



Dave Yost • Auditor of State

**CITY OF ST. CLAIRSVILLE
BELMONT COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

City of St. Clairsville
Belmont County
P.O. Box 537
100 North Market Street
St. Clairsville, Ohio 43950

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Clairsville, Belmont County, Ohio (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Clairsville, Belmont County, Ohio, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Police, and Community Development Block Grant Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December, 31, 2013, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*. These changes were incorporated in the City's 2013 financial statements, and as a result, the Community Improvement Corporation is no longer reported as a discretely presented component unit of the City; instead, it is presented as a blended component unit, and reported as a special revenue fund of the City. We did not modify our opinion regarding this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

December 31, 2014

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City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

The discussion and analysis of the City of St. Clairsville's (the City) financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2013. 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 2013 are as follows:

- In total, net position decreased \$1,888,867.
- General revenues for governmental activities accounted for \$2,485,423 or approximately 74 percent of total revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$852,603 or approximately 26 percent of total revenues in the amount of \$3,338,026.
- Total assets of governmental activities decreased \$279,329 primarily due to a decrease in assets held for resale. The Community Improvement Corporation is reported as a special revenue fund (blended component unit) in 2013 based on the implementation of GASB Statement No. 61 (see Note 3 for further details). During 2013, the Clarendon Hotel, an asset held for resale in the Community Improvement Corporation Special Revenue Fund, was transferred to the Historic Clarendon, LLC. The decrease was offset slightly by increased construction in progress capital assets. Total liabilities of governmental activities increased \$190,388 primarily due to increases in accounts payable and contracts payable, primarily due to the City's implementation of an advanced meter system as well as road repaving projects. The increase was offset by a decrease in loans payable as the buyers of the Clarendon Hotel property assumed responsibility for the loans from the Community Improvement Corporation, as part of the purchase agreement.
- The City had \$3,797,426 in expenses related to governmental activities; only \$852,603 of which was offset by program specific charges for services, operating grants and contributions, and capital grants and contributions. General revenues in the amount of \$2,485,423 were not adequate to provide for these programs.
- Total governmental funds had \$3,126,580 in revenues and \$3,814,572 in expenses. Overall, including other financing sources and (uses), total governmental fund balance decreased \$687,992.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the City as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and concerns.

The *Statement of Net Position* 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.

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

Reporting the City of St. Clairsville as a Whole

Statement of Net Position and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The Statement of Net Position 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 private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net position and the changes in net position. This change in net position is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, nonfinancial information such as changes in the City's tax base and the condition of the City's capital assets will also need to be evaluated.

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

Governmental Activities - Most of the City's services are reported here including police, administration, and all departments with the exception of the Water, Sewer and Light Funds. Included with the governmental activities of the City is the Community Improvement Corporation, a legally separate entity, presented as a blended component unit in accordance with GASB Statement Numbers. 14, 39, and 61.

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all or most of the cost of the services provided. The County's Water, Sewer, and Light systems are reported here.

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

Fund Financial Statements

Fund financial statements begin on page 15. Fund financial reports provide detailed information about the City's major funds. Based upon restrictions on the use of monies, the City has established many funds which account for the multitude of services provided to our residents. However, these fund financial statements focus on the City's most significant funds. The City's major funds are the General Fund, Police, Community Development Block Grant, and Community Improvement Corporation Special Revenue funds, Permanent Improvement Capital Projects Fund, and the Water, Sewer, and Light Proprietary Funds.

Governmental Funds Most of the City's activities are reported in the 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 the 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.

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled as part of the financial statements.

Proprietary Funds When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

The City of St. Clairsville as a Whole

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net assets for 2013 compared to 2012:

Table 1
Net Position

	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current and Other Assets	\$4,334,352	\$4,764,997	\$3,562,181	\$4,088,651	\$7,896,533	\$8,853,648
Capital Assets	7,664,547	7,513,231	6,355,650	7,031,511	14,020,197	14,544,742
Total Assets	11,998,899	12,278,228	9,917,831	11,120,162	21,916,730	23,398,390
Liabilities						
Long-Term Liabilities	1,230,124	1,312,235	6,209,155	6,435,683	7,439,279	7,747,918
Other Liabilities	741,523	469,024	876,109	537,182	1,617,632	1,006,206
Total Liabilities	1,971,647	1,781,259	7,085,264	6,972,865	9,056,911	8,754,124
Deferred Inflows of Resources						
Property Taxes	961,020	856,600	0	0	961,020	856,600
Net Position						
Net Investment in						
Capital Assets	6,627,933	6,388,715	363,977	814,088	6,991,910	7,202,803
Restricted	1,552,743	2,606,411	0	0	1,552,743	2,606,411
Unrestricted	885,556	645,243	2,468,590	3,333,209	3,354,146	3,978,452
	\$9,066,232	\$9,640,369	\$2,832,567	\$4,147,297	\$11,898,799	\$13,787,666

Total assets of governmental activities decreased \$279,329 primarily due to a decrease in assets held for resale in the Community Improvement Corporation Special Revenue Fund. The Community Improvement Corporation Special Revenue Fund was previously reported as a discretely presented component unit, and beginning governmental net position and fund balances were restated due to the implementation of GASB 61 (see Note 3 for further details). The Clarendon Hotel property was transferred in 2013. The decrease was offset slightly by increased construction in progress capital assets.

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

Total liabilities of governmental activities increased \$190,388 primarily due to increases in accounts payable and contracts payable, primarily due to the City's initiation of its advanced meter project as well as road repaving projects. The increase was offset by a decrease in loans payable as the buyers of the Clarendon Hotel property assumed responsibility for the loans from the Community Improvement Corporation, as part of the purchase agreement.

Total assets of business-type activities decreased \$1,202,331 primarily due to decreases in cash and cash equivalents, and annual depreciation on capital assets. The decrease in cash and cash equivalents is primarily due to the rising cost of operations and system maintenance, as well as costs associated with the City's implementation of an advanced meter system.

Total liabilities of business-type activities increased \$112,399 primarily due to an increase in accounts payable related to the implementation of the advanced meter system, which was offset by annual debt service payments on long-term obligations.

Table 2 shows the changes in net position for fiscal year 2013 compared to 2012.

Table 2
Changes in Net Position

	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
<i>Program Revenue</i>						
Charges for Services	\$276,117	\$302,109	\$6,184,599	\$5,949,422	\$6,460,716	\$6,251,531
Operating Grants	330,686	473,332	0	0	330,686	473,332
Capital Grants and Contributions	245,800	0	0	0	245,800	0
Total Program Revenue	<u>852,603</u>	<u>775,441</u>	<u>6,184,599</u>	<u>5,949,422</u>	<u>7,037,202</u>	<u>6,724,863</u>
<i>General Revenue</i>						
Property Taxes	800,432	720,925	0	0	800,432	720,925
Income Taxes	1,264,109	1,045,372	0	0	1,264,109	1,045,372
Kilowatt per Hour Taxes	199,743	174,709	0	0	199,743	174,709
Grants and Entitlements	161,754	310,896	0	0	161,754	310,896
Investments	28,399	62,639	0	0	28,399	62,639
Other	30,986	159,394	30,712	33,384	61,698	192,778
Total General Revenue	<u>2,485,423</u>	<u>2,473,935</u>	<u>30,712</u>	<u>33,384</u>	<u>2,516,135</u>	<u>2,507,319</u>
Total Revenues	<u>3,338,026</u>	<u>3,249,376</u>	<u>6,215,311</u>	<u>5,982,806</u>	<u>9,553,337</u>	<u>9,232,182</u>

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

Table 2 (Continued)
Changes in Net Position

	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Program Expenses						
General Government						
Legislative and Executive	\$640,909	\$582,678	\$0	\$0	\$640,909	\$582,678
Judicial	265	466	0	0	265	466
Security of Persons and Property						
Police	989,055	974,078	0	0	989,055	974,078
Public Health Services	29,784	29,830	0	0	29,784	29,830
Leisure Time Services	409,937	421,051	0	0	409,937	421,051
Community and						
Economic Development	1,096,555	283,718	0	0	1,096,555	283,718
Transportation	593,855	527,259	0	0	593,855	527,259
Interest and Fiscal Charges	37,066	47,897	0	0	37,066	47,897
Water	0	0	1,095,387	1,046,525	1,095,387	1,046,525
Sewer	0	0	1,142,648	888,511	1,142,648	888,511
Light	0	0	5,406,743	5,073,552	5,406,743	5,073,552
Total Program Expenses	3,797,426	2,866,977	7,644,778	7,008,588	11,442,204	9,875,565
Increase (Decrease)						
Before Transfers	(459,400)	382,399	(1,429,467)	(1,025,782)	(1,888,867)	(643,383)
Transfers	(114,737)	(49,750)	114,737	49,750	0	0
Change in Net Position	(574,137)	332,649	(1,314,730)	(976,032)	(1,888,867)	(643,383)
Restatement	0	578,072	0	0	0	578,072
Net Position Beginning of the Year (Restated - Note 3)	9,640,369	8,729,648	4,147,297	5,123,329	13,787,666	13,852,977
Net Position End of the Year	<u>\$9,066,232</u>	<u>\$9,640,369</u>	<u>\$2,832,567</u>	<u>\$4,147,297</u>	<u>\$11,898,799</u>	<u>\$13,787,666</u>

Governmental Activities

Several revenue sources fund governmental activities, with the City income tax being the largest source. The income tax rate is 0.75 percent. Property taxes are the second largest revenue source for the City. Income taxes and property taxes represent approximately 62 percent of total revenue.

Charges for services and operating grants and contributions for governmental activities decreased from 2012. The decrease in operating grants and contributions is primarily due to decreased Community Development Block Grant funding. The increase in capital grants and contributions is due to the award of an Ohio Public Works Commission Grant for repaving of streets within the City.

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

Community and economic development accounted for approximately 29 percent of governmental expenses for the City in 2013. The increase from the prior year is primarily due to the transfer of ownership of the Clarendon Hotel property by the Community Improvement Corporation, as well as the expensing of previously recognized CDBG grant funding, which has had subsequent contravention of the grant guidelines.

Security of persons and property – police accounted for approximately 26 percent of governmental expenses for the City in 2013, and reflected a slight increase from the prior year.

General government – legislative and executive accounted for approximately 17 percent of expenses for the City in 2013. General government – legislative and executive increased from the prior year due to an increase in General Fund spending during 2013.

Transportation accounted for 16 percent of governmental expenses for 2013. Transportation program expenses increased from the prior year primarily due to road maintenance and repaving.

Table 3, for governmental activities, indicates the total cost of services and the net cost of services. The Statement of Activities reflects the cost of program service and the program revenues which offset those services. The net cost of services identifies the cost of those services supported by income taxes, property taxes, unrestricted intergovernmental revenues, and other general revenues.

Table 3
Governmental Activities

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2013	2012	2013	2012
General Government				
Legislative and Executive	\$640,909	\$582,678	\$501,135	\$449,279
Judicial	265	466	(3,120)	(174)
Security of Persons and Property				
Police	989,055	974,078	859,367	795,825
Public Health Services	29,784	29,830	29,784	29,830
Leisure Time Services	409,937	421,051	319,535	319,177
Community and				
Economic Development	1,096,555	283,718	836,776	199,905
Transportation	593,855	527,259	364,280	249,797
Interest and Fiscal Charges	37,066	47,897	37,066	47,897
Total Expenses	<u>\$3,797,426</u>	<u>\$2,866,977</u>	<u>\$2,944,823</u>	<u>\$2,091,536</u>

Business-Type Activities

Business-type activities include water, sewer and light operations. The major source of revenue for these funds is charges for services, accounting for \$6,184,599 or approximately 99 percent of total business-type revenues. In 2013 the City began the implementation of an automated meter system for its water, sewer, and light operations. The project is being funded by the Water, Sewer, and Light funds, with partial funding from the Permanent Improvement Fund. See Note 16 for more information on construction commitments.

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

The City's Funds

Information about the City's governmental funds begins on page 15. The City has five major governmental funds, the General Fund, the Police, the Community Development Block Grant, and the Community Improvement Corporation Special Revenue funds, and the Permanent Improvement Capital Projects Fund. These funds are accounted for using the modified accrual method of accounting. The General Fund had \$1,488,033 in revenues and \$403,575 in expenses. Overall, including other financing uses, the General Fund's balance increased \$225,155. The Police Fund had \$651,956 in revenues and \$982,797 in expenses. Overall, including other financing sources, the Police Fund's balance increased \$42,479. The Community Development Block Grant Fund had \$17,222 in revenues and no expenses, which resulted in a fund balance increase of \$17,222. The Community Improvement Corporation Fund had no revenues and \$654,895 in expenses, which resulted in a fund balance decrease of \$654,895. The Permanent Improvement Fund had \$604,028 in revenues and \$862,122 in expenses. Overall, including other financing sources, the Permanent Improvement Fund's balance decreased \$255,094.

Information about the proprietary funds starts on page 22. The City has three major proprietary funds, the Water, Sewer, and Light funds. These funds are accounted for on an accrual basis. The Water Fund had operating revenues in the amount of \$928,591 and operating expenses in the amount of \$1,084,319. Overall, including non-operating expenses, contributions, and transfers, the Water Fund's net position decreased \$165,317. The Sewer Fund had operating revenues in the amount of \$796,839 and operating expenses in the amount of \$1,119,919. Overall, including non-operating expenses, contributions, and transfers, the Sewer Fund's net position decreased \$232,551. The Light Fund had operating revenues in the amount of \$4,489,881 and operating expenses in the amount of \$5,178,676. Overall, including non-operating expenses, the Light Fund's net position decreased \$916,862.

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 2013, the City amended its General Fund budget and the budgetary statement reflects original and final budgeted amounts. The changes between original and final budget reflected no change in estimated revenues and no change in original and final budgeted appropriations. The variance between final budget and actual operations reflected more revenue than estimated, coupled with actual spending in all programs being less than appropriated.

Capital Assets and Debt Administration

Capital Assets

At the end of year 2013, the City's governmental and business-type activities had \$14,020,197 in land, construction in progress, land improvements, buildings and improvements, machinery and equipment, infrastructure, and vehicles, net of depreciation.

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

Table 4 shows 2013 balances compared with 2012.

Table 4
Capital Assets Net of Depreciation

	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$1,238,483	\$1,238,483	\$320,596	\$320,596	\$1,559,079	\$1,559,079
Construction in Progress	384,206	0	0	49,750	384,206	49,750
Land Improvements	159,974	171,757	0	0	159,974	171,757
Buildings and Improvements	183,415	216,157	1,372,171	1,421,599	1,555,586	1,637,756
Machinery and Equipment	147,565	167,151	252,324	252,231	399,889	419,382
Infrastructure	5,444,753	5,591,577	4,280,962	4,841,799	9,725,715	10,433,376
Vehicles	106,151	128,106	129,597	145,536	235,748	273,642
Total	\$7,664,547	\$7,513,231	\$6,355,650	\$7,031,511	\$14,020,197	\$14,544,742

See Note 9 for more information on capital assets.

Debt

The outstanding debt for the governmental and business-type activities of the City of St. Clairsville as of December 31, 2013 was \$7,146,256 with \$326,440 due within one year. Table 5 summarizes outstanding debt.

Table 5
Outstanding Debt at Year End

	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	\$95,000	\$115,000	\$5,707,969	\$5,916,016	\$5,802,969	\$6,031,016
Long-Term Notes	698,953	742,618	0	0	698,953	742,618
OPWC Loans	242,661	257,225	291,577	314,322	534,238	571,547
Rural Development Loans	0	0	110,096	113,101	110,096	113,101
Capital Leases	0	9,673	0	0	0	9,673
Total	\$1,036,614	\$1,124,516	\$6,109,642	\$6,343,439	\$7,146,256	\$7,467,955

Additional information concerning the City's debt can be found in Note 15.

Current Finance Related Issues

The City implemented a 0.75 percent income tax in 2011, in an effort to recover the loss of revenue that the City has experienced due to the reduction of Local Government Funding from the State, the elimination of Estate Tax, and the elimination of Personal Property Tax.

Contacting the City's Finance Department

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Cindi Henry, Finance Director, 100 North Market Street, St. Clairsville, Ohio 43950.

**City of St. Clairsville
Statement of Net Position
December 31, 2013**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$1,881,378	\$2,388,291	\$4,269,669
Accounts Receivable	28,445	710,849	739,294
Income Taxes Receivable	462,148	0	462,148
Intergovernmental Receivable	493,349	0	493,349
Materials and Supplies Inventory	44,554	213,041	257,595
Property Taxes Receivable	998,556	0	998,556
Internal Balances	(250,000)	250,000	0
Loans Receivable	642,967	0	642,967
Assets Held for Resale	32,955	0	32,955
Nondepreciable Capital Assets	1,622,689	320,596	1,943,285
Depreciable Capital Assets, Net	6,041,858	6,035,054	12,076,912
<i>Total Assets</i>	<u>11,998,899</u>	<u>9,917,831</u>	<u>21,916,730</u>
<u>Liabilities</u>			
Accounts Payable	268,798	617,352	886,150
Contracts Payable	384,206	0	384,206
Accrued Wages and Benefits Payable	45,571	48,836	94,407
Intergovernmental Payable	37,552	34,986	72,538
Accrued Interest Payable	5,396	19,195	24,591
Refundable Deposits	0	155,740	155,740
Long-Term Liabilities:			
Due Within One Year	73,383	265,730	339,113
Due in More Than One Year	1,156,741	5,943,425	7,100,166
<i>Total Liabilities</i>	<u>1,971,647</u>	<u>7,085,264</u>	<u>9,056,911</u>
<u>Deferred Inflows of Resources</u>			
Property Taxes	961,020	0	961,020
<u>Net Position</u>			
Net Investment in Capital Assets	6,627,933	363,977	6,991,910
Restricted for:			
Capital Outlay	553,217	0	553,217
Community Development	832,843	0	832,843
Street	156,286	0	156,286
Other Purposes	10,397	0	10,397
Unrestricted	885,556	2,468,590	3,354,146
<i>Total Net Position</i>	<u>\$9,066,232</u>	<u>\$2,832,567</u>	<u>\$11,898,799</u>

See accompanying notes to the basic financial statements

City of St. Clairsville
Statement of Activities
For the Year Ended December 31, 2013

Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government			
	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Governmental Activities							
General Government							
Legislative and Executive	\$640,909	\$139,774	\$0	\$0	(\$501,135)	\$0	(\$501,135)
Judicial	265	3,385	0	0	3,120	0	3,120
Security of Persons and Property - Police	989,055	44,556	85,132	0	(859,367)	0	(859,367)
Public Health Services	29,784	0	0	0	(29,784)	0	(29,784)
Leisure Time Services	409,937	88,402	2,000	0	(319,535)	0	(319,535)
Community and Economic Development	1,096,555	0	13,979	245,800	(836,776)	0	(836,776)
Transportation	593,855	0	229,575	0	(364,280)	0	(364,280)
Interest and Fiscal Charges	37,066	0	0	0	(37,066)	0	(37,066)
<i>Total Governmental Activities</i>	<u>3,797,426</u>	<u>276,117</u>	<u>330,686</u>	<u>245,800</u>	<u>(2,944,823)</u>	<u>0</u>	<u>(2,944,823)</u>
Business-Type Activities							
Water	1,095,387	923,450	0	0	0	(171,937)	(171,937)
Sewer	1,142,648	791,526	0	0	0	(351,122)	(351,122)
Light	5,406,743	4,469,623	0	0	0	(937,120)	(937,120)
<i>Total Business-Type Activities</i>	<u>7,644,778</u>	<u>6,184,599</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,460,179)</u>	<u>(1,460,179)</u>
<i>Total Primary Government</i>	<u>\$11,442,204</u>	<u>\$6,460,716</u>	<u>\$330,686</u>	<u>\$245,800</u>	<u>(2,944,823)</u>	<u>(1,460,179)</u>	<u>(4,405,002)</u>
General Revenues							
Property Taxes Levied for General Purposes				289,362	0		289,362
Property Taxes Levied for Police Operations				511,070	0		511,070
Income Taxes Levied for General Purposes				632,054	0		632,054
Income Taxes Levied for Capital Outlay				632,055	0		632,055
Kilowatt per Hour Tax Levied for General Purposes				199,743	0		199,743
Grants and Entitlements not Restricted to Specific Programs				161,754	0		161,754
Gifts and Donations				11,766	0		11,766
Investment Earnings				28,399	0		28,399
Miscellaneous				19,220	30,712		49,932
<i>Total General Revenues</i>				<u>2,485,423</u>	<u>30,712</u>		<u>2,516,135</u>
Transfers				(114,737)	114,737		0
<i>Total General Revenues and Transfers</i>				<u>2,370,686</u>	<u>145,449</u>		<u>2,516,135</u>
Change in Net Position				(574,137)	(1,314,730)		(1,888,867)
<i>Net Position Beginning of Year (Restated - Note 3)</i>				<u>9,640,369</u>	<u>4,147,297</u>		<u>13,787,666</u>
<i>Net Position End of Year</i>				<u>\$9,066,232</u>	<u>\$2,832,567</u>		<u>\$11,898,799</u>

See accompanying notes to the basic financial statements

**City of St. Clairsville
Balance Sheet
Governmental Funds
December 31, 2013**

	General	Police	Community Development Block Grant	Community Improvement Corporation	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>							
Equity in Pooled Cash and Cash Equivalents	\$835,157	\$15,988	\$189,876	\$0	\$731,566	\$105,367	\$1,877,954
Accounts Receivable	28,445	0	0	0	0	0	28,445
Intergovernmental Receivable	93,602	44,003	0	0	245,800	109,944	493,349
Income Taxes Receivable	231,074	0	0	0	231,074	0	462,148
Materials and Supplies Inventory	0	2,496	0	0	0	42,058	44,554
Interfund Receivable	83,487	0	0	0	113,229	0	196,716
Property Taxes Receivable	453,051	545,505	0	0	0	0	998,556
Loans Receivable	0	0	642,967	0	0	0	642,967
Restricted Assets:							
Equity in Pooled Cash and Cash Equivalents	3,424	0	0	0	0	0	3,424
Assets Held for Resale	0	0	0	32,955	0	0	32,955
Total Assets	\$1,728,240	\$607,992	\$832,843	\$32,955	\$1,321,669	\$257,369	\$4,781,068
<u>Liabilities</u>							
Accounts Payable	\$1,016	\$0	\$0	\$0	\$266,377	\$1,405	\$268,798
Accrued Wages and Benefits Payable	4,319	24,569	0	0	0	16,683	45,571
Contracts Payable	0	0	0	0	330,075	54,131	384,206
Intergovernmental Payable	6,399	20,235	0	0	0	10,918	37,552
Interfund Payable	213,229	0	0	61,487	172,000	0	446,716
Total Liabilities	224,963	44,804	0	61,487	768,452	83,137	1,182,843
<u>Deferred Inflows of Resources</u>							
Property Taxes	436,020	525,000	0	0	0	0	961,020
Unavailable Revenue	250,612	64,508	0	0	403,354	67,587	786,061
Total Deferred Inflows of Resources	686,632	589,508	0	0	403,354	67,587	1,747,081
<u>Fund Balances</u>							
Nonspendable:							
Materials and Supplies Inventory	0	2,496	0	0	0	42,058	44,554
Unclaimed Monies	3,424	0	0	0	0	0	3,424
Restricted for:							
Capital Outlay	0	0	0	0	149,863	0	149,863
Community Development	0	0	832,843	0	0	0	832,843
Street	0	0	0	0	0	67,822	67,822
Other Purposes	0	0	0	0	0	6,973	6,973
Unassigned	813,221	(28,816)	0	(28,532)	0	(10,208)	745,665
Total Fund Balances	816,645	(26,320)	832,843	(28,532)	149,863	106,645	1,851,144
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$1,728,240	\$607,992	\$832,843	\$32,955	\$1,321,669	\$257,369	\$4,781,068

See accompanying notes to the basic financial statements

City of St. Clairsville
Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
December 31, 2013

Total Governmental Fund Balances	\$1,851,144
 <i>Amounts reported for governmental activities on the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,664,547
Other long-term assets are not available to pay for current period expenditures and therefore are reported as deferred inflows of resources in the funds:	
Property Taxes	37,536
Income Taxes	315,108
Intergovernmental	433,417
	786,061
Total	786,061
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(5,396)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
General Obligation Bonds	95,000
Long-Term Notes Payable	698,953
OPWC Loans Payable	242,661
Compensated Absences	193,510
	(1,230,124)
Total	(1,230,124)
Net Position of Governmental Activities	\$9,066,232

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, 2013

	General	Police	Community Development Block Grant	Community Improvement Corporation	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues							
Property Taxes	\$291,454	\$525,033	\$0	\$0	\$0	\$0	\$816,487
Income Taxes	604,028	0	0	0	604,028	0	1,208,056
Kilowatt per Hour Taxes	199,743	0	0	0	0	0	199,743
Charges for Services	0	43,904	0	0	0	89,054	132,958
Licenses and Permits	154,773	0	0	0	0	0	154,773
Fines and Forfeitures	13,217	0	0	0	0	3,385	16,602
Intergovernmental	188,801	79,294	14,759	0	0	255,722	538,576
Interest	22,511	0	2,463	0	0	3,425	28,399
Contributions and Donations	1,782	3,725	0	0	0	6,259	11,766
Other	11,724	0	0	0	0	7,496	19,220
<i>Total Revenues</i>	<u>1,488,033</u>	<u>651,956</u>	<u>17,222</u>	<u>0</u>	<u>604,028</u>	<u>365,341</u>	<u>3,126,580</u>
Expenditures							
Current:							
General Government:							
Legislative and Executive	273,935	0	0	0	0	0	273,935
Judicial	0	0	0	0	0	265	265
Security of Persons and Property - Police	0	972,496	0	0	0	342	972,838
Public Health Services	29,784	0	0	0	0	0	29,784
Leisure Time Services	11,370	0	0	0	0	289,947	301,317
Community and Economic Development	88,486	0	0	654,895	0	0	743,381
Transportation	0	0	0	0	0	505,526	505,526
Capital Outlay	0	0	0	0	862,122	0	862,122
Debt Service:							
Principal Retirement	0	9,673	0	0	0	78,229	87,902
Interest and Fiscal Charges	0	628	0	0	0	36,874	37,502
<i>Total Expenditures</i>	<u>403,575</u>	<u>982,797</u>	<u>0</u>	<u>654,895</u>	<u>862,122</u>	<u>911,183</u>	<u>3,814,572</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,084,458</u>	<u>(330,841)</u>	<u>17,222</u>	<u>(654,895)</u>	<u>(258,094)</u>	<u>(545,842)</u>	<u>(687,992)</u>
Other Financing Sources (Uses)							
Transfers In	0	373,320	0	0	3,000	598,086	974,406
Transfers Out	(859,303)	0	0	0	0	(115,103)	(974,406)
<i>Total Other Financing Sources (Uses)</i>	<u>(859,303)</u>	<u>373,320</u>	<u>0</u>	<u>0</u>	<u>3,000</u>	<u>482,983</u>	<u>0</u>
Net Change in Fund Balances	225,155	42,479	17,222	(654,895)	(255,094)	(62,859)	(687,992)
<i>Fund Balances (Deficit) at Beginning of Year - Restated (Note 3)</i>	<u>591,490</u>	<u>(68,799)</u>	<u>815,621</u>	<u>626,363</u>	<u>404,957</u>	<u>169,504</u>	<u>2,539,136</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u>\$816,645</u>	<u>(\$26,320)</u>	<u>\$832,843</u>	<u>(\$28,532)</u>	<u>\$149,863</u>	<u>\$106,645</u>	<u>\$1,851,144</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, 2013

Net Change in Fund Balances - Total Governmental Funds (\$687,992)

Amounts reported for governmental activities on the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, on 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 capital outlay exceeded depreciation in the current year:

Capital Asset Additions	405,875	
Depreciation	(254,559)	
Total	151,316	151,316

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Property Taxes	(16,055)	
Income Taxes	56,053	
Intergovernmental	199,664	
Licenses and Permits	(28,216)	
Total	211,446	211,446

Repayments of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

General Obligation Bonds	20,000	
Long-Term Note	43,665	
OPWC Loans	14,564	
Capital Leases	9,673	
Total	87,902	87,902

Some expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in the governmental funds.

Accrued Interest		436
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Some expenses reported on the statement of activities such as compensated absences do not require the use of current financial resources, therefore are not reported as expenditures in governmental funds.

(5,791)

Grant funding previously recognized is expensed on the statement of activities in the year of contravention of grant guidelines.

(331,454)

Change in Net Position of Governmental Activities

(\$574,137)

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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Property Taxes	\$302,500	\$302,500	\$291,454	(\$11,046)
Income Taxes	525,951	525,951	556,212	30,261
Kilowatt per Hour Taxes	188,876	188,876	199,743	10,867
Licenses and Permits	119,455	119,455	126,328	6,873
Fines and Forfeitures	12,498	12,498	13,217	719
Intergovernmental	141,012	141,012	188,448	47,436
Interest	21,286	21,286	22,511	1,225
Contributions and Donations	1,685	1,685	1,782	97
Other	17,992	17,992	11,724	(6,268)
Total Revenues	1,331,255	1,331,255	1,411,419	80,164
<u>Expenditures</u>				
Current:				
General Government:				
Legislative and Executive	425,958	425,958	281,986	143,972
Public Health Services	32,500	32,500	29,784	2,716
Leisure Time Services	15,000	15,000	11,370	3,630
Community and Economic Development	99,965	99,965	88,423	11,542
Total Expenditures	573,423	573,423	411,563	161,860
Excess of Revenues Over Expenditures	757,832	757,832	999,856	242,024
<u>Other Financing Uses</u>				
Advances Out	0	0	(22,000)	(22,000)
Transfers Out	(1,350,000)	(1,350,000)	(859,303)	490,697
Total Other Financing Uses	(1,350,000)	(1,350,000)	(881,303)	468,697
Net Change in Fund Balance	(592,168)	(592,168)	118,553	710,721
Fund Balance at Beginning of Year	720,028	720,028	720,028	0
Fund Balance at End of Year	\$127,860	\$127,860	\$838,581	\$710,721

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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<u>Revenues</u>				
Property Taxes	\$554,100	\$554,100	\$525,033	(\$29,067)
Charges for Services	172,638	227,741	43,904	(183,837)
Intergovernmental	152,615	201,328	79,294	(122,034)
Contributions and Donations	14,647	19,323	3,725	(15,598)
Total Revenues	<u>894,000</u>	<u>1,002,492</u>	<u>651,956</u>	<u>(350,536)</u>
<u>Expenditures</u>				
Current:				
Security of Persons and Property - Police	<u>950,201</u>	<u>1,026,999</u>	<u>1,003,241</u>	<u>23,758</u>
Excess of Revenues Over (Under) Expenditures	(56,201)	(24,507)	(351,285)	(326,778)
<u>Other Financing Sources</u>				
Transfers In	<u>0</u>	<u>0</u>	<u>373,320</u>	<u>373,320</u>
Net Change in Fund Balance	(56,201)	(24,507)	22,035	46,542
Fund Balance (Deficit) at Beginning of Year	<u>(6,047)</u>	<u>(6,047)</u>	<u>(6,047)</u>	<u>0</u>
Fund Balance (Deficit) at End of Year	<u><u>(\$62,248)</u></u>	<u><u>(\$30,554)</u></u>	<u><u>\$15,988</u></u>	<u><u>\$46,542</u></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
Community Development Block Grant Fund
For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>Revenues</u>				
Intergovernmental	\$0	\$0	\$21,904	\$21,904
Interest	0	0	2,463	2,463
Total Revenues	0	0	24,367	24,367
<u>Expenditures</u>				
Current:				
Community and Economic Development	140,063	140,063	0	140,063
Net Change in Fund Balance	(140,063)	(140,063)	24,367	164,430
Fund Balance at Beginning of Year	165,509	165,509	165,509	0
Fund Balance at End of Year	<u>\$25,446</u>	<u>\$25,446</u>	<u>\$189,876</u>	<u>\$164,430</u>

See accompanying notes to the basic financial statements

City of St. Clairsville
Statement of Fund Net Position
Proprietary Funds
December 31, 2013

	Water	Sewer	Light	Total Enterprise
<u>Assets</u>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$302,330	\$294,692	\$1,635,529	\$2,232,551
Accounts Receivable	99,380	85,123	526,346	710,849
Materials and Supplies Inventory	61,171	10,488	141,382	213,041
Interfund Receivable	0	0	250,000	250,000
<i>Total Current Assets</i>	<u>462,881</u>	<u>390,303</u>	<u>2,553,257</u>	<u>3,406,441</u>
Non-Current Assets:				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	74,216	57,498	24,026	155,740
Nondepreciable Capital Assets	0	0	320,596	320,596
Depreciable Capital Assets, Net	1,049,603	1,310,838	3,674,613	6,035,054
<i>Total Non-Current Assets</i>	<u>1,123,819</u>	<u>1,368,336</u>	<u>4,019,235</u>	<u>6,511,390</u>
<i>Total Assets</i>	<u>1,586,700</u>	<u>1,758,639</u>	<u>6,572,492</u>	<u>9,917,831</u>
<u>Liabilities</u>				
Current Liabilities:				
Accounts Payable	3,698	0	613,654	617,352
Accrued Wages and Benefits Payable	14,942	16,100	17,794	48,836
Intergovernmental Payable	9,851	11,339	13,796	34,986
Accrued Interest Payable	767	1,345	17,083	19,195
Current Portion Compensated Absences Payable	971	1,164	2,168	4,303
Current Portion OPWC Loan Payable	2,524	20,678	0	23,202
Current Portion USDA Rural Development Loan Payable	0	3,225	0	3,225
Current Portion General Obligation Bonds Payable	10,000	25,000	200,000	235,000
<i>Total Current Liabilities</i>	<u>42,753</u>	<u>78,851</u>	<u>864,495</u>	<u>986,099</u>
Long-Term Liabilities (Net of Current Portion):				
Refundable Deposits Payable from Restricted Assets	74,216	57,498	24,026	155,740
Compensated Absences Payable	21,486	25,755	47,969	95,210
OPWC Loans Payable	32,940	235,435	0	268,375
USDA Rural Development Loan Payable	0	106,871	0	106,871
General Obligation Bonds Payable	226,173	215,668	5,031,128	5,472,969
<i>Total Long-Term Liabilities</i>	<u>354,815</u>	<u>641,227</u>	<u>5,103,123</u>	<u>6,099,165</u>
<i>Total Liabilities</i>	<u>397,568</u>	<u>720,078</u>	<u>5,967,618</u>	<u>7,085,264</u>
<u>Net Position (Deficit)</u>				
Net Investment in Capital Assets	784,139	709,629	(1,129,791)	363,977
Unrestricted	404,993	328,932	1,734,665	2,468,590
<i>Total Net Position</i>	<u>\$1,189,132</u>	<u>\$1,038,561</u>	<u>\$604,874</u>	<u>\$2,832,567</u>

See accompanying notes to the basic financial statements

City of St. Clairsville
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2013

	Water	Sewer	Light	Total Enterprise
<u>Operating Revenues</u>				
Charges for Services	\$923,450	\$791,526	\$4,469,623	\$6,184,599
Other	5,141	5,313	20,258	30,712
<i>Total Operating Revenues</i>	<u>928,591</u>	<u>796,839</u>	<u>4,489,881</u>	<u>6,215,311</u>
<u>Operating Expenses</u>				
Personal Services	510,018	528,183	618,208	1,656,409
Contractual Services	199,043	130,478	993,211	1,322,732
Purchased Power	0	0	3,296,691	3,296,691
Materials and Supplies	115,303	80,432	120,749	316,484
Depreciation	259,955	380,826	149,817	790,598
<i>Total Operating Expenses</i>	<u>1,084,319</u>	<u>1,119,919</u>	<u>5,178,676</u>	<u>7,382,914</u>
<i>Operating Loss</i>	(155,728)	(323,080)	(688,795)	(1,167,603)
<u>Non-Operating Expenses</u>				
Interest and Fiscal Charges	(11,068)	(22,729)	(228,067)	(261,864)
<i>Loss Before Contributions and Transfers</i>	(166,796)	(345,809)	(916,862)	(1,429,467)
Capital Contributions	11,441	103,296	0	114,737
<i>Loss Before Transfers</i>	(155,355)	(242,513)	(916,862)	(1,314,730)
Transfers In	0	9,962	0	9,962
Transfers Out	(9,962)	0	0	(9,962)
<i>Change in Net Position</i>	(165,317)	(232,551)	(916,862)	(1,314,730)
<i>Net Position Beginning of Year</i>	<u>1,354,449</u>	<u>1,271,112</u>	<u>1,521,736</u>	<u>4,147,297</u>
<i>Net Position End of Year</i>	<u>\$1,189,132</u>	<u>\$1,038,561</u>	<u>\$604,874</u>	<u>\$2,832,567</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, 2013

	Water	Sewer	Light	Total Enterprise
Increase (Decrease) in Cash and Cash Equivalents				
<u>Cash Flows from Operating Activities</u>				
Cash Received from Customers	\$925,576	\$793,467	\$4,419,814	\$6,138,857
Cash Payments for Employee Services and Benefits	(510,633)	(523,467)	(614,742)	(1,648,842)
Cash Payments for Goods and Services	(312,452)	(211,489)	(776,381)	(1,300,322)
Cash Payments for Purchased Power	0	0	(3,296,691)	(3,296,691)
Utility Deposits Received	5,220	5,365	26,532	37,117
Utility Deposits Paid	(5,161)	(5,305)	(26,234)	(36,700)
Other Operating Revenues	5,141	5,313	20,258	30,712
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>107,691</u>	<u>63,884</u>	<u>(247,444)</u>	<u>(75,869)</u>
<u>Cash Flows from Noncapital Financing Activities</u>				
Cash Received for Other Local Taxes	0	0	25,167	25,167
Cash Payments of Other Local Taxes	0	0	(25,167)	(25,167)
<i>Net Cash Provided by Noncapital Activities</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Cash Flows from Capital and Related Financing Activities</u>				
Principal Paid on General Obligation Bonds	(5,000)	(20,000)	(175,000)	(200,000)
Principal Paid on OPWC Loans	(2,474)	(20,271)	0	(22,745)
Principal Paid on USDA Rural Development Loans	0	(3,005)	0	(3,005)
Interest Paid on Debt	(11,409)	(24,229)	(234,955)	(270,593)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(18,883)</u>	<u>(67,505)</u>	<u>(409,955)</u>	<u>(496,343)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	88,808	(3,621)	(657,399)	(572,212)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>287,738</u>	<u>355,811</u>	<u>2,316,954</u>	<u>2,960,503</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$376,546</u>	<u>\$352,190</u>	<u>\$1,659,555</u>	<u>\$2,388,291</u>
<u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</u>				
Operating Loss	(\$155,728)	(\$323,080)	(\$688,795)	(\$1,167,603)
<u>Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used for) Operating Activities</u>				
Depreciation	259,955	380,826	149,817	790,598
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	2,126	1,941	(49,809)	(45,742)
Increase in Accrued Wages and Benefits Payable	1,010	2,379	2,407	5,796
Increase (Decrease) in Accounts Payable	2,508	(1,190)	336,968	338,286
Increase in Compensated Absences Payable	984	3,338	2,947	7,269
Decrease in Intergovernmental Payable	(3,223)	(390)	(1,277)	(4,890)
Increase in Refundable Deposits Payable	59	60	298	417
Total Adjustments	<u>263,419</u>	<u>386,964</u>	<u>441,351</u>	<u>1,091,734</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$107,691</u>	<u>\$63,884</u>	<u>(\$247,444)</u>	<u>(\$75,869)</u>

Noncash Activities:

There were \$11,441 and \$103,296 Capital Contributions from Governmental Activities recorded in the Water and Sewer Funds, respectively in 2013.

The Sewer Fund had \$9,962 of transfers in from the Water Fund, for prior year interfund loans that were made permanent transfers.

See accompanying notes to the basic financial statements

City of St. Clairsville
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2013

Assets

Equity in Pooled Cash and Cash Equivalents	\$3,775
Cash and Cash Equivalents in Segregated Accounts	<u>1,803</u>

<i>Total Assets</i>	<u><u>\$5,578</u></u>
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Liabilities

Undistributed Monies	<u>\$5,578</u>
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<i>Total Liabilities</i>	<u><u>\$5,578</u></u>
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See accompanying notes to the basic financial statements

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City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

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

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 the Mayor, subject to a majority vote of Council, to an indefinite term, not to exceed the Mayor’s term. The Service Director may be removed from office by the Mayor, subject to the approval of two-thirds of the 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

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are not misleading.

The primary government consists of all funds and departments that are not legally separate from the City. Services provided by the primary government include 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.

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.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Component units may also include organizations for which the City approves the budget, the issuance of debt or the levying of taxes and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. The City has one blended component unit.

The Community Improvement Corporation meets the blended component unit criteria of Governmental Accounting Standards Board (GASB) Statement Numbers. 14, 39, and 61, and is presented as a Special Revenue Fund of the City accordingly.

The Community Improvement Corporation is a legally separate organization, which is governed by the voting membership. All members of the St. Clairsville City Council are voting members of the Community Improvement Corporation. The purpose of the Community Improvement Corporation is to provide economic development opportunities for the City. The City can impose its will on the Community Improvement Corporation, and has a financial benefit/burden relationship with the Community Improvement Corporation. In addition, the City provides management of the Community Improvement Corporation. The Community Improvement Corporation is a blended component unit of the City, and is reported as a Special Revenue Fund. Separately issued financial statements can be obtained from the St. Clairsville Community Improvement Corporation.

The following potential component units have been excluded from the City's financial statements because the City is not financially accountable for them nor are these entities for which the City approves the budget, issues debt, or levies taxes:

St. Clairsville-Richland City School District
St. Clairsville Public Library
Belmont County Transportation Improvement District

The City is involved with the following organizations which are defined as jointly governed organizations. Additional financial information concerning the jointly governed organizations is presented in Note 18.

Ohio Mid-Eastern Governments Association (OMEGA)
Bel-O-Mar Regional Council
Southeastern Ohio Narcotics Task Force (SENT)
Memorial Park District of the City of St. Clairsville and Richland Township
Cumberland Trail Fire District

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 governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. 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 position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Government-wide Financial Statements The Statement of Net Position 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.

The Statement of Net Position 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.

Community Development Block Grant Fund The community development block grant special revenue fund is to account for the Federal grant monies used for the administration of a community development block grant program.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Community Improvement Corporation Fund The St. Clairsville Community Improvement Corporation is a legally separate organization, which is a blended component unit, and is presented as a non-budgeted special revenue fund of the City. The purpose of the Community Improvement Corporation is to provide economic development opportunities for the City.

Permanent Improvement Fund The permanent improvement capital projects fund is to account for income taxes, and transfers expended for the construction and repair/improvements of various City properties and facilities.

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 position, 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 position and changes in net position. 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 Position. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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 Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. 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 outflows/inflows of resources, and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, no deferred outflows of resources are reported.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2013, but which were levied to finance 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, income tax revenue, licenses and permits, state-levied and locally shared taxes, and grants and entitlements. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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. 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 for all 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.

The Community Improvement Corporation is a legally separate organization. Although the component unit is blended and presented as a special revenue fund, the City is not required to budget resources nor appropriate funds, and therefore budgetary information will not be presented.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

F. Pooled Cash and Cash Equivalents and Investments

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

During 2013, the City's investments were limited to nonnegotiable certificates of deposit, and STAR Ohio.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit and repurchase agreements are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's net asset value per share which is the price the investment could be sold at December 31, 2013.

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 2013 amounted to \$22,511, which includes \$19,198 assigned from other City funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are presented on the financial statements as cash equivalents.

G. Materials and Supplies Inventory

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

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Customer deposits are classified as restricted assets on the Statement of Fund Net Position – Proprietary Funds because the deposit remains the property of the customer. The restricted asset account is balanced by a deposits held and due to others liability account. Restricted assets of the City also include unclaimed monies.

I. Receivables and Payables

Receivables and payables are recorded on the City's financial statements to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also, by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectability.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

J. Assets Held for Resale

As part of the economic development program, the Community Improvement Corporation has acquired land from the City. This property is intended to be sold to promote economic development within the City.

K. 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 position 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 position 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. The City was able to estimate the historical cost for the initial reporting of capital assets by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of two thousand dollars. 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 capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental and Business Type Activities Estimated Lives
Land Improvements	15 Years
Building and Building Improvements	40 Years
Equipment and Vehicles	5-7 Years
Infrastructure	15-25 Years

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

L. 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."

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them are reported as “due to/due from other funds.” These amounts are eliminated in the governmental columns of the Statement of Net Position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

M. 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.

The entire sick leave benefit liability is reported on the government-wide financial statements.

On the government fund financial statements, sick leave benefits are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured severance payable” in the fund from which the employee will be paid.

N. 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 and compensated absences 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.

O. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*,” the City classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Restricted: Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the legislation.

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance or resolution) of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned: Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the City Council. In the general fund, assigned amounts represent intended uses established by the City Council or a City official delegated that authority by City charter, or ordinance, or by State Statute. State Statute authorizes the Director of Finance to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned: Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

P. Net Position

Net Position represents the difference between all other elements in a statement of financial position. Net investments in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes are primarily for net position of the Miscellaneous Court/Safety Special Revenue Fund, and unclaimed monies. Of the restricted net position, none has resulted from enabling legislation.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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

Q. 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, sewer, and electric 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.

R. Internal 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.

S. 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.

T. 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.

U. Contributions of Capital

Contributions of capital arise from contributions from other funds, or from grants or outside contributions of resources restricted to capital acquisition and construction.

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES / RESTATEMENT OF FUND BALANCE AND NET POSITION

A. Changes in Accounting Principles

For 2013, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 61, "The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34".

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

This statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. These changes were incorporated in the City's 2013 financial statements, and as a result, the Community Improvement Corporation is no longer reported as a discretely presented component unit of the City; instead, it is presented as a blended component unit, and reported as a special revenue fund of the City.

B. Restatement of Fund Balance and Net Position

The City restated December 31, 2012 fund balances to account for the Community Improvement Corporation being reported as a special revenue fund of the City, as well as a restatement related to land transferred to the Community Improvement Corporation in prior years. The City also restated for materials and supplies inventory reported in Other Governmental Funds. The restatements had the following effect on fund balances:

	General	Community Improvement Corporation	Other Governmental Funds	Total Governmental
Fund Balances, December 31, 2012	\$536,826	\$0	\$239,504	\$1,928,109
Interfund Receivable	54,664	0	0	54,664
Assets Held for Resale	0	990,024	0	990,024
Materials and Supplies Inventory	0	0	(70,000)	(70,000)
Interfund Payable	0	(54,664)	0	(54,664)
Accrued Interest Payable	0	(286)	0	(286)
Loans Payable	0	(308,711)	0	(308,711)
Restated Fund Balances, December 31, 2012	<u>\$591,490</u>	<u>\$626,363</u>	<u>\$169,504</u>	<u>\$2,539,136</u>

The restatement of December 31, 2012 fund balances had the following effect on net position at December 31, 2012:

	Total Governmental
Net Position, December 31, 2012	\$9,062,297
Net Investment in Capital Assets	(32,955)
Restricted for Community Development	626,363
Restricted for Street	(70,000)
Unrestricted	<u>54,664</u>
Restated Net Position, December 31, 2012	<u>\$9,640,369</u>

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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 and police and community development block grant major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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, and Community Development Block Grant Special Revenue Funds. The Community Improvement Corporation Fund is not a budgeted fund of the City and has no budgetary presentation requirements, therefore no reconciliation is presented.

Net Change in Fund Balances
General and Major Special Revenue Funds

	General	Police	Community Development Block Grant
GAAP Basis	\$225,155	\$42,479	\$17,222
Revenue Accruals	(76,614)	0	7,145
Expenditure Accruals	(7,988)	(20,444)	0
Advances Out	(22,000)	0	0
Budget Basis	\$118,553	\$22,035	\$24,367

NOTE 5 - DEPOSITS AND INVESTMENTS

The City has chosen to follow State statute and classify monies held by the City into three categories.

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

City of St. Clairsville
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For the Year Ended December 31, 2013

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

Interim 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.

Interim monies held by the City can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and 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, 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. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) above provided 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 the term of the agreement must not exceed thirty days.

The City has passed an ordinance allowing the City to invest monies not required to be used for a period of six months or more in the following:

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

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$3,884,632 of the City's bank balance of \$4,498,678 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2013, the City had an investment in STAR Ohio. The fair value of the STAR Ohio investment was \$4,307, and the investment has an average maturity of 53.4 days.

Interest Rate Risk. 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. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk. STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The City has no policy that addresses credit risk.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk. The City places no limit on the amount that may be invested in any one issuer.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the City. Property tax revenue received during 2013 for real and public utility property taxes represents collections of 2012 taxes.

2013 real property taxes were levied after October 1, 2013, on the assessed value as of January 1, 2013, the lien date. Assessed values are established by the State Law at 35 percent of appraised market value. 2013 real property taxes are collected in and intended to finance 2014.

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 later payment dates to be established.

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. 2013 public utility property taxes which became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2013, was \$12.10 per \$1,000 of assessed value. The assessed values of real and public utility tangible personal property upon which 2013 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Property	\$108,578,870
Public Utility Personal Property	806,260
Total Assessed Property Value	<u><u>\$109,385,130</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2013, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2013 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – property taxes not levied to finance current year operations.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2013 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 considered collectible in full. Delinquent accounts receivable may be certified and collected as a special assessment, subject to foreclosure for nonpayment. Except as noted below, all other receivables are expected to be collected within one year.

Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$37,536 may not be collected within one year.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

The Community Development Block Grant Fund reflects loans receivable of \$642,967. These loans receivable are for financing the rehabilitation of downtown local businesses for community and economic development. Of the total loans receivable, \$17,000 is scheduled to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities:

Local Government Funding	\$45,993
Homestead/Rollback Reimbursement	69,220
Estate Tax	22,392
Motor Vehicle License and Gasoline Tax	109,944
Ohio Public Works Commission Grant	<u>245,800</u>
Total Governmental Activities	<u><u>\$493,349</u></u>

NOTE 8 - INCOME TAXES

The City levies an income tax of 0.75 percent on every individual taxpayer who resides in the City of St. Clairsville, as well as all non-resident individuals who receive net profits, salaries, wages, commissions or other personal service compensation for work done, or services performed or rendered inside of the City of St. Clairsville.

Residents of the City who receive net profits, salaries, wages, commissions or other personal service compensation for work done, or services performed or rendered outside of the City of St. Clairsville are allowed a credit for any income taxes assessed upon them by outside municipalities. The credit is for any income taxes paid to another municipality, up to fifty percent of the income tax assessed by the City of St. Clairsville.

The General Fund and the Permanent Improvement Fund each receive 50 percent of income tax revenues.

NOTE 9 - CAPITAL ASSETS

A summary of changes in capital assets during 2013 follows:

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

	Balance <u>12/31/2012</u>	Additions	Deletions	Balance <u>12/31/2013</u>
<u>Governmental Activities:</u>				
Non Depreciable Capital Assets:				
Land	\$1,238,483	\$0	\$0	\$1,238,483
Construction in Progress	<u>0</u>	<u>384,206</u>	<u>0</u>	<u>384,206</u>
Total Non Depreciable Capital Assets	<u>1,238,483</u>	<u>384,206</u>	<u>0</u>	<u>1,622,689</u>
Depreciable Capital Assets:				
Land Improvements	266,179	0	0	266,179
Buildings and Improvements	2,180,616	9,980	0	2,190,596
Machinery and Equipment	518,992	11,689	0	530,681
Infrastructure	6,438,961	0	0	6,438,961
Vehicles	<u>323,582</u>	<u>0</u>	<u>0</u>	<u>323,582</u>
Total Depreciable Capital Assets	<u>9,728,330</u>	<u>21,669</u>	<u>0</u>	<u>9,749,999</u>
Accumulated Depreciation:				
Land Improvements	(94,422)	(11,783)	0	(106,205)
Buildings and Improvements	(1,964,459)	(42,722)	0	(2,007,181)
Machinery and Equipment	(351,841)	(31,275)	0	(383,116)
Infrastructure	(847,384)	(146,824)	0	(994,208)
Vehicles	<u>(195,476)</u>	<u>(21,955)</u>	<u>0</u>	<u>(217,431)</u>
Total Accumulated Depreciation	<u>(3,453,582)</u>	<u>(254,559)</u>	<u>0</u>	<u>(3,708,141)</u>
Total Depreciable Capital Assets, Net	<u>6,274,748</u>	<u>(232,890)</u>	<u>0</u>	<u>6,041,858</u>
Governmental Capital Assets, Net	<u>\$7,513,231</u>	<u>\$151,316</u>	<u>\$0</u>	<u>\$7,664,547</u>

*Depreciation expense was charged to governmental functions as follows:

General Government:	
Legislative and Executive	\$18,805
Leisure Time Services	101,378
Security of Persons and Property:	
Police	15,497
Transportation	98,036
Community and Economic Development	<u>20,843</u>
Total Depreciation Expense	<u>\$254,559</u>

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

	Balance 12/31/2012	Additions	Deletions	Balance 12/31/2013
<u>Business Type Activities:</u>				
Non Depreciable Capital Assets:				
Land	\$320,596	\$0	\$0	\$320,596
Construction in Progress	49,750	0	49,750	0
Total Non Depreciable Capital Assets	<u>370,346</u>	<u>0</u>	<u>49,750</u>	<u>320,596</u>
Depreciable Capital Assets:				
Buildings and Improvements	2,439,512	14,000	0	2,453,512
Machinery and Equipment	864,356	56,423	0	920,779
Infrastructure	21,853,414	94,064	0	21,947,478
Vehicles	355,558	0	0	355,558
Total Depreciable Capital Assets	<u>25,512,840</u>	<u>164,487</u>	<u>0</u>	<u>25,677,327</u>
Accumulated Depreciation:				
Buildings and Improvements	(1,017,913)	(63,428)	0	(1,081,341)
Machinery and Equipment	(612,125)	(56,330)	0	(668,455)
Infrastructure	(17,011,615)	(654,901)	0	(17,666,516)
Vehicles	(210,022)	(15,939)	0	(225,961)
Total Accumulated Depreciation	<u>(18,851,675)</u>	<u>(790,598)</u>	<u>0</u>	<u>(19,642,273)</u>
Total Depreciable Capital Assets, Net	<u>6,661,165</u>	<u>(626,111)</u>	<u>0</u>	<u>6,035,054</u>
Business Type Capital Assets, Net	<u>\$7,031,511</u>	<u>(\$626,111)</u>	<u>\$49,750</u>	<u>\$6,355,650</u>

NOTE 10 - RISK MANAGEMENT

A. Property and Liability Insurance

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. During 2013, the City contracted with the Scottsdale Insurance Company, and the Westfield Insurance Company for property and inland marine coverage, for fleet insurance, and liability insurance. The Scottsdale Insurance Coverage and Westfield Insurance Coverage, provided by the Pilney-Foster Insurance Agency of Ohio, are as follows:

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Building and Contents - replacement cost (\$5,000 deductible)	\$28,619,337
Vacant Hotel (\$5,000 deductible)	500,000
Flood Coverage (\$10,000 deductible)	5,000,000
Earthquake (\$25,000 deductible)	5,000,000
Equipment Breakdown Limit - reported value (\$5,000 deductible)	\$28,619,337
Crime:	
Employee Dishonesty	500,000
Automotive:	
Bodily Injury, Property Damage, etc. (each occurrence)	1,000,000
Uninsured Motorist	1,000,000
Medical Payments	5,000
General Liability:	
General Aggregate	2,000,000
Personal Injury / Advertising Injury	1,000,000
Limit Per Occurrence	1,000,000
Employers Stop Gap	1,000,000
Employee Benefits:	
Each Employee (\$1,000 deductible)	1,000,000
Aggregate	1,000,000
Public Officials Liability:	
Aggregate	1,000,000
Each Occurrence (\$2,500 deductible)	1,000,000
Law Enforcement Liability:	
Aggregate	5,000,000
Each Person / Occurrence (\$2,500 deductible)	5,000,000
Umbrella:	
Aggregate	5,000,000
Each Occurrence (\$10,00 deductible)	5,000,000

Settled 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.

B. Workers' Compensation

The City pays the State Workers' Compensation System a premium for employee injury coverage based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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 Pension 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. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension 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. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, 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 and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions. The Ohio Revised Code authorizes OPERS to calculate member contribution rates for public safety employees and limits the law enforcement rate to the public safety rate plus an additional percentage not to exceed two percent. For the year ended December 31, 2013, members in state and local divisions contributed 10 percent of covered payroll while public safety and law enforcement members contributed 12.0 percent and 12.6 percent, respectively. Effective January 1, 2014, the member contribution rates law enforcement increased to 13 percent. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2013, member and employer contribution rates were consistent across all three plans.

The City's 2013 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 18.10 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. For 2013, the portion of employer contribution allocated to health care was 1.00 percent for members in the Traditional Plan and the Combined Plan. Effective January 1, 2014, the portion of employer contributions allocated to health care increased to 2 percent. Employer contribution rates are actuarially determined.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2013, 2012, and 2011 were \$176,323, \$168,280, and \$168,418, respectively. For 2013, 87.97 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011. No contributions were made to the Member-Directed Plan by the City or the plan members for 2013.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – Employer and employee contribution rates are set by the Ohio Revised Code. From January 1, 2013, thru July 1, 2013, plan members were required to contribute 10 percent of their annual covered salary. From July 2, 2013, through December 31, 2013, plan members were required to contribute 10.75 percent of their annual covered salary. Throughout 2013, employers were required to contribute 19.5 percent and 24 percent respectively for police officers and firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. For January 1, 2013, thru May 31, 2013, the portion of employer contributions used to fund pension benefits was 14.81 percent of covered payroll for police officers. For June 1, 2013, through December 31, 2013, the portion of employer contributions used to fund pension benefits was 16.65 percent of covered payroll for police officers. The City's contributions to OP&F for police pension was \$64,604 for the year ended December 31, 2013, \$45,725 for the year ended December 31, 2012, and \$51,734 for the year ended December 31, 2011. For 2013, 88.93 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by a State Retirement System have an option to choose social security or the appropriate state system. The City's liability is 6.2 percent of wages paid. No employees have elected social security.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit.

City of St. Clairsville
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For the Year Ended December 31, 2013

Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, 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 visiting <https://www.opers.org/investments/cafr.shtml>, 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 post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2013, the portion of employer contributions allocated to health care for members in the Traditional Plan and the Combined Plan was 1.0 percent. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS Actuary.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree 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 post-employment health care plan.

The City’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$70,529, \$67,312, and \$67,367, respectively. For 2013, 87.97 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

B. Police and Fire Pension Fund

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

City of St. Clairsville
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OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

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 health care 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. That report is also available on OP&F's website at www.op-f.org.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For January 1, 2013, thru May 31, 2013, the employer contribution allocated to the health care plan was 4.69 percent of covered payroll. For June 1, 2013, thru December 31, 2013, the employer contribution allocated to the health care plan was 2.85 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care 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.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police were \$15,483 for the year ended December 31, 2013, \$24,208 for the year ended December 31, 2012, and \$27,389 for the year ended December 31, 2011. For 2013, 88.93 percent has been contributed for police with the balance being report as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. 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 cannot be carried over; however, unforeseen circumstances may come into play and the supervisor 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 480 hours of accumulated sick time provided they have ten years of service with OPERS. Police are paid a maximum of 600 hours of accumulated sick time provided they have ten years of service with the City.

B. Insurances

The City provides medical/surgical and prescription drug insurance coverage for all eligible employees through the Health Plan of the Upper Ohio Valley. The monthly premium for medical/surgical and prescription drug coverage is \$574.13 for single plan and \$1,435.31 for a family plan. The Council pays 90 percent of the premiums. The City provides dental insurance coverage for all eligible employees through Delta Dental. The monthly premium for dental coverage is \$33.50 for a single plan, \$62.35 for a spouse plan, and \$116.75 for a family plan. The Council pays 100 percent of the premiums. The City provides vision insurance coverage for all AFSCME and FOP union employees through Vision Service Plan. The monthly premium for vision coverage is \$7.25; the Council pays 100 percent of the premiums. Elected officials and full time non-union employees may purchase vision insurance from Vision Service Plan at a premium of \$20.00 per month. The City provides a life insurance policy, in the amount of \$25,000, for all eligible employees through Anthem. The monthly premium for life insurance policy is \$9.75; the Council pays 100 percent of the premiums.

NOTE 14 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the City has entered into capitalized leases for vehicles. Capital lease payments are reflected as debt service expenditures in the basic financial statements for the governmental funds.

Vehicles acquired by lease have been capitalized in government wide statements governmental activities in the amount of \$29,056, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the government wide statements governmental activities. Governmental activities capitalized leased assets are reflected net of accumulated depreciation in the amount of \$23,245. Principal payments towards capital leases during 2013 totaled \$9,673 for governmental activities. As of December 31, 2013, the lease has been fully paid.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 15 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City during the year ended December 31, 2013 consisted of the following:

	Balance 12/31/2012	Additions	Reductions	Balance 12/31/2013	Due Within One Year
<u>Governmental Activities:</u>					
<i>General Obligation Bonds</i>					
<i>Various Purpose - 2007 \$6,995,000</i>					
Road Equipment - Serial/Term Bonds \$35,000 @ 4.0% to 5.50%	\$25,000	\$0	\$5,000	\$20,000	\$5,000
Recreational Facilities - Serial/Term Bonds \$70,000 @ 4.0%	15,000	0	15,000	0	0
\$75,000 @ 4.0% to 5.0%	75,000	0	0	75,000	0
Total General Obligation Bonds	115,000	0	20,000	95,000	5,000
<i>Long Term Notes Payable</i>					
Recreation, 2005 - \$1,000,000 @ 4.36%	742,618	0	43,665	698,953	45,449
<i>OPWC Loans</i>					
Bett-Mar (CR10L) 2008 - \$116,589 @ 0%	96,186	0	5,829	90,357	5,829
St. Clairsville Road Project (CR25M) 2010 - \$98,372 @ 0%	88,535	0	4,919	83,616	4,919
Resurfacing 22 Roads (CR03N) 2011 - \$76,320 @ 0%	72,504	0	3,816	68,688	3,816
Total OPWC Loans	257,225	0	14,564	242,661	14,564
Capital Leases	9,673	0	9,673	0	0
Compensated Absences	187,719	135,016	129,225	193,510	8,370
Total Governmental Activities	\$1,312,235	\$135,016	\$217,127	\$1,230,124	\$73,383

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

	Balance 12/31/2012	Additions	Reductions	Balance 12/31/2013	Due Within One Year
<u>Business Type Activities</u>					
<i>General Obligation Bonds</i>					
<i>Various Purpose - 2007 \$6,995,000</i>					
Various Water System Improvements					
\$255,000 @ 4.0% to 5.50%	\$235,000	\$0	\$5,000	\$230,000	\$10,000
Premium - \$8,123	6,498	0	325	6,173	0
Various Sewer System Improvements					
\$410,000 @ 4.0% to 5.50%	255,000	0	20,000	235,000	25,000
Premium - \$14,176	7,086	0	1,418	5,668	0
Various Light System Improvements					
\$6,015,000 @ 4.0% to 5.50%	5,300,000	0	175,000	5,125,000	200,000
Premium - \$143,952	112,432	0	6,304	106,128	0
Total General Obligation Bonds	5,916,016	0	208,047	5,707,969	235,000
<i>OPWC Loans</i>					
Belmont Drive Pump Station Replacement (CR20H)					
2007 - \$73,774 @ 0.02%	56,319	0	3,384	52,935	3,452
East Main Force Liner (CR23F)					
2004 - \$214,890 @ 0.02%	133,875	0	10,464	123,411	10,674
Wastewater System Repairs (CR13E)					
2004 - \$133,216 @ 0.02%	86,190	0	6,423	79,767	6,552
Water Transmission Connection (CR05H)					
2006 - \$52,875 @ 0.02%	37,938	0	2,474	35,464	2,524
Total OPWC Loans	314,322	0	22,745	291,577	23,202
<i>USDA Rural Development Loan</i>					
Joint Sewer Project					
1993 - \$146,600 @ 6.125%	113,101	0	3,005	110,096	3,225
Compensated Absences	92,244	83,318	76,049	99,513	4,303
Total Business Type Activities	\$6,435,683	\$83,318	\$309,846	\$6,209,155	\$265,730

Governmental Activities

2007 Various Purpose General Obligation Bonds - On April 26, 1997 the City issued \$6,995,000 of 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, which approximates the effective interest method. During 2013, the City made the scheduled debt service payments of \$220,000 for governmental and business type activities in the amounts of \$20,000 and \$200,000, respectively. A breakdown of the business-type portion of this bond issue is addressed below in the business type activity portion of this note.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Principal and interest requirements to retire the governmental activities portion of the 2007 Various Purpose Bonds outstanding at December 31, 2013 are as follows:

Year Ending December 31,	Serial and Term Bonds		
	Principal	Interest	Total
2014	\$5,000	\$4,300	\$9,300
2015	5,000	4,050	9,050
2016	5,000	3,800	8,800
2017	5,000	3,550	8,550
2018	5,000	3,275	8,275
2019-2023	25,000	13,370	38,370
2024-2028	25,000	8,272	33,272
2029-2032	20,000	2,500	22,500
Total	\$95,000	\$43,117	\$138,117

Long-Term Notes Payable – In 2005 the City issued a long-term note in the amount of \$1,000,000 for the purpose of acquiring property from the Belmont County Agricultural Society. The long-term note will be paid with recreation fees and general revenues. As of December 31, 2013, \$698,953 remains outstanding. The note has a fixed interest rate of 4.36 percent and is backed by the full faith and credit of the City.

Principal and interest requirements to retire the Long-Term Note outstanding at December 31, 2013 are as follows:

Year Ending December 31,	Principal	Interest	Total
2014	\$45,449	\$29,990	\$75,439
2015	47,452	27,987	75,439
2016	49,544	25,896	75,440
2017	51,727	23,712	75,439
2018	54,007	21,432	75,439
2019-2023	307,908	69,286	377,194
2024-2027	142,866	7,887	150,753
Total	\$698,953	\$206,190	\$905,143

OPWC Loans – The City has entered into OPWC Loans for various road projects. These loans will be paid with gasoline and motor vehicle license tax money. These OPWC Loans are interest free.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

The OPWC loan debt service requirements to maturity are as follows:

Year Ending December 31,	Principal
2014	\$14,564
2015	14,564
2016	14,564
2017	14,564
2018	14,564
2019-2023	72,820
2024-2028	72,820
2029-2032	24,201
	<u>\$242,661</u>

Business Type Activities

2007 Various Purpose General Obligation Bonds - On April 26, 1997 the city issued \$6,995,000 of 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, which approximates the effective interest method. During 2013, the City made the scheduled debt service payments of \$220,000 for governmental and business type activities in the amounts of \$20,000 and \$200,000, respectively.

Principal and interest requirements to retire the business type activities portion of the 2007 Various Purpose Bonds outstanding at December 31, 2013 are as follows:

Year Ending December 31,	<u>Serial and Term Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$235,000	\$249,492	\$484,492
2015	240,000	237,743	477,743
2016	250,000	225,742	475,742
2017	265,000	213,243	478,243
2018	280,000	198,667	478,667
2019-2023	1,630,000	811,798	2,441,798
2024-2028	1,640,000	460,269	2,100,269
2029-2032	1,050,000	135,500	1,185,500
Total	<u>\$5,590,000</u>	<u>\$2,532,454</u>	<u>\$8,122,454</u>

OPWC Loans – The City has entered into OPWC Loans for various wastewater and water system projects. The OPWC loans will be paid from revenues derived from charges for services in the enterprise funds. These OPWC loans have a 0.02 percent interest rate.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

The OPWC loan debt service requirements to maturity are as follows:

Year Ending December 31,	Principal	Interest	Total
2014	\$23,202	\$5,715	\$28,917
2015	23,669	5,248	28,917
2016	24,144	4,773	28,917
2017	24,630	4,287	28,917
2018	25,124	3,793	28,917
2019-2023	133,403	11,182	144,585
2024-2027	37,405	1,033	38,438
	<u>\$291,577</u>	<u>\$36,031</u>	<u>\$327,608</u>

USDA Rural Development Loan – The City and Belmont County are jointly obligated for the USDA Rural Development Loan for Water Works System #3, Phase I Project. At December 31, 2013, the total USDA Rural Development Loan outstanding was \$1,502,000 with the City’s share being 7.33 percent or \$110,096.

Principal and interest requirements to retire the City’s portion of the USDA Rural Development Loan outstanding at December 31, 2013 are as follows:

Year Ending December 31,	Principal	Interest	Total
2014	\$3,225	\$6,748	\$9,973
2015	3,445	6,546	9,991
2016	3,592	6,335	9,927
2017	3,812	6,115	9,927
2018	4,105	5,881	9,986
2019-2023	24,556	25,321	49,877
2024-2028	32,912	16,845	49,757
2029-2032	34,449	5,433	39,882
Total	<u>\$110,096</u>	<u>\$79,224</u>	<u>\$189,320</u>

As of December 31, 2013, the City’s overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$11,485,439, with an unvoted debt margin of \$6,016,182.

The outstanding debt is ultimately secured by the City’s ability to levy, and its pledge to levy, an ad valorem tax on all the taxable property in the City within the ten-mill limitation in sufficient amount to pay, as the same become due, the debt service on the debt as well as the debt service on all other outstanding unvoted general obligation bonds and bond anticipation notes of the City.

Compensated absences will be paid from the fund from which the employees’ salaries are paid.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 16 - COMMITMENTS

A. Construction Commitments

As of December 31, 2013 the City had the following contractual purchase commitment:

<u>Project</u>	<u>Fund(s)</u>	<u>Purchase Commitment</u>	<u>Amount Paid as of 12/31/2013</u>	<u>Amount Remaning on Contracts</u>
<u>Capital:</u>				
OPWC Street Paving	Permanent Improvement/Street	\$525,813	\$0	\$525,813
<u>Non-Capital:</u>				
Advanced Meter System	Permanent Improvement/Light	1,435,504	419,523	1,015,981
Total Construction Commitments		<u>\$1,961,317</u>	<u>\$419,523</u>	<u>\$1,541,794</u>

B. Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year, end the Permanent Improvement Fund had \$428,749 of encumbrances expected to be honored upon performance by the vendor in the next fiscal year.

NOTE 17 - INTERFUND ACTIVITY

A. Interfund Balances

Interfund balances at December 31, 2013 consisted of the following individual interfund receivables and payables:

<u>Interfund Payable</u>	<u>Interfund Receivable</u>			
	<u>Major Funds</u>			
	<u>General</u>	<u>Permanent Improvement</u>	<u>Light</u>	<u>Total</u>
Major Funds:				
General	\$0	\$113,229	\$100,000	\$213,229
Community Improvement Corporation	61,487	0	0	61,487
Permanent Improvement	<u>22,000</u>	<u>0</u>	<u>150,000</u>	<u>172,000</u>
Total	<u>\$83,487</u>	<u>\$113,229</u>	<u>\$250,000</u>	<u>\$446,716</u>

City of St. Clairsville
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The loan from the General Fund to the Permanent Improvement Fund was an advance of funding for a capital project. In prior years the Light fund loaned money to the General Fund and Permanent Improvement Fund to eliminate negative cash balances at year end. The Permanent Improvement Fund is due money from the General Fund for expenses paid out of the Permanent Improvement Fund for the Community Improvement Corporation. The amount due to the General Fund from the Community Improvement Corporation relates to property tax payments made by the City on behalf of the Community Improvement Corporation.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2013, consisted of the following:

Transfers Out	Transfers In				Total
	Police	Permanent Improvement	Sewer	Other Non-Major Governmental Funds	
Major Funds:					
General	\$373,320	\$3,000	\$0	\$482,983	\$859,303
Water	0	0	9,962	0	9,962
Other Non-Major					
Governmental Funds	0	0	0	115,103	115,103
	\$373,320	\$3,000	\$9,962	\$598,086	\$984,368

The transfers from the General Fund to the Police and Other Non-Major Governmental funds were made to provide additional operating resources. The transfer from the General Fund to the Permanent Improvement was made to fund the local share of a capital project. Additional transfers from the Police Special Revenue Fund, and the Other Non-Major Governmental Funds were made to Other Non-Major Governmental Funds for annual debt service payments on outstanding long-term obligations. The transfer from the Water Fund to the Sewer Fund was the result of an interfund payable that was made a permanent transfer.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

A. Ohio Mid-Eastern Governments Association (OMEGA)

The Ohio Mid-Eastern Governments Association (OMEGA) is a ten-county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum, and Tuscarawas Counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application of Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a twenty-one member executive board comprised of members appointed from each participating county and the 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. The board exercises total control over the operations of the OMEGA including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Each member currently pays a per capita membership fee based upon the most recent United States census. During 2013, OMEGA received \$674 from the City for an annual fee. OMEGA has no outstanding debt. Information can be obtained from 326 Highland Avenue, PO Box 130, Cambridge, Ohio 43725.

B. 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 and three counties in West Virginia. The governing board is comprised of 46 officials from the four county service area of which five are appointed by Belmont County. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Council. The City made no contributions to the Council during 2013.

C. Southeastern Ohio Narcotics Task Force (SENT)

Southeastern Ohio Narcotics Task Force (SENT) is a multi-jurisdictional drug task force with the primary goal of combating major narcotic traffickers in Belmont, Carroll, Guernsey, Harrison, Monroe, and Tuscarawas Counties. It 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 32 members, the Police Chief of the City of St. Clairsville acts as the City's representative. The participating Counties and Cities exercise total control over the operations of the SENT including budgetary, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the Board. During 2013, the City made no contribution to SENT.

D. Memorial Park District of the City of St. Clairsville and Richland Township

The Memorial Park District was created by a resolution of both the City of St. Clairsville and Richland Township under the authority of Ohio Revised Code Section 1545. The Park District is operated by a five member board. Two members are appointed by St. Clairsville City Council, two members are appointed by Richland Township Trustees, and one member is appointed by the Belmont County probate court judge. The City cannot influence the Park Districts operation. The Memorial Park District hires and fires its own staff and does not rely on the City to finance deficits. The City is not financially accountable for the Park District nor is the Park District financially dependent on the City. The Park District serves as its own budgeting, taxing and debt issuance authority.

E. Cumberland Trail Fire District

The Cumberland Trail Fire District was created by a resolution of both the City of St. Clairsville and Richland Township under the authority of Ohio Revised Code Section 505.371. The Fire District is operated by a four member board. One member is appointed by the City, one member is appointed by Richland Township, and the remaining two members are appointed by the existing board members. The Cumberland Trail Fire District hires and fires its own staff and does not rely on the City to finance deficits. The City is not financially accountable for the Fire District nor is the Fire District financially dependent on the City. The Fire District serves as its own budgeting, taxing and debt issuance authority.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 19 - CONTINGENCIES

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with 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, 2013.

B. Litigation

The City is not currently party to any pending litigation.

C. Component Unit Tax-Exempt Status

On March 18, 2013 the City was notified that effective May 15, 2012, the Internal Revenue Service revoked the Community Improvement Corporation's status as a tax-exempt organization.

NOTE 20 - SUBSEQUENT EVENTS

A. Tax Levy Collection

On November 3, 2013, the citizens of St. Clairsville passed a 1.95 mill replacement levy for current operating expenses. The levy begins collections in calendar year 2014.

B. Contract Negotiations

As of the date of this report, the City is in contract negotiations with police department employees represented by the Fraternal Order of Police (FOP), and other departmental employees represented by the American Federation of State, County and Municipal Employees (AFSCME). The police force is currently working under an extension of the FOP contract which expired on October 15, 2013. The other departmental employees are currently working under an extension of the AFSCME contract which expired on July 18, 2014.

C. Tax Levy Ballot Issue

On June 16, 2014 the Council approved a resolution declaring the necessity for the renewal of a tax levy. The levy is a renewal of the 0.95 mill Police Operating Levy, and will be placed on the ballot for the November 4, 2014 General Election. The renewal levy was passed by the citizens of St. Clairsville.

D. Waterline Projects

On July 21, 2014, the Council awarded a contract for the reconstruction and alteration of the waterline under Ruggles Avenue to James White Construction Company in the amount of \$115,511. On July 21, 2014, the Council also awarded a contract for the construction of a new reservoir waterline to Gudenkauf Corporation in the amount of \$99,570.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the City Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Clairsville, Belmont County, Ohio (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 31, 2014, wherein we noted the City adopted the provisions of Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*. These changes were incorporated in the City's 2013 financial statements, and as a result, the Community Improvement Corporation is no longer reported as a discretely presented component unit of the City; instead, it is presented as a blended component unit, and reported as a special revenue fund of the City.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-002 and 2013-003 described in the accompanying Schedule of Findings to be material weaknesses.

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Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2013-001.

Entity's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the City's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

December 31, 2014

**CITY OF ST. CLAIRSVILLE
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Noncompliance

Ohio Rev. Code § 5705.10(C) states all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made.

The City recorded the February real estate current expense levy in the amount of \$24,768 to the Police Fund instead of to the General Fund.

This adjustment was agreed to by City officials' and was posted to the City's accounting records and is reflected within the accompanying financial statements.

Also the City recorded a homestead and rollback reimbursement in the amount of \$3,037 to the Police Fund instead of the General Fund.

This adjustment was agreed to by City officials' and was posted to the City's accounting records but is not reflected within the accompanying financial statements as the amounts are not significant to the affected opinion units.

We recommend the City utilize available authoritative resources, specifically the Statement of Semiannual Apportionment of Taxes obtained from the County Auditor, to appropriately classify property tax and homestead and rollback receipt transactions.

Officials' Response: The Director of Finance has instructed the Assistant Director of Finance on the proper areas for receipting. Now that the Finance Department has been afforded a part time employee the Director of Finance intends on taking on all receipting of monies after January 2015.

FINDING NUMBER 2013-002

Material Weakness

All local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements.

The City's receipts and disbursements were not always posted into accurate classifications. The following reclassifications were noted:

- Homestead and rollback receipts were posted as Property Taxes within the General and Police Fund instead of Intergovernmental receipts in the amount of \$39,323 and \$76,257, respectively.
- The August real estate property tax deduction for the General Health District, in the amount of \$14,892 was posted as a General Government expenditure within the General Fund instead of Public Health Services.

CITY OF ST. CLAIRSVILLE
BELMONT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013
(Continued)

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

FINDING NUMBER 2013-002 (Continued)

Material Weakness (Continued)

The reclassifications noted above were agreed to by City officials' and are reflected within the accompanying financial statements.

Also, the management of each local public office is responsible for the assertions underlying the information in the public office's financial statements. The accounting system should assure that the following assertion is achieved for all transaction types and account balances applicable to the local public office's operations, considering the basis of accounting applicable to it:

Presentation and disclosure: That financial statement elements are properly classified and described and appropriate disclosures are made as required by generally accepted accounting principles, or as prescribed by the auditor of state for entities that do not follow generally accepted accounting principles.

During the conversion of the financial statements in accordance with generally accepted accounting principles (GAAP), Property Taxes Receivable was overstated by \$40,280 within the General Fund and Materials and Supplies Inventory was overstated by \$70,000 within the Street Fund.

The adjustments, with which management agrees, were posted to the accounting records and are reflected in the accompanying financial statements.

We recommend the City utilize available authoritative resources to appropriately classify receipt and disbursement transactions. We also recommend the City establish procedures to help ensure transactions are appropriately classified on the GAAP financial statements.

Officials' Response: The Director of Finance has instructed the Assistant Director of Finance on the proper areas for receipting. Now that the Finance Department has been afforded a part time employee the Director of Finance intends on taking on all receipting of monies after January 2015.

FINDING NUMBER 2013-003

Material Weakness

All public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices.

When designing the public office's system of internal control and the specific control activities, management should consider verifying the existence and valuation of assets and periodically (at least monthly) reconcile them to the accounting records.

During 2013, the Finance Director did not perform monthly bank reconciliations which resulted in an unreconciled balance of approximately \$212,801 at December 31, 2013.

CITY OF ST. CLAIRSVILLE
BELMONT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013
(Continued)

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

FINDING NUMBER 2013-003 (Continued)

Material Weakness (Continued)

The Finance Director should reconcile the bank statements to the books on a monthly basis. Any unidentified items found during this reconciliation process should be investigated in a timely manner. As part of this process, someone other than the preparer should review and approve the monthly cash reconciliation.

Without promptly reconciling, identifying, and correcting the un-reconciled items, the City experienced a cumbersome reconciliation process and increased the risk of errors and irregularities occurring without being detected.

As of the date of this report, the City Finance Director has prepared an overall year-ended December 31, 2013 bank account reconciliation to the City's book balances reducing the unreconciled variance noted above to approximately \$130,748.

We recommend the Finance Director perform monthly bank reconciliations, investigate the unidentified reconciling items, and make the necessary adjustments to the books in a more timely manner. We also recommend the monthly bank reconciliations be reviewed by someone independent of the City Finance Director (i.e., finance committee member) and indicate such by signing and/or initialing and dating the reconciliations.

Officials' Response: The Finance Department has been afforded a part time helper whose first priority is to complete a bank reconciliation monthly. 2013 has been reconciled.

**CITY OF ST. CLAIRSVILLE
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2012-001	Ohio Rev. Code § 5705.10(C), receipts posted to incorrect funds.	No	Not Corrected; Reissued as Finding Number 2013-001.
2012-002	Ohio Rev. Code § 5705.41(D), not properly certifying availability of funds prior to incurring obligations.	Yes	N/A.
2012-003	Material Weakness regarding monthly bank reconciliations.	No	Not Corrected; Reissued as Finding Number 2013-003.
2012-004	Material Weakness regarding posting of receipts to incorrect classifications.	No	Not Corrected; Reissued as Finding Number 2013-002.



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CITY OF ST. CLAIRSVILLE

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 3, 2015**