE 19 – COMPONENT UNIT (Continued)

Loans Payable During 2008 the CIC entered into a loan agreement with the City to provide resources for current operations. The principal amount of the loan is \$9,000. The loan was issued with a two percent interest rate and will be repaid over a period of five years.

Principal and interest requirements to retire the outstanding debt are:

	Principal	Interest	Total
2009	\$ 1,839	\$ 180	\$ 2,019
2010	1,661	358	2,019
2011	1,744	275	2,019
2012	1,831	188	2,019
2013	1,925	96	2,021
	\$ 9,000	\$ 1,097	\$ 10,097



Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

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

September 30, 2009

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Clairsville (the "City") as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

City of St. Clairsville, Ohio
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards
September 30, 2009
Page 2

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. We did note certain matters that we have reported to management of the City in a separate letter dated September 30, 2009.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of finds and questioned costs as item 2008-001. We also noted certain instances of noncompliance that we have reported to management of the City in a separate letter dated September 30, 2009.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

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

Rea & Associates, Inc.



Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

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

September 30, 2009

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

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

Compliance

We have audited the compliance of the City of St. Clairsville (the "City") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Hea & Associates, Inc.

**CITY OF ST CLAIRSVILLE
BELMONT COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	<u>Federal CFDA #</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements</u>
US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD):			
(Passed through Ohio Department of Development):			
Community Development Block Grant	14.228	A-C-05-178-1	\$ 4,469
	14.228	A-C-08-178-1	7,682
Total Community Development Block Grant			<u>12,151</u>
Home Investment Partnerships Program	14.239	A-C-05-178-2	95,164
	14.239	A-C-08-178-2	5,600
Total Home Investment Partnership Program			<u>100,764</u>
Total U.S. Department of Housing and Urban Development Programs			<u>112,915</u>
U.S. Department of Transportation			
(Passed through Ohio Department of Transportation):			
Highway Planning and Construction	20.205		<u>461,013</u>
Total U.S. Department of Transportation			<u>461,013</u>
Total Expenditures of Federal Awards			<u><u>\$ 573,928</u></u>

Note A - Significant Accounting Policies

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

CITY OF ST. CLAIRSVILLE
BELMONT COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133, SECTION .505
DECEMBER 31, 2008

1. SUMMARY OF AUDITOR'S RESULTS

A-133 Ref.
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other internal control deficiencies reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other internal control deficiencies reported for major programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are any reportable findings under Section .510(a) of Circular A-133?	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?	No

CITY OF ST. CLAIRSVILLE
BELMONT COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133, SECTION .505
DECEMBER 31, 2008

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

Non-Compliance Citations

Finding Number	2008-001
-----------------------	-----------------

Ohio Rev. Code Section 5705.14(A) states the unexpended balance in a bond fund (i.e. capital project fund financed with bond proceeds) that is no longer needed for the purpose for which such fund was created shall be transferred to the sinking fund or bond retirement fund from which such bonds are payable.

During 2008, the City transferred the unexpended balance from the substation bond proceeds in the amount of \$697,298 to the Street Fund (\$125,812), Bike Trail Capital Improvement Fund (\$31,400), Water Fund (\$255,364), Water Replacement and Improvement (\$20,038), Sewer Fund (\$244,645), and Sewer Replacement and Improvement Fund (\$20,039); for the purpose of purchasing capital assets. The City Finance Director had verbally consulted with bond counsel prior to making the transfer, and at the time, her bond counsel indicated this was an allowable transfer.

The City moved the money back on their books in 2009 and reported the proper adjustments and transfers in their 2008 financial statements presented for audit.

We recommend the City obtain written approval from their law director and bond counsel prior to transferring moneys to ensure compliance with Ohio Revised Code.

City's Response

See City's response on page 62.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

CITY OF ST. CLAIRSVILLE
BELMONT COUNTY

CITY'S RESPONSE TO FINDING NO. 2008-001

October 6, 2009

I am responding to the citation for noncompliance with Section 5705.14, A of the Ohio Revised Code which stipulates that excess proceeds from a bond issue for a purpose that is no longer required, must be transferred to a bond retirement fund.

I have worked for the City of St. Clairsville for fifteen years. During that time, I have called four separate bond issues, but I never issued bonds for financing a project before 2007. In 2007 the City issued bonds to repay bond anticipation notes and to finance a substation, a new recreation center roof and to replace vehicles. The estimates for the cost to build the substation and put a new roof on our recreation center were incorrect and we wound up with excess proceeds.

I did not know how to handle this extra money, so I did what I thought was correct. I called the bond counsel that I used for annual bond anticipation notes since 1995 and the bond issue in 2007. I spoke to the attorney that has worked with the City for thirteen years on all of the aforementioned notes and bonds. I specifically asked if I could use the excess bond proceeds to pay for a different capital project. The City had many capital projects in 2008 and the additional money would have helped the City conserve its reserves for future capital improvements. The attorney told me yes, I could use those excess proceeds for other capital improvements. He is my bond counsel and I trusted that his response was accurate. I then transferred the excess proceeds to pay for these other capital projects. I had no reason to believe that his answer was anything but correct.

In March, when my auditors asked me about the transfer and why I did it, they asked me if I had gotten bond counsel's response in writing. I never considered getting it in writing because I thought the response was accurate. I then contacted bond counsel and asked him to put his response in writing as my auditors needed it to complete their audit and my financial report. When he responded back to me, he told me he wasn't sure why he told me I could do it, but that that advice was incorrect and I could only transfer the excess proceeds to a bond retirement fund. I explained the repercussions of this reversal of opinion on the excess proceeds, to which he was unresponsive except to repeat that excess proceeds must be transferred to a bond retirement fund.

When I notified my auditors of his recanting his original advice, they indicated that perhaps there was some other code section that I could use to back up the transfer of funds. I reviewed several code sections and found a few that may possibly substantiate my transfer. I sent these to my bond counsel to see if he felt that my situation would be allowable. I also contacted some of my peers to find what bond counsel they had used in the past and if they were happy with their experiences. I found a different attorney and sent him all of the pertinent information and the bond documents. I also wrote to the legal department of the Auditor of State Mary Taylor, CPA's office for a legal opinion and lastly, I contacted a public entity that had a similar situation that was allowed.

CITY OF ST. CLAIRSVILLE
BELMONT COUNTY

CITY'S RESPONSE TO FINDING NO. 2008-001 (CONTINUED)

My bond counsel was very brief and basically reiterated that I could only transfer to a bond retirement fund. The attorney I contacted from another firm wished that he could have helped and felt that since the debt was originally voted on by City Council only, City Council should be allowed to change the use of the excess proceeds, however, they could not and I could only transfer the excess proceeds to a bond retirement fund. The legal department for Mary Taylor's office said they would not issue an opinion as they only issued opinions for an audit. Lastly, when reviewing the issues with the public entity on their situation, other factors were involved that made it different than my issue.

At this point, when everyone I was seeking answers from had responded, I realized that the original advice I received was wrong and I could not transfer the proceeds to any fund other than a bond retirement fund. I immediately prepared a spreadsheet analyzing all of the original transfers and payments and reversed those entries and put the money into a bond retirement fund.

To sum up my response; I made decisions based on information I obtained from a professional on bond financing. Once I concluded that the information was false, I made the corrections. I was looking out for the best interest for the City when I contacted the attorney and continued to keep the best interest for the City when I made the corrections.

Sincerely,

Jill A. Lucidi

Jill A. Lucidi, C.P.F.A.
Finance Director



Mary Taylor, CPA
Auditor of State

CITY OF ST. CLAIRSVILLE

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 10, 2009**