

**CITY OF ST. CLAIRSVILLE
BELMONT COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
(AUDITED)

FOR THE YEAR ENDED
DECEMBER 31, 2017



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of St. Clairsville, Belmont County, prepared by Julian & Grube, Inc., for the audit period January 1, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 2, 2018

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**CITY OF ST. CLAIRSVILLE
BELMONT COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Members of Council and Mayor:

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, as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the City of St. Clairsville'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 of St. Clairsville'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 of St. Clairsville's internal control. Accordingly, we express no such 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.

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, 2017, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund and the Police Fund, a major special revenue fund, thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.


Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension liability and pension contributions, 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 June 15, 2018, on our consideration of the City of St. Clairsville'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 of St. Clairsville's internal control over financial reporting and compliance.



Julian & Grube, Inc.
June 15, 2018

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2017

The discussion and analysis of the City of St. Clairsville's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2017. 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 2017 are as follows:

- In total, net position decreased \$100,022.
- General revenues for governmental activities accounted for \$2,695,099 or approximately 81 percent of total revenues. Program specific revenues in the form of charges for services, and operating grants, contributions and interest accounted for \$650,480 or approximately 19 percent of total revenues in the amount of \$3,345,579.
- Total assets of governmental activities decreased \$267,944 primarily due to annual depreciation of capital assets. Total liabilities of governmental activities increased \$137,137, primarily due to increases in net pension liability.
- The City had \$3,625,568 in expenses related to governmental activities; only \$650,480 of which was offset by program specific charges for services, and operating grants, contributions and interest. General revenues in the amount of \$2,695,099 were not adequate to provide for these programs.
- Total governmental funds had \$3,459,404 in revenues and \$2,963,170 in expenses. Overall, including other financing sources and uses, total governmental fund balance increased \$456,991.

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 of St. Clairsville 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. 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 2017?" 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.

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2017

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 City'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 18. 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 of St Clairsville's major funds are the General Fund, Police Special Revenue Fund, the 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. 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.

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2017

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 position for 2017 compared to 2016:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Totals	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Assets						
Current and						
Other Assets	\$5,377,927	\$5,124,478	\$4,583,759	\$4,181,801	\$9,961,686	\$9,306,279
Capital Assets, Net	11,204,316	11,725,709	18,491,939	17,340,592	29,696,255	29,066,301
Total Assets	16,582,243	16,850,187	23,075,698	21,522,393	39,657,941	38,372,580
Deferred Outflows of Resources						
Deferred Charge on Refunding	4,461	4,758	164,251	177,593	168,712	182,351
Pension	691,358	692,587	704,930	558,319	1,396,288	1,250,906
Total Deferred Outflows of Resources	695,819	697,345	869,181	735,912	1,565,000	1,433,257
Liabilities						
Current Liabilities	57,830	102,172	1,043,203	602,691	1,101,033	704,863
Long-Term Liabilities						
Due within One Year	50,808	49,735	399,179	405,298	449,987	455,033
Due in More Than One Year:						
Net Pension Liability	2,405,502	2,242,399	1,871,142	1,466,876	4,276,644	3,709,275
Other Amounts	450,698	433,395	6,465,131	5,918,935	6,915,829	6,352,330
Total Liabilities	2,964,838	2,827,701	9,778,655	8,393,800	12,743,493	11,221,501
Deferred Inflows of Resources						
Property Taxes	1,006,265	1,051,633	0	0	1,006,265	1,051,633
Payment in Lieu of Taxes	236,897	236,897	0	0	236,897	236,897
Pension	83,256	35,253	41,909	49,410	125,165	84,663
Total Deferred Inflows of Resources	1,326,418	1,323,783	41,909	49,410	1,368,327	1,373,193
Net Position						
Net Investment in Capital Assets	10,864,997	11,373,032	11,865,065	11,287,350	22,730,062	22,660,382
Restricted	2,554,769	2,004,503	90,110	47,548	2,644,879	2,052,051
Unrestricted (Deficit)	(432,960)	18,513	2,169,140	2,480,197	1,736,180	2,498,710
Total Net Position	\$12,986,806	\$13,396,048	\$14,124,315	\$13,815,095	\$27,111,121	\$27,211,143

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2017

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2017 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 requires the net pension liability to equal the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2017

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

The significant increase in total deferred outflow of resources in 2017, for both governmental and business-type activities, was due to an increase in the difference between projected and actual earnings on investments related to the City's net pension liability for OPERS.

Total assets of governmental activities decreased \$267,944. Current and other assets increased \$253,449 primarily due to increases in cash and cash equivalents, which was offset by a decrease in income taxes receivable, as the City underwent an income tax review for delinquencies and non-filers in 2016. Capital assets decreased \$521,393 primarily due to annual depreciation of capital assets.

Overall, total liabilities of governmental activities increased \$137,137. Current liabilities decreased by \$44,342, primarily due to a decrease in intergovernmental payables as billings for workers' compensation premiums have transitioned to prospective-based. The increase was offset slightly by an increase in accounts payable. Long-term liabilities increased \$181,479 primarily due to an increase in net pension liability. The net pension liability increase represents the City's proportionate share of the OPERS traditional plan's unfunded benefits. As indicated previously, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability. The increase in net pension liability related to OPERS was offset by decreases in the proportionate share of the City's Ohio Police and Fire (OP&F) net pension liability.

Total assets of business-type activities increased \$1,553,305. Current and other assets increased, in the amount of \$401,958, primarily due to increases in cash and cash equivalents as the City implemented rate increases for water and sewer services during 2017. Capital assets increased \$1,151,347, primarily due to the completion of a waste water treatment plant upgrade, as well as water and lighting upgrades in conjunction with the Commons Mall Road Crossing development area.

Overall, total liabilities of business-type activities increased \$1,384,855. Current liabilities increased by \$440,512 primarily due to accounts payable for two months of purchased power for the Light Fund. Long-term liabilities increased by \$944,343, primarily due to drawdowns on the OWDA loan and increases in the net pension liability. The net pension liability increase represents the City's proportionate share of the OPERS traditional plan's unfunded benefits. As indicated above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2017 and 2016.

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2017

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues:						
Charges for Services	\$287,586	\$328,380	\$8,043,107	\$6,990,667	\$8,330,693	\$7,319,047
Operating Grants, Contributions, and Interest	362,894	321,350	0	0	362,894	321,350
Capital Grants	0	2,290,000	22,520	400,000	22,520	2,690,000
Total Program Revenues	650,480	2,939,730	8,065,627	7,390,667	8,716,107	10,330,397
General Revenues:						
Property Taxes	992,828	993,692	0	0	992,828	993,692
Income Taxes	1,145,981	1,490,688	0	0	1,145,981	1,490,688
Kilowatt per Hour Taxes	186,442	182,176	0	0	186,442	182,176
Grants and Entitlements	166,835	173,472	0	0	166,835	173,472
Investment Earnings	27,037	36,378	0	0	27,037	36,378
Other	175,976	78,381	88,051	55,149	264,027	133,530
Total General Revenues	2,695,099	2,954,787	88,051	55,149	2,783,150	3,009,936
Total Revenues	3,345,579	5,894,517	8,153,678	7,445,816	11,499,257	13,340,333
Program Expenses						
General Government						
Legislative and Executive	624,441	596,603	0	0	624,441	596,603
Security of Persons and Property						
Police	1,252,863	1,249,315	0	0	1,252,863	1,249,315
Public Health Services	31,185	33,268	0	0	31,185	33,268
Leisure Time Services	484,727	497,645	0	0	484,727	497,645
Community and						
Economic Development	6,344	104,669	0	0	6,344	104,669
Transportation	1,222,743	1,349,257	0	0	1,222,743	1,349,257
Interest and Fiscal Charges	3,265	4,098	0	0	3,265	4,098
Water	0	0	909,348	1,095,660	909,348	1,095,660
Sewer	0	0	1,368,668	1,211,462	1,368,668	1,211,462
Light	0	0	5,695,695	5,301,390	5,695,695	5,301,390
Total Expenses	3,625,568	3,834,855	7,973,711	7,608,512	11,599,279	11,443,367
Increase (Decrease)						
Before Transfers	(279,989)	2,059,662	179,967	(162,696)	(100,022)	1,896,966
Transfers	(129,253)	(293,556)	129,253	293,556	0	0
Change in Net Position	(409,242)	1,766,106	309,220	130,860	(100,022)	1,896,966
Net Position Beginning of Year	13,396,048	11,629,942	13,815,095	13,684,235	27,211,143	25,314,177
Net Position End of Year	\$12,986,806	\$13,396,048	\$14,124,315	\$13,815,095	\$27,111,121	\$27,211,143

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2017

Governmental Activities

Several revenue sources fund governmental activities, with the City income tax usually 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 64 percent of total revenue.

Charges for services decreased \$40,794 primarily due to decreases in recreation charges. The decrease in charges for services was offset by a \$41,544 increase in operating grants, contributions, and interest for governmental activities as State resources for the Street Fund increased from the prior year. The decrease in capital grants and contributions is primarily due to a decrease in capital contributions. During 2016 the Belmont County Transportation Improvement District contributed capital assets to the City, and no capital contributions were made in 2017.

Program expenses of governmental activities decreased \$209,287 from 2016. The decrease was primarily due to capital asset additions offsetting annual depreciation expense, as well as a decrease in General, and Street Special Revenue Fund related activities.

Security of persons and property – police accounted for the largest share of governmental expenses for the City, approximately 35 percent in 2017. Leisure time services accounted for 13 percent of governmental expenses in 2017.

Other program expenses for the City in 2017 were made up of general government – legislative and executive, community and economic development, and public health services, cumulatively accounted for less than 20 percent

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

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
General Government				
Legislative and Executive	\$624,441	\$596,603	\$447,410	\$432,349
Judicial	0	0	0	(3,696)
Security of Persons and Property				
Police	1,252,863	1,249,315	1,137,675	1,124,070
Public Health Services	31,185	33,268	31,185	33,268
Leisure Time Services	484,727	497,645	417,885	387,907
Community and				
Economic Development	6,344	104,669	6,344	104,669
Transportation	1,222,743	1,349,257	931,324	(1,187,540)
Interest and Fiscal Charges	3,265	4,098	3,265	4,098
Total Expenses	\$3,625,568	\$3,834,855	\$2,975,088	\$895,125

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2017

For 2017 approximately 82 percent of expenses were supported through taxes and other general revenues.

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 \$8,043,107 or approximately 99 percent of total business-type revenues.

The City's Funds

Information about the City's governmental funds begins on page 18. The City has three major governmental funds, the General Fund, the Police 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 \$1,743,546 in revenues and \$564,477 in expenditures. Overall, including other financing uses, the General Fund's balance decreased \$107,354 primarily due to increases in transfers out to support other City funds. The activity of the Police Fund is essentially unchanged from the prior year. The Police Fund had \$642,489 in revenues and \$1,189,619 in expenditures. Overall, including other financing sources, the Police Fund's balance increased \$240,050. The Permanent Improvement Fund had \$678,802 in revenues and \$403,157 in expenditures, which resulted in the fund balance increase of \$275,645, as the fund made less capital contributions to the proprietary funds in 2017.

Information about the proprietary funds starts on page 24. 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 \$1,080,244, an increase from the prior year primarily due to rate increases, and operating expenses in the amount of \$902,760. Overall, including non-operating expenses and capital contributions, the Water Fund's net position increased \$246,246. The Sewer Fund had operating revenues in the amount of \$1,052,524, an increase from the prior year primarily due to rate increases, and operating expenses in the amount of \$1,222,065. Overall, including non-operating expenses, transfers, and capital contributions, the Sewer Fund's net position decreased \$239,721. The Light Fund had operating revenues in the amount of \$5,998,390, an increase from the prior year primarily due increases in usage for service provided to customers outside the corporation limits of the City, and operating expenses in the amount of \$5,570,951. Overall, including non-operating expenses and capital contributions, the Light Fund's net position increased \$302,695.

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 2017, the City did not make amendments to its General Fund budget and the budgetary statement reflects the same amounts for original and final budgeted amounts. 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 2017, the City's governmental and business-type activities had \$29,696,255 in land, land improvements, buildings and improvements, machinery and equipment, infrastructure, and vehicles, net of depreciation. Table 4 shows 2017 balances compared with 2016.

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2017

Table 4
 Capital Assets Net of Depreciation

	Governmental Activities		Business Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$1,360,478	\$1,360,478	\$305,596	\$305,596	\$1,666,074	\$1,666,074
Construction In Progress	0	0	450,580	890,128	450,580	890,128
Land Improvements	2,360,466	2,545,124	38,341	40,300	2,398,807	2,585,424
Buildings and Improvements	276,201	298,466	1,056,973	1,092,906	1,333,174	1,391,372
Machinery and Equipment	142,723	101,539	790,328	829,552	933,051	931,091
Infrastructure	6,841,966	7,212,795	15,235,320	13,648,387	22,077,286	20,861,182
Vehicles	222,482	207,307	614,801	533,723	837,283	741,030
Total	\$11,204,316	\$11,725,709	\$18,491,939	\$17,340,592	\$29,696,255	\$29,066,301

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, 2017 was \$7,146,987 with \$425,547 due within one year. Table 5 summarizes outstanding debt.

Table 5
 Outstanding Debt at Year End

	Governmental Activities		Business Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$81,516	\$87,023	\$4,829,710	\$5,133,571	\$4,911,226	\$5,220,594
OPWC Loans	238,400	257,284	195,933	220,563	434,333	477,847
OWDA Loans	0	0	1,777,370	890,128	1,777,370	890,128
Capital Leases	24,058	13,342	0	0	24,058	13,342
Total	\$343,974	\$357,649	\$6,803,013	\$6,244,262	\$7,146,987	\$6,601,911

Additional information concerning the City's debt and other long-term obligations, including net pension liability, compensated absences, and long-term intergovernmental payables 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.

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2017

Contacting the City's Finance Department

This financial report is designed to provide a general overview of the City'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.

BASIC FINANCIAL STATEMENTS

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City of St. Clairsville
Statement of Net Position
December 31, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$2,654,831	\$3,036,819	\$5,691,650
Cash and Cash Equivalents in Segregated Accounts	25,032	640,734	665,766
Accounts Receivable	28,701	657,346	686,047
Income Taxes Receivable	481,672	0	481,672
Intergovernmental Receivable	266,569	0	266,569
Property Taxes Receivable	1,015,968	0	1,015,968
Revenue in Lieu of Taxes Receivable	236,897	0	236,897
Materials and Supplies Inventory	18,123	226,071	244,194
Prepaid Items	15,601	10,901	26,502
Loans Receivable	601,384	0	601,384
Unamortized Bond Insurance Premium	194	11,888	12,082
Assets Held for Resale	32,955	0	32,955
Nondepreciable Capital Assets	1,360,478	756,176	2,116,654
Depreciable Capital Assets, Net	9,843,838	17,735,763	27,579,601
<i>Total Assets</i>	16,582,243	23,075,698	39,657,941
<u>Deferred Outflows of Resources</u>			
Deferred Charge on Refunding	4,461	164,251	168,712
Pension	691,358	704,930	1,396,288
<i>Total Deferred Outflows of Resources</i>	695,819	869,181	1,565,000
<u>Liabilities</u>			
Accounts Payable	41,078	864,940	906,018
Accrued Wages and Benefits Payable	15,357	20,520	35,877
Intergovernmental Payable	540	2,711	3,251
Accrued Interest Payable	855	12,107	12,962
Refundable Deposits	0	142,925	142,925
Long-Term Liabilities:			
Due Within One Year	50,808	399,179	449,987
Due in More Than One Year:			
Net Pension Liability	2,405,502	1,871,142	4,276,644
Other Amounts	450,698	6,465,131	6,915,829
<i>Total Liabilities</i>	2,964,838	9,778,655	12,743,493
<u>Deferred Inflows of Resources</u>			
Property Taxes	1,006,265	0	1,006,265
Payment in Lieu of Taxes	236,897	0	236,897
Pension	83,256	41,909	125,165
<i>Total Deferred Inflows of Resources</i>	1,326,418	41,909	1,368,327
<u>Net Position</u>			
Net Investment in Capital Assets	10,864,997	11,865,065	22,730,062
Restricted for:			
Debt Service	0	90,110	90,110
Capital Outlay	744,012	0	744,012
Community Development	877,797	0	877,797
Police Operations	431,330	0	431,330
Street	410,680	0	410,680
Recreation	67,778	0	67,778
Other Purposes	23,172	0	23,172
Unrestricted (Deficit)	(432,960)	2,169,140	1,736,180
<i>Total Net Position</i>	\$12,986,806	\$14,124,315	\$27,111,121

See accompanying notes to the basic financial statements

City of St. Clairsville
Statement of Activities
For the Year Ended December 31, 2017

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	
<u>Governmental Activities</u>				
General Government				
Legislative and Executive	\$624,441	\$177,031	\$0	\$0
Judicial	0	0	0	0
Security of Persons and Property - Police	1,252,863	40,936	74,252	0
Public Health Services	31,185	0	0	0
Leisure Time Services	484,727	66,842	0	0
Community and Economic Development	6,344	0	0	0
Transportation	1,222,743	2,777	288,642	0
Interest and Fiscal Charges	3,265	0	0	0
<i>Total Governmental Activities</i>	<u>3,625,568</u>	<u>287,586</u>	<u>362,894</u>	<u>0</u>
<u>Business-Type Activities</u>				
Water	909,348	1,076,949	0	22,520
Sewer	1,368,668	1,043,397	0	0
Light	5,695,695	5,922,761	0	0
<i>Total Business-Type Activities</i>	<u>7,973,711</u>	<u>8,043,107</u>	<u>0</u>	<u>22,520</u>
<i>Total Primary Government</i>	<u>\$11,599,279</u>	<u>\$8,330,693</u>	<u>\$362,894</u>	<u>\$22,520</u>

General Revenues

Property Taxes Levied for General Purposes
Property Taxes Levied for Police Operations
Income Taxes Levied for General Purposes
Income Taxes Levied for Capital Outlay
Kilowatt per Hour Tax Levied for General Purposes
Grants and Entitlements not Restricted to Specific Programs
Gifts and Donations
Investment Earnings
Oil and Gas Lease Bonus
Miscellaneous

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position
Primary Government

Governmental Activities	Business-Type Activities	Total
(\$447,410)	\$0	(\$447,410)
0	0	0
(1,137,675)	0	(1,137,675)
(31,185)	0	(31,185)
(417,885)	0	(417,885)
(6,344)	0	(6,344)
(931,324)	0	(931,324)
(3,265)	0	(3,265)
<u>(2,975,088)</u>	<u>0</u>	<u>(2,975,088)</u>
0	190,121	190,121
0	(325,271)	(325,271)
0	227,066	227,066
<u>0</u>	<u>91,916</u>	<u>91,916</u>
<u>(2,975,088)</u>	<u>91,916</u>	<u>(2,883,172)</u>
472,862	0	472,862
519,966	0	519,966
572,991	0	572,991
572,990	0	572,990
186,442	0	186,442
166,835	0	166,835
13,766	0	13,766
27,037	0	27,037
56,584	0	56,584
105,626	88,051	193,677
2,695,099	88,051	2,783,150
<u>(129,253)</u>	<u>129,253</u>	<u>0</u>
2,565,846	217,304	2,783,150
(409,242)	309,220	(100,022)
<u>13,396,048</u>	<u>13,815,095</u>	<u>27,211,143</u>
<u>\$12,986,806</u>	<u>\$14,124,315</u>	<u>\$27,111,121</u>

**City of St. Clairsville
Balance Sheet
Governmental Funds
December 31, 2017**

	General	Police	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$705,990	\$477,233	\$521,414	\$939,166	\$2,643,803
Cash and Cash Equivalents in Segregated Accounts	0	0	0	25,032	25,032
Accounts Receivable	28,701	0	0	0	28,701
Intergovernmental Receivable	81,551	36,825	0	148,193	266,569
Income Taxes Receivable	240,836	0	240,836	0	481,672
Prepaid Items	1,234	10,067	0	4,300	15,601
Materials and Supplies Inventory	0	4,348	0	13,775	18,123
Interfund Receivable	68,561	0	0	0	68,561
Property Taxes Receivable	482,829	533,139	0	0	1,015,968
Revenue in Lieu of Taxes Receivable	0	0	0	236,897	236,897
Loans Receivable	0	0	0	601,384	601,384
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	11,028	0	0	0	11,028
Assets Held for Resale	0	0	0	32,955	32,955
<i>Total Assets</i>	<u>\$1,620,730</u>	<u>\$1,061,612</u>	<u>\$762,250</u>	<u>\$2,001,702</u>	<u>\$5,446,294</u>
<u>Liabilities</u>					
Accounts Payable	\$4,575	\$16,405	\$18,238	\$1,860	\$41,078
Accrued Wages and Benefits Payable	1,230	7,577	0	6,550	15,357
Intergovernmental Payable	540	0	0	0	540
Interfund Payable	0	0	0	68,561	68,561
<i>Total Liabilities</i>	<u>6,345</u>	<u>23,982</u>	<u>18,238</u>	<u>76,971</u>	<u>125,536</u>
<u>Deferred Inflows of Resources</u>					
Property Taxes	478,304	527,961	0	0	1,006,265
Payment in Lieu of Taxes	0	0	0	236,897	236,897
Unavailable Revenue	205,977	42,003	141,652	102,248	491,880
<i>Total Deferred Inflows of Resources</i>	<u>684,281</u>	<u>569,964</u>	<u>141,652</u>	<u>339,145</u>	<u>1,735,042</u>
<u>Fund Balances</u>					
Nonspendable:					
Materials and Supplies Inventory	0	4,348	0	13,775	18,123
Prepaid Items	1,234	10,067	0	4,300	15,601
Unclaimed Monies	11,028	0	0	0	11,028
Restricted for:					
Capital Outlay	0	0	602,360	0	602,360
Community Development	0	0	0	877,797	877,797
Police Operations	0	453,251	0	0	453,251
Street	0	0	0	302,713	302,713
Recreation	0	0	0	77,264	77,264
Other Purposes	0	0	0	12,144	12,144
Committed to:					
Capital Projects	0	0	0	333,199	333,199
Unassigned (Deficit)	917,842	0	0	(35,606)	882,236
<i>Total Fund Balances</i>	<u>930,104</u>	<u>467,666</u>	<u>602,360</u>	<u>1,585,586</u>	<u>3,585,716</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$1,620,730</u>	<u>\$1,061,612</u>	<u>\$762,250</u>	<u>\$2,001,702</u>	<u>\$5,446,294</u>

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, 2017

Total Governmental Fund Balances		\$3,585,716
<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.		11,204,316
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	9,703	
Income Taxes	283,304	
Intergovernmental	198,873	
Total		491,880
Unamortized bond insurance premiums do not provide current financial resources, and therefore are not reported in the funds.		194
The unamortized portion of the difference on refunding represents deferred charges on refunding, which are not reported in the funds.		4,461
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(855)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
General Obligation Bonds	75,000	
Bond Premium	6,516	
OPWC Loans Payable	238,400	
Capital Leases	24,058	
Compensated Absences	157,532	
Total		(501,506)
The net pension liability is not due and payable in the current period; therefore the liability and related deferred inflows/outflows are not reported in the governmental funds.		
Deferred Outflows - Pension	691,358	
Net Pension Liability	(2,405,502)	
Deferred Inflows - Pension	(83,256)	
Total		(1,797,400)
Net Position of Governmental Activities		\$12,986,806

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, 2017

	General	Police	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>					
Property Taxes	\$472,496	\$519,477	\$0	\$0	\$991,973
Income Taxes	639,467	0	639,466	0	1,278,933
Kilowatt per Hour Taxes	186,442	0	0	0	186,442
Permissive Motor Vehicle License Taxes	0	0	0	2,777	2,777
Charges for Services	0	36,899	0	68,601	105,500
Licenses and Permits	118,976	0	0	0	118,976
Fines and Forfeitures	58,055	0	0	2,278	60,333
Intergovernmental	170,319	74,745	0	266,393	511,457
Interest	23,532	0	0	3,505	27,037
Oil and Gas Lease Bonus	56,584	0	0	0	56,584
Contributions and Donations	0	0	0	13,766	13,766
Other	17,675	11,368	39,336	37,247	105,626
<i>Total Revenues</i>	<u>1,743,546</u>	<u>642,489</u>	<u>678,802</u>	<u>394,567</u>	<u>3,459,404</u>
<u>Expenditures</u>					
Current:					
General Government:					
Legislative and Executive	533,292	0	0	0	533,292
Security of Persons and Property - Police	0	1,125,107	0	0	1,125,107
Public Health Services	31,185	0	0	0	31,185
Leisure Time Services	0	0	0	284,208	284,208
Community and Economic Development	0	0	0	225	225
Transportation	0	0	0	419,953	419,953
Capital Outlay	0	37,180	403,157	75,047	515,384
Debt Service:					
Principal Retirement	0	26,464	0	23,884	50,348
Interest and Fiscal Charges	0	868	0	2,600	3,468
<i>Total Expenditures</i>	<u>564,477</u>	<u>1,189,619</u>	<u>403,157</u>	<u>805,917</u>	<u>2,963,170</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,179,069</u>	<u>(547,130)</u>	<u>275,645</u>	<u>(411,350)</u>	<u>496,234</u>
<u>Other Financing Sources (Uses)</u>					
Inception of Capital Lease	0	37,180	0	0	37,180
Transfers In	0	750,000	0	467,600	1,217,600
Transfers Out	(1,286,423)	0	0	(7,600)	(1,294,023)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,286,423)</u>	<u>787,180</u>	<u>0</u>	<u>460,000</u>	<u>(39,243)</u>
Net Change in Fund Balances	(107,354)	240,050	275,645	48,650	456,991
<i>Fund Balances at Beginning of Year</i>	<u>1,037,458</u>	<u>227,616</u>	<u>326,715</u>	<u>1,536,936</u>	<u>3,128,725</u>
<i>Fund Balances at End of Year</i>	<u><u>\$930,104</u></u>	<u><u>\$467,666</u></u>	<u><u>\$602,360</u></u>	<u><u>\$1,585,586</u></u>	<u><u>\$3,585,716</u></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, 2017

Net Change in Fund Balances - Total Governmental Funds		\$456,991
<i>Amounts reported for governmental activities on the Statement of Activities are different because:</i>		
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 depreciation exceeded capital outlay in the current year:		
Capital Asset Additions	568,830	
Depreciation	(1,090,223)	
Total		(521,393)
Revenues on the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds:		
Property Taxes	855	
Income Taxes	(132,952)	
Intergovernmental	18,272	
Total		(113,825)
Issuance of Debt is reported as other financing sources in the governmental funds, but the issuance increases long term liabilities on the statement of net position.		
Capital Lease		(37,180)
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	5,000	
OPWC Loans	18,884	
Capital Leases	26,464	
Total		50,348
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	13	
Amortization of Bond Premium	507	
Amortization of Bond Insurance Premium	(20)	
Amortization of Deferred amount on Refunding	(297)	
Total		203
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.		
		(32,051)
Contractually required contributions are reported as expenditures in the governmental fund; however, the Statement of Net Position reports these amounts as deferred outflows or a reduction in net pension liability.		
		174,270
Except for amounts reported as deferred inflows/outflows, changes in net position liability are reported as pension expense in the Statement of Activities.		
		(386,605)
Change in Net Position of Governmental Activities		(\$409,242)

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<u>Revenues</u>				
Property Taxes	\$465,000	\$465,000	\$472,496	\$7,496
Income Taxes	510,000	510,000	643,825	133,825
Kilowatt per Hour Taxes	180,000	180,000	186,442	6,442
Licenses and Permits	118,000	118,000	119,371	1,371
Fines and Forfeitures	0	0	58,055	58,055
Intergovernmental	165,000	165,000	169,456	4,456
Interest	0	0	23,532	23,532
Oil and Gas Lease Bonus	0	0	56,584	56,584
Other	0	0	17,675	17,675
Total Revenues	<u>1,438,000</u>	<u>1,438,000</u>	<u>1,747,436</u>	<u>309,436</u>
<u>Expenditures</u>				
Current:				
General Government:				
Legislative and Executive	817,750	817,750	541,768	275,982
Public Health Services	32,000	32,000	31,185	815
Community and Economic Development	14,400	14,400	12,901	1,499
Total Expenditures	<u>864,150</u>	<u>864,150</u>	<u>585,854</u>	<u>278,296</u>
Excess of Revenues Over Expenditures	573,850	573,850	1,161,582	587,732
<u>Other Financing Uses</u>				
Transfers Out	(1,400,000)	(1,400,000)	(1,286,423)	113,577
Net Change in Fund Balance	(826,150)	(826,150)	(124,841)	701,309
Fund Balance at Beginning of Year	841,859	841,859	841,859	0
Fund Balance at End of Year	<u>\$15,709</u>	<u>\$15,709</u>	<u>\$717,018</u>	<u>\$701,309</u>

See accompanying notes to the basic financial statements

City of St. Clairsville
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
Police Fund
For the Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<u>Revenues</u>				
Property Taxes	\$515,000	\$515,000	\$519,477	\$4,477
Charges for Services	50,000	50,000	36,899	(13,101)
Intergovernmental	70,000	70,000	74,745	4,745
Other	0	0	11,368	11,368
	<u>635,000</u>	<u>635,000</u>	<u>642,489</u>	<u>7,489</u>
Total Revenues				
<u>Expenditures</u>				
Current:				
Security of Persons and Property - Police	1,370,000	1,370,000	1,150,158	219,842
Debt Service:				
Principal Retirement	46,500	46,500	26,464	20,036
Interest and Fiscal Charges	2,700	2,700	868	1,832
	<u>1,419,200</u>	<u>1,419,200</u>	<u>1,177,490</u>	<u>241,710</u>
Total Expenditures				
Excess of Revenues Under Expenditures	(784,200)	(784,200)	(535,001)	249,199
<u>Other Financing Sources</u>				
Transfers In	700,000	700,000	750,000	50,000
Net Change in Fund Balance	(84,200)	(84,200)	214,999	299,199
Fund Balance at Beginning of Year	262,234	262,234	262,234	0
Fund Balance at End of Year	<u>\$178,034</u>	<u>\$178,034</u>	<u>\$477,233</u>	<u>\$299,199</u>

See accompanying notes to the basic financial statements

City of St. Clairsville
Statement of Fund Net Position
Proprietary Funds
December 31, 2017

	Water	Sewer	Light	Total Enterprise
<u>Assets</u>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$401,003	\$351,112	\$2,141,779	\$2,893,894
Cash and Cash Equivalents in Segregated Accounts	87,513	86,371	466,850	640,734
Accounts Receivable	87,493	86,351	483,502	657,346
Prepaid Items	4,767	0	6,134	10,901
Materials and Supplies Inventory	81,922	20,230	123,919	226,071
Unamortized Bond Insurance Premium	517	332	11,039	11,888
<i>Total Current Assets</i>	<u>663,215</u>	<u>544,396</u>	<u>3,233,223</u>	<u>4,440,834</u>
Non-Current Assets:				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	72,555	55,810	14,560	142,925
Nondepreciable Capital Assets	58,650	5,500	692,026	756,176
Depreciable Capital Assets, Net	4,222,429	8,712,419	4,800,915	17,735,763
<i>Total Non-Current Assets</i>	<u>4,353,634</u>	<u>8,773,729</u>	<u>5,507,501</u>	<u>18,634,864</u>
<i>Total Assets</i>	<u>5,016,849</u>	<u>9,318,125</u>	<u>8,740,724</u>	<u>23,075,698</u>
<u>Deferred Outflows of Resources</u>				
Deferred Charge on Refunding Pension	10,478	8,041	145,732	164,251
	231,125	219,568	254,237	704,930
<i>Total Deferred Outflows of Resources</i>	<u>241,603</u>	<u>227,609</u>	<u>399,969</u>	<u>869,181</u>
<u>Liabilities</u>				
Current Liabilities:				
Accounts Payable	12,020	3,099	849,821	864,940
Accrued Wages and Benefits Payable	7,034	6,641	6,845	20,520
Intergovernmental Payable	1,631	7,137	540	9,308
Accrued Interest Payable	520	342	11,245	12,107
Current Portion Compensated Absences Payable	51	851	1,696	2,598
Current Portion General Obligation Bonds Payable	10,000	5,000	265,000	280,000
Current Portion OPWC Loan Payable	2,733	22,391	0	25,124
Current Portion OWDA Loan Payable	0	84,860	0	84,860
<i>Total Current Liabilities</i>	<u>33,989</u>	<u>130,321</u>	<u>1,135,147</u>	<u>1,299,457</u>
Long-Term Liabilities (Net of Current Portion):				
Refundable Deposits Payable from Restricted Assets	72,555	55,810	14,560	142,925
Compensated Absences Payable	481	7,939	15,829	24,249
General Obligation Bonds Payable	195,937	131,587	4,222,186	4,549,710
OPWC Loans Payable	22,327	148,482	0	170,809
OWDA Loans Payable	0	1,692,510	0	1,692,510
Intergovernmental Payable	0	27,853	0	27,853
Net Pension Liability	613,490	582,816	674,836	1,871,142
<i>Total Long-Term Liabilities</i>	<u>904,790</u>	<u>2,646,997</u>	<u>4,927,411</u>	<u>8,479,198</u>
<i>Total Liabilities</i>	<u>938,779</u>	<u>2,777,318</u>	<u>6,062,558</u>	<u>9,778,655</u>
<u>Deferred Inflows of Resources</u>				
Pension	13,740	13,054	15,115	41,909
<u>Net Position</u>				
Net Investment in Capital Assets	4,061,077	6,641,462	1,162,526	11,865,065
Restricted for:				
Debt Service	0	0	90,110	90,110
Unrestricted	244,856	113,900	1,810,384	2,169,140
<i>Total Net Position</i>	<u>\$4,305,933</u>	<u>\$6,755,362</u>	<u>\$3,063,020</u>	<u>\$14,124,315</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, 2017

	Water	Sewer	Light	Total Enterprise
<u>Operating Revenues</u>				
Charges for Services	\$1,076,949	\$1,043,397	\$5,922,761	\$8,043,107
Other	3,295	9,127	75,629	88,051
<i>Total Operating Revenues</i>	<u>1,080,244</u>	<u>1,052,524</u>	<u>5,998,390</u>	<u>8,131,158</u>
<u>Operating Expenses</u>				
Personal Services	549,611	606,124	601,708	1,757,443
Contractual Services	44,460	136,521	97,074	278,055
Purchased Power	0	0	4,461,126	4,461,126
Materials and Supplies	143,289	144,817	172,982	461,088
Depreciation	165,400	334,603	238,061	738,064
<i>Total Operating Expenses</i>	<u>902,760</u>	<u>1,222,065</u>	<u>5,570,951</u>	<u>7,695,776</u>
<i>Operating Income (Loss)</i>	<u>177,484</u>	<u>(169,541)</u>	<u>427,439</u>	<u>435,382</u>
<u>Non-Operating Expenses</u>				
Intergovernmental	0	(88,057)	0	(88,057)
Interest and Fiscal Charges	(6,588)	(58,546)	(124,744)	(189,878)
<i>Total Non-Operating Expenses</i>	<u>(6,588)</u>	<u>(146,603)</u>	<u>(124,744)</u>	<u>(277,935)</u>
<i>Income (Loss) Before Contributions</i>	170,896	(316,144)	302,695	157,447
Capital Contributions	75,350	0	0	75,350
<i>Income (Loss) Before Transfers</i>	246,246	(316,144)	302,695	232,797
Transfers In	0	76,423	0	76,423
<i>Change in Net Position</i>	246,246	(239,721)	302,695	309,220
<i>Net Position Beginning of Year</i>	<u>4,059,687</u>	<u>6,995,083</u>	<u>2,760,325</u>	<u>13,815,095</u>
<i>Net Position End of Year</i>	<u><u>\$4,305,933</u></u>	<u><u>\$6,755,362</u></u>	<u><u>\$3,063,020</u></u>	<u><u>\$14,124,315</u></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, 2017

	Water	Sewer	Light	Total Enterprise
Increase (Decrease) in Cash and Cash Equivalents				
<u>Cash Flows from Operating Activities</u>				
Cash Received from Customers	\$1,056,063	\$1,021,943	\$5,819,952	\$7,897,958
Cash Payments for Employee Services and Benefits	(483,171)	(549,747)	(530,143)	(1,563,061)
Cash Payments for Goods and Services	(182,444)	(287,856)	(256,287)	(726,587)
Cash Payments for Purchased Power	0	0	(3,988,736)	(3,988,736)
Utility Deposits Received	4,286	4,142	23,662	32,090
Utility Deposits Paid	(6,633)	(6,410)	(36,618)	(49,661)
Other Operating Revenues	3,295	9,127	75,629	88,051
<i>Net Cash Provided by Operating Activities</i>	<u>391,396</u>	<u>191,199</u>	<u>1,107,459</u>	<u>1,690,054</u>
<u>Cash Flows from Noncapital Financing Activities</u>				
Transfers In	0	76,423	0	76,423
Cash Received for Kilowatt per Hour Taxes	0	0	28,674	28,674
Cash Payments of Kilowatt per Hour Taxes	0	0	(28,674)	(28,674)
<i>Net Cash Provided by Noncapital Activities</i>	<u>0</u>	<u>76,423</u>	<u>0</u>	<u>76,423</u>
<u>Cash Flows from Capital and Related Financing Activities</u>				
Payments for Capital Acquisitions	(292,477)	(995,965)	(548,139)	(1,836,581)
Capital Contributions	122,520	111,943	0	234,463
Proceeds of OWDA Loans	0	990,438	0	990,438
Principal Paid on General Obligation Bonds	(10,000)	(35,000)	(225,000)	(270,000)
Principal Paid on OPWC Loans	(2,679)	(21,951)	0	(24,630)
Principal Paid on OWDA Loans	0	(103,196)	0	(103,196)
Interest Paid on Debt	(6,941)	(59,273)	(143,850)	(210,064)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(189,577)</u>	<u>(113,004)</u>	<u>(916,989)</u>	<u>(1,219,570)</u>
<i>Net Increase in Cash and Cash Equivalents</i>	201,819	154,618	190,470	546,907
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>359,252</u>	<u>338,675</u>	<u>2,432,719</u>	<u>3,130,646</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$561,071</u>	<u>\$493,293</u>	<u>\$2,623,189</u>	<u>\$3,677,553</u>

(Continued)

City of St. Clairsville
Statement of Cash Flows
Proprietary Funds (Continued)
For the Year Ended December 31, 2017

	Water	Sewer	Light	Total Enterprise
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>				
Operating Income (Loss)	\$177,484	(\$169,541)	\$427,439	\$435,382
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>				
Depreciation	165,400	334,603	238,061	738,064
Changes in Assets, Deferred Outflows of Resources Liabilities, and Deferred Inflows of Resources				
(Increase) in Accounts Receivable	(20,886)	(21,454)	(102,809)	(145,149)
(Increase) in Prepaid Items	(4,767)	0	(6,134)	(10,901)
(Increase) in Deferred Outflows of Resources - Pension	(48,070)	(45,665)	(52,876)	(146,611)
Increase in Accrued Wages and Benefits Payable	2,566	1,252	1,987	5,805
Increase (Decrease) in Accounts Payable	8,441	(461)	491,753	499,733
(Decrease) in Compensated Absences Payable	(4,143)	(5,794)	(2,140)	(12,077)
(Decrease) in Intergovernmental Payable	(12,369)	(23,057)	(17,960)	(53,386)
(Decrease) in Refundable Deposits Payable	(2,348)	(2,268)	(12,956)	(17,572)
Increase in Net Pension Liability	132,547	125,920	145,799	404,266
(Decrease) in Deferred Inflows of Resources - Pension	(2,460)	(2,336)	(2,705)	(7,501)
Total Adjustments	213,911	360,740	680,020	1,254,671
<i>Net Cash Provided by Operating Activities</i>	<u>\$391,395</u>	<u>\$191,199</u>	<u>\$1,107,459</u>	<u>\$1,690,053</u>

Noncash Activities:

The Sewer Fund had \$890,128 of construction in progress placed in service in 2017.
There was \$52,830 of Capital Contributions from Governmental Activities recorded in the Water Fund in 2017
There was \$100,000 of prior year accruals for Capital Contributions recognized in the Water Fund in 2017
There was \$111,943 of prior year accruals for Capital Contributions recognized in the Sewer Fund in 2017
There was \$88,057 of intergovernmental expense for subsequent grant contravention reported in the Sewer Fund in 2017

See accompanying notes to the basic financial statement:

City of St. Clairsville
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2017

Assets

Equity in Pooled Cash and Cash Equivalents	\$3,457
Cash and Cash Equivalents in Segregated Accounts	<u>1,748</u>
<i>Total Assets</i>	<u><u>\$5,205</u></u>

Liabilities

Undistributed Monies	<u>\$5,205</u>
<i>Total Liabilities</i>	<u><u>\$5,205</u></u>

See accompanying notes to the basic financial statements

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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. 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.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

The Community Improvement Corporation meets the blended component unit criteria of Governmental Accounting Standards Board (GASB) Statement Numbers. 14, 39, 61, and 80 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 17.

Ohio Mid-Eastern Governments Association (OMEGA)
Bel-O-Mar Regional Council
Memorial Park District of the City of St. Clairsville and Richland Township
Cumberland Trail Fire District
Belmont County Major Crime Unit (BCMCU)

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.

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.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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.

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.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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. 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 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 deferred outflows and all liabilities and deferred inflows 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.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

D. Basis of Accounting

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

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

Non-exchange 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, deferred outflows of resources are reported on the government-wide Statement of Net Position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to the pension are explained in Note 11.

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, payments in lieu of taxes, pension and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance 2018 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.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 19. Deferred inflows of resources related to pension are reported on the government-wide Statement of Net Position. See Note 11 for more details.

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. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

F. 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, 2017

G. Pooled Cash and Cash Equivalents and Investments

To improve cash management, cash received by the City is pooled in a central bank account. Monies for all funds are maintained in this account or are temporarily used to purchase short term investments. 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 2017, the City's investments were limited to nonnegotiable certificates of deposit.

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.

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 2017 amounted to \$23,532, which includes \$19,317 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.

H. Materials and Supplies Inventory

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

I. 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.

J. 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.

K. 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.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

L. Capital Assets

The City's only capital assets are general capital assets. General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These 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.

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 assets by back-trending (i.e., estimating the current replacement cost of the asset 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 acquisition values as of the date received. The capitalization threshold is ten thousand dollars. The City does not possess any infrastructure. 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.

All reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental and Business Type Activities Estimated Lives
Land Improvements	20 Years
Building and Building Improvements	21-50 Years
Machinery and Equipment	5-40 Years
Vehicles	8-15 Years
Infrastructure	15-75 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.

M. Internal 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 and long-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities column 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.

N. 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.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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.

O. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and net pension liability 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.

P. Unamortized Bond Insurance Premiums, Bond Discounts, Bond Premiums, and Bond Issuance Costs

On the government wide financial statements, bond insurance premiums, bond premiums and bond discounts are amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. On the governmental fund financial statements bond insurance premiums, bond premiums, bond discounts and bond issuance costs are recognized in the period in which the bonds are issued.

Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

Bond issuance costs are expensed in the funds in the period the bonds are issued.

Q. 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, 2017

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. For 2016, the City had a committed fund balance of \$379,909 to be used for the acquisition, construction or improvements of capital assets which includes the purchasing of motor vehicles and equipment pursuant to Ohio Revised Code 5705.13 (C).

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.

R. 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, 2017

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

S. 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.

T. Internal Activity

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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.

U. 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.

V. 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.

W. 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 - CHANGE IN ACCOUNTING PRINCIPLE

For 2017, the City implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the City's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

The City also implemented GASB Statement No. 80, “Blending Requirements for Certain Component Units An Amendment of Statement No. 14”. These changes were incorporated in the City’s 2017 financial statements; however, there was no effect on beginning net position/fund balance.

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 major special revenue fund 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).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and the Police Special Revenue funds.

	General	Police
GAAP Basis	(\$107,354)	\$240,050
Revenue Accruals	3,890	(37,180)
Expenditure Accruals	(21,377)	12,129
Budget Basis	(\$124,841)	\$214,999

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the City has identified as not required for use within the current 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 in 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 may be deposited or invested in the following securities:

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (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; and,
6. The State Treasurer's investment pool (STAR Ohio);
7. High grade commercial paper for a period not to exceed 180 days in an amount not to exceed twenty-five percent of the City's interim monies available for investment; and,
8. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the City's interim monies available for investment.

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

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

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

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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, \$5,957,495 of the City's bank balance of \$6,468,065 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 either be insured or be protected by:

Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Effective July 1, 2017, the OPCS was implemented by the Office of the Ohio Treasurer of State. Financial institutions can elect to participate in the OPCS and will collateralize at 102 percent or a rate set by the Treasurer of State. At December 31, 2017, the City's financial institutions still maintained their own 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 105 percent of the deposits being secured.

On February 13, 2018, WesBanco Bank, Inc., the City's primary financial institution, enrolled in OPCS; as of the date of the financial statements, WesBanco Bank Inc. maintains collateralization at 102 percent, within the OPCS.

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 2017 for real and public utility property taxes represents collections of 2016 taxes.

2017 real property taxes were levied after October 1, 2017, on the assessed value as of January 1, 2017, the lien date. Assessed values are established by the State Law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

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 25 percent of true value. 2017 public utility property taxes which became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

The full tax rate for all City operations for the year ended December 31, 2017, was \$12.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2017 property tax receipts were based are as follows:

Category	Assessed Value
Real Property	\$119,074,160
Public Utility Personal Property	1,340,660
Total Assessed Property Value	\$120,414,820

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, 2017, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2017 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 – unavailable revenue.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2017 consisted of taxes, payments in lieu of taxes, accounts (billings for user charged services including unbilled utility services), loans, and intergovernmental receivables arising from grants, entitlements 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 \$9,703 may not be collected within one year.

The other governmental funds reflect loans receivable of \$601,384. These loans receivable are for financing the rehabilitation of downtown local businesses for community and economic development. Of the total loans receivable, \$7,000 is scheduled to be collected within one year.

A summary of the principal items of intergovernmental receivables is as follows:

<u>Governmental Activities:</u>	
Local Government Funding	\$58,828
Homestead/Rollback Reimbursement	59,548
Motor Vehicle License and Gasoline Tax	148,193
Total Governmental Activities	\$266,569

City of St. Clairsville
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For the Year Ended December 31, 2017

Revenue in Lieu of Taxes Receivable

In accordance with State law, the City has established a tax increment financing ordinance for parcels known as the St. Clair Commons, for which the City has granted property tax exemptions to construct certain infrastructure improvements. The improvements will be financed with bonds issued by the Columbus-Franklin Finance Authority (Authority). On April 13, 2017, the Authority issued \$2,335,000 in Series 2017A revenue bonds, as part of the St. Clair Commons Public Infrastructure Project, with interest payments beginning in 2017 (paid with the bonds' premium reserve), and the first principal payment due in 2019. The property owners have agreed to make payments to the City to reimburse annual debt service on the bonds, to and offset the affected school districts. The amount of those payments generally reflects all of the property taxes which the property owners would have paid if the improvements on the property had not been declared exempt. The property owners' contractual promise to make these payments in lieu of taxes will continue for the length of the agreement, which is not to exceed 30 years. For 2017, the estimated receivable for revenue in lieu of taxes in the amount of \$236,897 remains deferred.

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.

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City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 9 - CAPITAL ASSETS

A summary of changes in capital assets during 2017 is as follows:

	<u>Balance</u> <u>12/31/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2017</u>
<u>Governmental Activities:</u>				
Non Depreciable Capital Assets:				
Land	\$1,360,478	\$0	\$0	\$1,360,478
Depreciable Capital Assets:				
Land Improvements	4,656,851	0	0	4,656,851
Buildings and Improvements	1,259,461	0	0	1,259,461
Machinery and Equipment	323,023	56,673	0	379,696
Infrastructure	18,961,379	456,999	0	19,418,378
Vehicles	775,909	55,158	0	831,067
Total Depreciable Capital Assets	<u>25,976,623</u>	<u>568,830</u>	<u>0</u>	<u>26,545,453</u>
Accumulated Depreciation:				
Land Improvements	(2,111,727)	(184,658)	0	(2,296,385)
Buildings and Improvements	(960,995)	(22,265)	0	(983,260)
Machinery and Equipment	(221,484)	(15,489)	0	(236,973)
Infrastructure	(11,748,584)	(827,828)	0	(12,576,412)
Vehicles	(568,602)	(39,983)	0	(608,585)
Total Accumulated Depreciation	<u>(15,611,392)</u>	<u>(1,090,223)</u>	<u>0</u>	<u>(16,701,615)</u>
Total Depreciable Capital Assets, Net	<u>10,365,231</u>	<u>(521,393)</u>	<u>0</u>	<u>9,843,838</u>
Governmental Type Capital Assets, Net	<u>\$11,725,709</u>	<u>(\$521,393)</u>	<u>\$0</u>	<u>\$11,204,316</u>

Depreciation expense was charged to governmental functions as follows:

<u>Governmental Activities:</u>	
General Government:	
Legislative and Executive	\$24,460
Leisure Time Activities	212,277
Security of Persons and Property:	
Police	18,113
Transportation	832,421
Community and Economic Development	2,952
Total Depreciation Expense	<u>\$1,090,223</u>

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
<u>Business Type Activities:</u>				
Non Depreciable Capital Assets:				
Land	\$305,596	\$0	\$0	\$305,596
Construction in Progress	890,128	450,580	890,128	450,580
Total Non Depreciable Capital Assets	<u>1,195,724</u>	<u>450,580</u>	<u>890,128</u>	<u>756,176</u>
Depreciable Capital Assets:				
Land Improvements	67,975	0	0	67,975
Buildings and Improvements	2,401,487	36,747	0	2,438,234
Machinery and Equipment	3,223,732	10,470	(622,950)	2,611,252
Infrastructure	22,964,887	2,120,033	(23,517)	25,061,403
Vehicles	1,195,973	161,709	(51,000)	1,306,682
Total Depreciable Capital Assets	<u>29,854,054</u>	<u>2,328,959</u>	<u>(697,467)</u>	<u>31,485,546</u>
Accumulated Depreciation:				
Land Improvements	(27,675)	(1,959)	0	(29,634)
Buildings and Improvements	(1,308,581)	(72,680)	0	(1,381,261)
Machinery and Equipment	(2,394,180)	(49,694)	622,950	(1,820,924)
Infrastructure	(9,316,500)	(533,100)	23,517	(9,826,083)
Vehicles	(662,250)	(80,631)	51,000	(691,881)
Total Accumulated Depreciation	<u>(13,709,186)</u>	<u>(738,064)</u>	<u>697,467</u>	<u>(13,749,783)</u>
Total Depreciable Capital Assets, Net	<u>16,144,868</u>	<u>1,590,895</u>	<u>0</u>	<u>17,735,763</u>
Business Type Capital Assets, Net	<u>\$17,340,592</u>	<u>\$2,041,475</u>	<u>\$890,128</u>	<u>\$18,491,939</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 2017, the City contracted with the Scottsdale Insurance Company, and the Charter Oak Fire Insurance Company for property and inland marine coverage, for fleet insurance, and liability insurance. The Scottsdale Insurance Coverage and Charter Oak Fire Insurance Coverage, provided by the Travelers Property Casualty Company of America, are as follows:

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Building and Contents - replacement cost (\$5,000 deductible)	\$29,011,502
Flood Coverage (\$10,000 deductible)	5,000,000
Earthquake (\$25,000 deductible)	5,000,000
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 (\$5,000 deductible)	1,000,000
Law Enforcement Liability:	
Aggregate	1,000,000
Each Person / Occurrence (\$5,000 deductible)	1,000,000
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.

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.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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The net pension liability represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate 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 and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

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Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>
2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2017 Actual Contribution Rates	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	1.0
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$208,118 for 2017, of which the full amount has been contributed.

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Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension 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 and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit. (See OP&F CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits.)

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

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	Police
2017 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee	12.25 %
2017 Actual Contribution Rates	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	0.50
Total Employer	19.50 %
Employee	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$93,104 for 2017, of which the full amount has been contributed.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	OP&F	
Proportion of the Net Pension Liability:			
Current Measurement Date	0.0135080%	0.0190910%	
Prior Measurement Date	0.0138830%	0.0202790%	
Change in Proportionate Share	-0.0003750%	-0.0011880%	
Proportionate Share of the Net Pension Liability	\$3,067,440	\$1,209,204	\$4,276,644
Pension Expense	\$618,204	\$145,509	\$763,713

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$4,159	\$342	\$4,501
Changes of assumptions	486,533	0	486,533
Net difference between projected and actual earnings on pension plan investments	456,812	117,590	574,402
Changes in proportion and differences between City contributions and proportionate share of contributions	0	29,630	29,630
City contributions subsequent to the measurement date	<u>208,118</u>	<u>93,104</u>	<u>301,222</u>
Total Deferred Outflows of Resources	<u>\$1,155,622</u>	<u>\$240,666</u>	<u>\$1,396,288</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$18,255	\$2,785	\$21,040
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>50,448</u>	<u>53,677</u>	<u>\$104,125</u>
Total Deferred Inflows of Resources	<u>\$68,703</u>	<u>\$56,462</u>	<u>\$125,165</u>

\$301,222 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2018	\$352,092	\$41,170	\$393,262
2019	379,017	41,170	420,187
2020	161,083	30,513	191,596
2021	(13,391)	(11,468)	(24,859)
2022	0	(9,239)	(9,239)
Thereafter	<u>0</u>	<u>(1,046)</u>	<u>(1,046)</u>
Total	<u>\$878,801</u>	<u>\$91,100</u>	<u>\$969,901</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the OPERS' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2016, compared with December 31, 2015, are presented as follows.

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

For 2016, mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

For 2015, mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2015. The prior experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

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During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3 percent for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
Total	<u>100.00 %</u>	<u>5.66 %</u>

Discount Rate The discount rate used to measure the total pension liability for 2016 was 7.5 percent. The discount rate for 2015 was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

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	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$4,686,195	\$3,067,440	\$1,718,488

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2016, is based on the results of an actuarial valuation date of January 1, 2016, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented below:

Valuation Date	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	plus productivity increase rate of 0.5 percent 3.00 percent simple; 2.6 percent simple for increases based on the lesser of the increase in CPI and 3 percent

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed for the five-year period ended December 31, 2016. The recommended assumption changes based on this experience study were adopted by OP&F's Board and were effective beginning January 1, 2017 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2016, are summarized as follows:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Real Rate of Return**</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	0.00 %		0.00 %
Domestic Equity	16.00	4.46 %	5.21
Non-US Equity	16.00	4.66	5.40
Core Fixed Income *	20.00	1.67	2.37
Global Inflation Protected Securities*	20.00	0.49	2.33
High Yield	15.00	3.33	4.48
Real Estate	12.00	4.71	5.65
Private Markets	8.00	7.31	7.99
Timber	5.00	6.87	6.87
Master Limited Partnerships	8.00	6.92	7.36
Total	120.00 %		

Note: Assumptions are geometric.

* levered 2x

** numbers include inflation

OP&F's Board of Trustees has incorporated the "risk parity" concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	<u>1% Decrease (7.25%)</u>	<u>Current Discount Rate (8.25%)</u>	<u>1% Increase (9.25%)</u>
City's proportionate share of the net pension liability	\$1,610,517	\$1,209,204	\$869,087

Changes between Measurement Date and Report Date

In October 2017, the OP&F Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is a reduction in the discount rate from 8.25 percent to 8 percent. Although the exact amount of these changes is not known, it has the potential to impact to the City's net pension liability.

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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 - The 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 maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.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 the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the Retiree Medical Account (RMA) for participants in the Member-Directed Plan for 2017 was 4.0 percent.

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Substantially all of the City's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2017, 2016, and 2015 was \$16,009, \$34,740, and \$35,187, respectively. The full amount has been contributed for 2017, 2016, and 2015.

B. Police and Fire Pension Fund

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

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, 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 Government Accounting Standards Board (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. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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 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 percent of covered payroll for police and fire employer units. 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 administered 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 2017, the portion of employer contributions allocated to health care was 0.5 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 is also 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 contribution to OP&F for the years ended December 31, 2017, 2016, and 2015 were \$95,554, 88,875, and \$89,286, respectively, of which \$478, \$2,279 and \$2,289, respectively, was allocated to the healthcare plan. The full amount has been contributed for 2017, 2016 and 2015.

City of St. Clairsville
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For the Year Ended December 31, 2017

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 Medical Mutual. The monthly premium for medical/surgical and prescription drug coverage is \$700.33 for single plan and \$2,100.99 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 \$26.71 for a single plan, \$49.70 for a one dependent plan, and \$93.05 for a two or more dependent 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 \$21.44 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 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 \$105,222, 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 \$77,747. Principal payments towards capital leases during 2017 totaled \$26,464 for governmental activities.

Future minimum lease payments through 2017 are as follows:

Year	Governmental Activities	
	Principal	Interest
2017	\$11,679	\$1,443
2018	12,379	743
	\$24,058	\$2,186

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 15 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City during the year ended December 31, 2017 consisted of the following:

	Balance 12/31/2016	Additions	Reductions	Balance 12/31/2017	Due Within One Year
Governmental Activities:					
General Obligation Bonds					
<i>Refunding - 2016 \$4,810,000</i>					
Road Equipment - Serial Bonds					
\$5,000 @ 3.0%	\$5,000	\$0	\$5,000	\$0	\$0
Premium - \$146	73	0	73	0	0
Recreational Facilities - Serial/Term Bonds					
\$75,000 @ 2.0% to 4.0%	75,000	0	0	75,000	5,000
Premium - \$7,384	6,950	0	434	6,516	0
Total General Obligation Bonds	87,023	0	5,507	81,516	5,000
OPWC Loans					
Bett-Mar (CR10L)					
2008 - \$116,589 @ 0%	72,870	0	5,829	67,041	5,829
St. Clairsville Road Project (CR25M)					
2010 - \$98,372 @ 0%	68,859	0	4,919	63,940	4,919
Resurfacing 22 Roads (CR03N)					
2011 - \$76,320 @ 0%	57,240	0	3,816	53,424	3,816
Road Resurfacing (CR02Q)					
2014 - \$64,794	58,315	0	4,320	53,995	4,320
Total OPWC Loans	257,284	0	18,884	238,400	18,884
Other Long-Term Obligations					
Net Pension Liability:					
OPERS	937,835	258,463	0	1,196,298	0
OP&F	1,304,564	0	95,360	1,209,204	0
Net Pension Liability	2,242,399	258,463	95,360	2,405,502	0
Capital Leases	13,342	37,180	26,464	24,058	11,679
Compensated Absences	125,481	100,698	68,647	157,532	15,245
Total Governmental Activities	\$2,725,529	\$396,341	\$214,862	\$2,907,008	\$50,808

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

	<u>Balance 12/31/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2017</u>	<u>Due Within One Year</u>
<u>Business-Type Activities:</u>					
<i>General Obligation Bonds</i>					
<i>Refunding - 2016 \$4,810,000</i>					
<i>Water System Improvements</i>					
\$200,000 @ 2.0% to 4.0%	\$200,000	\$0	\$10,000	\$190,000	\$10,000
Premium - \$18,061	16,999	0	1,062	15,937	0
<i>Sewer System Improvements</i>					
\$160,000 @ 2.0% to 4.0%	160,000	0	35,000	125,000	5,000
Premium - \$14,191	12,889	0	1,302	11,587	0
<i>Light System Improvements</i>					
\$4,370,000 @ 2.0% to 4.0%	4,335,000	0	225,000	4,110,000	265,000
Premium - \$440,180	408,683	0	31,497	377,186	0
Total General Obligation Bonds	5,133,571	0	303,861	4,829,710	280,000
<i>OPWC Loans</i>					
<i>Belmont Drive Pump Station Replacement (CR20H)</i>					
2007 - \$73,774 @ 0.02%	42,369	0	3,665	38,704	3,738
<i>East Main Force Liner (CR23F)</i>					
2004 - \$214,890 @ 0.02%	90,741	0	11,331	79,410	11,559
<i>Wastewater System Repairs (CR13E)</i>					
2004 - \$133,216 @ 0.02%	59,714	0	6,955	52,759	7,094
<i>Water Transmission System (CR05H)</i>					
2006 - \$52,875 @ 0.02%	27,739	0	2,679	25,060	2,733
Total OPWC Loans	220,563	0	24,630	195,933	25,124
<i>OWDA Loan</i>					
<i>WWTP Improvements (7233)</i>					
2016 - \$2,000,000 @ 2.710%	890,128	990,438	103,196	1,777,370	84,860
<i>Other Long Term Obligations</i>					
Intergovernmental Payable	41,047	0	6,597	34,450	6,597
Compensated Absences	38,924	21,300	33,377	26,847	2,598
<i>Net Pension Liability - OPERS:</i>					
Water	480,943	132,547	0	613,490	0
Sewer	456,896	125,920	0	582,816	0
Light	529,037	145,799	0	674,836	0
Total Net Pension Liability - OPERS	1,466,876	404,266	0	1,871,142	0
Total Business-Type Activities	\$7,791,109	\$1,416,004	\$471,661	\$8,735,452	\$399,179

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Governmental Activities

2016 Refunding Bonds – On July 13, 2016 the City issued \$4,810,000 of general obligation refunding bonds which included serial and term bonds in the amount of \$3,245,000 and \$1,565,000, respectively. These bonds were issued to partially refund the 2007 Various Purpose Bonds, as well as pay the costs of issuance of these bonds for governmental and business type activities in the amounts of \$80,000 (\$45,000 serial bonds and \$35,000 term bonds) and \$4,865,000 (\$3,235,000 serial bonds and \$1,630,000 term bonds), respectively. The bonds were issued at a premium of \$7,530 for governmental activities, and \$472,432 for business type activities, which is reported as an increase to bonds payable. This amount is being amortized to interest expense over the life of the bonds using the straight-line method. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price which is reported as a deferred charge on refunding, and amortized over the remaining life of the refunded bonds. The 2017 amortization of this was \$297 for governmental activities and \$13,342 for business type activities. The bonds are insured, and the cost of the bond insurance is reported as Unamortized Bond Insurance Premiums and will be amortized over the life of the bonds. The value of the insurance was \$14,123 (\$235 governmental activities and \$13,888 business type activities). The 2017 amortization of the bond premium insurance was \$20 for governmental activities and \$999 for business type activities. A breakdown of the business-type portion of this bond issue is addressed as follows in the business type activity portion of this note.

The governmental debt service requirements are as follows:

Year Ending December 31,	Serial / Term Bonds		Total
	Principal	Interest	
2018	\$5,000	\$2,450	\$7,450
2019	5,000	2,300	7,300
2020	5,000	2,150	7,150
2021	5,000	2,000	7,000
2022	5,000	1,800	6,800
2023-2027	25,000	6,000	31,000
2028-2032	25,000	2,200	27,200
Total	\$75,000	\$18,900	\$93,900

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.

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

Year Ending December 31,	Principal
2018	\$18,884
2019	18,884
2020	18,884
2021	18,884
2022	18,884
2023-2027	94,416
2028-2032	49,564
Total	\$238,400

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Business-Type Activities

2016 Refunding Bonds – On July 13, 2016 the City issued \$4,810,000 of general obligation refunding bonds which included serial and term bonds in the amount of \$3,245,000 and \$1,565,000, respectively. These bonds were issued to partially refund the 2007 Various Purpose Bonds, as well as pay the costs of issuance of these bonds for governmental and business type activities in the amounts of \$80,000 (\$45,000 serial bonds and \$35,000 term bonds) and \$4,865,000 (\$3,235,000 serial bonds and \$1,630,000 term bonds), respectively. The bonds were issued at a premium of \$7,530 for governmental activities, and \$472,432 for business type activities, which is reported as an increase to bonds payable. This amount is being amortized to interest expense over the life of the bonds using the straight-line method. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price which is reported as a deferred charge on refunding, and amortized over the remaining life of the refunded bonds. The 2017 amortization of this was \$297 for governmental activities and \$13,342 for business type activities. The bonds are insured, and the cost of the bond insurance is reported as Unamortized Bond Insurance Premiums and will be amortized over the life of the bonds. The value of the insurance was \$14,123 (\$235 governmental activities and \$13,888 business type activities). The 2017 amortization of the bond premium insurance was \$20 for governmental activities and \$999 for business type activities. A breakdown of the governmental activities portion of this bond issue is previously addressed in the governmental activities portion of this note.

The business-type debt service requirements are as follows:

Year Ending December 31,	Serial / Term Bonds		Total
	Principal	Interest	
2018	\$280,000	\$155,450	\$435,450
2019	295,000	147,350	442,350
2020	300,000	138,950	438,950
2021	320,000	130,100	450,100
2022	325,000	121,100	446,100
2023-2027	1,695,000	126,100	1,821,100
2028-2032	1,210,000	126,100	1,336,100
Total	<u>\$4,425,000</u>	<u>\$945,150</u>	<u>\$5,370,150</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.

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

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Year Ending December 31,	Principal	Interest	Total
2018	\$25,124	\$3,793	\$28,917
2019	25,629	3,288	28,917
2020	26,145	2,772	28,917
2021	26,670	2,247	28,917
2022	27,206	1,711	28,917
2023-2026	62,932	2,179	65,111
2027	2,227	21	2,248
Total	<u>\$195,933</u>	<u>\$16,011</u>	<u>\$211,944</u>

OWDA Loan – The City has received an OWDA Loan to finance a Wastewater Treatment Plant Improvement Project. The loan has been approved for \$2,000,000, with a repayment schedule not to exceed twenty years. During 2017, the City drew down \$990,438 of the available funding. The OWDA loan will be paid from revenues derived from charges for services in the Sewer Fund. The OWDA loan has a 2.71 percent interest rate. A final amortization schedule will not be provided until the project is completed by the City.

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

Year Ending December 31,	Principal	Interest	Total
2018	\$84,860	\$47,778	\$132,638
2019	94,028	45,230	139,258
2020	94,028	42,682	136,710
2021	94,028	40,134	134,162
2022	94,028	37,585	131,613
2023-2027	470,140	149,705	619,845
2028-2032	470,140	86,000	556,140
2033-2036	376,118	22,927	399,045
Total	<u>\$1,777,370</u>	<u>\$472,041</u>	<u>\$2,249,411</u>

Belmont County Intergovernmental Payable – In prior years, the City and Belmont County approved an agreement for the City to pay 7.33 percent of the costs of Belmont County’s Water Works System, Phase I Project, in return for the City to have access to an emergency water supply. The City’s repayment schedule for the project is as follows.

Year Ending December 31,	Principal
2018	\$6,597
2019	6,597
2020	6,963
2021	6,963
2022	7,330
Total	<u>\$34,450</u>

As of December 31, 2017, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$12,643,556, with an unvoted debt margin of \$6,622,815.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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.

Capital leases will be paid from the Police Special Revenue Fund.

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

There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: General Fund, Police Fund, Street Fund, Recreation Fund, Water Fund, Sewer Fund, and Light Fund. For additional information related to the net pension liability see Note 11.

NOTE 16 - INTERFUND ACTIVITY

A. Interfund Balances

Interfund balances at December 31, 2017 consisted of the following individual interfund receivables and payables:

Interfund Payable	<u>Interfund Receivable</u>
Other Non-Major Governmental Funds	General
\$68,561	\$68,561

The amount due to the General Fund from other non-major governmental funds relates to property tax payments made by the City on behalf of the Community Improvement Corporation, which is reported as a non-major special revenue fund.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2017, consisted of the following:

Transfers In	Transfers Out		Total
	Major Funds General	Other Non-Major Governmental Funds	
Major Funds:			
Police	\$750,000	\$0	\$750,000
Sewer	76,423	0	76,423
Other Non-Major			
Governmental Funds	460,000	7,600	467,600
	\$1,286,423	\$7,600	\$1,294,023

The transfers from the General Fund to the Police and to the Other Non-Major Governmental funds were made to provide additional operating resources for City programs. Transfers from the General Fund to the Sewer Fund were made to provide resources for debt service payments on long-term obligations. Additional transfers between Other Non-Major Governmental Funds were made for annual debt service payments on outstanding long-term obligations.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 17 - 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. Each member currently pays a per capita membership fee based upon the most recent United States census. During 2017, the City made contributions of \$40 to OMEGA. 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 contributed \$1,711 to the Council during 2017.

C. 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.

D. 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, 2017

E. Belmont County Major Crime Unit

The Belmont County Major Crimes Unit (BCMCU) was created by a resolution and an agreement between Belmont County Sheriff's Office, the police departments of the City of St. Clairsville, the City of Martins Ferry, and all the villages located in Belmont County under the authority of Ohio Revised Code sections 311.07, 505.43, and 737.04. The Belmont County Sheriff serves as the director of the BCMCU. The BCMCU is governed by an Advisory Board consisting of the Belmont County Sheriff, the Belmont County Prosecutor, and the chief of police of each participating political subdivision. Each participant's degree of control is limited to its representation on the Board. All participating agencies agree that any mandatory fines collected shall be placed in an indemnity fund, administered by the Belmont County Sheriff's Office. The indemnity fund shall be used to subsidize the cost of BCMCU investigations. The City made no contributions to BCMCU during 2017.

NOTE 18 - CONTINGENCIES

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2017.

B. Litigation

The City is not currently party to legal proceedings.

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.

D. Paid Up Oil/Gas Lease

Rice Drilling D LLC - The City has entered into a "Paid-Up" Oil and Gas Lease with Rice Energy D LLC for 170.43 acres of property owned by the City, and is effective September 16, 2014 for a five year period. In consideration of the execution of the lease, the City received a signing bonus in the amount of \$1,474,252 on January 21, 2015. The lease calls for payments to the City, in addition to the bonus, royalties in the amount of 20 percent for all oil and other liquid hydrocarbons and by-products produced and saved from the land, and all gas and other hydrocarbons and by-products. As of the date of the financial statements, the value of any potential royalties cannot be determined, and the City has not received any compensation beyond the bonus.

Gulfport Energy Corporation - The City has entered into a "Paid-Up" Oil and Gas Lease with Gulfport Energy Corporation for 8.977 acres of property owned by the City, and is effective June 6, 2017 for a five year period. In consideration of the execution of the lease, the City received a signing bonus in the amount of \$44,885 on October 24, 2017. The lease calls for payments to the City, in addition to the bonus, royalties in the amount of 20 percent for all oil and other liquid hydrocarbons and by-products produced and saved from the land, and all gas and other hydrocarbons and by-products. As of the date of the financial statements, the value of any potential royalties cannot be determined, and the City has not received any compensation beyond the bonus.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Ascent Resources – Utica, LLC - The City has entered into a “Paid-Up” Oil and Gas Lease with Ascent Resources – Utica, LLC for 2.2284 acres of property owned by the City, and is effective June 6, 2017 for a five year period. In consideration of the execution of the lease, the City received a signing bonus in the amount of \$11,699 on December 13, 2017. The lease calls for payments to the City, in addition to the bonus, royalties in the amount of 20 percent for all oil and other liquid hydrocarbons and by-products produced and saved from the land, and all gas and other hydrocarbons and by-products. As of the date of the financial statements, the value of any potential royalties cannot be determined, and the City has not received any compensation beyond the bonus.

The total carrying value of the land leased is \$1,158,125.

NOTE 19 - SUBSEQUENT EVENTS

A. Annexation of Property

On February 5, 2018, the City passed a resolution authorizing the Mayor to enter into an agreement with the Board of Trustees of Richland Township for the annexation of 1.247 acres into the City. The annexation was approved by City Council on April 16, 2018.

B. Utility Rates

On February 20, 2018, the City amended the water and sewer usage rates for the top two tiers of users (commercial and other-type high volume users). The revisions to the rates for the top two tiers is a \$1.50 per thousand gallon increase for both water and sewer utility services.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

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City of St. Clairsville
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional Plan
Last Four Years (1) *

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's Proportion of the Net Pension Liability	0.0135080%	0.0138830%	0.0143170%	0.0143170%
City's Proportionate Share of the Net Pension Liability	\$3,067,440	\$2,404,711	\$1,726,789	\$1,687,788
City's Covered Payroll	\$1,737,008	\$1,759,371	\$1,755,358	\$1,763,231
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	176.59%	136.68%	98.37%	95.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added for each year.

* Amounts presented for each year were determined as of the City's measurement date which is the prior fiscal year end.

See notes to the required supplementary information

City of St. Clairsville
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Police and Fire Pension Fund
Last Four Years (1) *

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's Proportion of the Net Pension Liability	0.0190910%	0.0202790%	0.0193960%	0.0193960%
City's Proportionate Share of the Net Pension Liability	\$1,209,204	\$1,304,564	\$1,004,794	\$944,646
City's Covered Payroll	\$455,768	\$457,877	\$427,216	\$406,739
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	265.31%	284.92%	235.20%	232.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.36%	66.77%	72.20%	73.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added for each year.

* Amounts presented for each year were determined as of the City's measurement date which is the prior fiscal year end.

See notes to the required supplementary information

City of St. Clairsville
Required Supplementary Information
Schedule of City Contributions
Ohio Public Employees Retirement System - Traditional Plan
Last Five Years (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$208,118	\$208,441	\$211,125	\$210,643	\$229,220
Contributions in Relation to the Contractually Required Contribution	<u>(208,118)</u>	<u>(208,441)</u>	<u>(211,125)</u>	<u>(210,643)</u>	<u>(229,220)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$1,600,908	\$1,737,008	\$1,759,371	\$1,755,358	\$1,763,231
Contributions as a Percentage of Covered Payroll	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2013 is not available. An additional column will be added for each year.

See notes to the required supplementary information

City of St. Clairsville
Required Supplementary Information
Schedule of City Contributions
Ohio Police and Fire Pension Fund
Last Ten Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$93,104	\$86,596	\$86,997	\$81,171
Contributions in Relation to the Contractually Required Contribution	<u>(93,104)</u>	<u>(86,596)</u>	<u>(86,997)</u>	<u>(81,171)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$490,021	\$455,768	\$457,877	\$427,216
Contributions as a Percentage of Covered Payroll:	19.00%	19.00%	19.00%	19.00%

See notes to the required supplementary information

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$64,604	\$54,882	\$51,734	\$54,709	\$62,025	\$61,139
<u>(64,604)</u>	<u>(54,882)</u>	<u>(51,734)</u>	<u>(54,709)</u>	<u>(62,025)</u>	<u>(61,139)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$406,739	\$430,447	\$405,757	\$429,090	\$486,471	\$479,522
15.88%	12.75%	12.75%	12.75%	12.75%	12.75%

City of St. Clairsville
Notes to the Required Supplementary Information
For the year ended December 31, 2017

Changes in Assumptions - OPERS

Amounts reported for 2017 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2016 and prior are presented below:

	December 31, 2017	December 31, 2016 and Prior
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.05 percent including wage inflation	4.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Amounts reported for 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.



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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 Members of Council and Mayor:

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 as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of St. Clairsville's basic financial statements and have issued our report thereon dated June 15, 2018.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City of St. Clairsville'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 of St. Clairsville's internal control. Accordingly, we have not opined on it.

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 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 of St. Clairsville'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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider a significant deficiency. We consider finding 2017-001 to be a significant deficiency.

Members of Council and Mayor
City of St. Clairsville

Compliance and Other Matters

As part of reasonably assuring whether the City of St. Clairsville'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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

City of St. Clairsville Response to Finding

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

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 of St. Clairsville's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City of St. Clairsville's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
June 15, 2018

**CITY OF ST. CLAIRSVILLE
BELMONT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2017-001

Significant Deficiency - Recreation Department Receipts

Maintaining accurate financial receipts is an integral part of the City's Recreation Department operations.

The City maintains a computer software system relevant to recreation activities. This system has the capability of tracking and summarizing daily financial activity.

Lack of internal controls to incorporate this operational software to support the departments financial receipts could put the City in risk of misappropriation of assets.

We recommend the City implement additional internal controls to incorporate the recreation software as a tool for both summarized data and provide additional detailed support for the collection of receipts.

Client's Response: The City will either implement additional internal controls themselves or consider having a consulting firm to help develop additional operational controls for the Recreation Department that utilizes its current software package.

**CITY OF ST. CLAIRSVILLE
BELMONT COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</u>
2016-001	<u>Significant Deficiency - Bank Reconciliations</u> - The City's Mayor's Court bank reconciliation was not completed for 2016. The City's Utility Department bank reconciliations were not completed timely for 2016.	Yes	N/A
2016-002	<u>Significant Deficiency - Recreation Department Receipts</u> - The City maintains a computer software system relevant to recreation activities. This system has the capability of tracking and summarizing daily financial activity. Lack of internal controls to incorporate this operational software to support the departments financial receipts could put the City in risk of misappropriation of assets.	No	Not Corrected: Repeated as finding 2017-001
2016-003	<u>Noncompliance - Mayor's Court</u> - Ohio Revised Code Section 2949.091 states in part that all money collected during a month and owed to the state shall be transmitted on or before the twentieth day of the following month by the clerk of courts to the treasurer of the state. The Mayor's Court Clerk did not transmit money timely to the treasurer of state for most of 2016. This appears to be consistent with 2015 and certain years prior appear to be still not submitted.	Yes	N/A
2016-004	<u>Noncompliance - Mayor's Court Docket and Disposition of Fines and Other Monies</u> - Ohio Revised Code Section 1905.21 states that the Mayor of a municipal corporation and a Mayor's Court Magistrate shall keep a docket. The Mayor and Mayor's Court Magistrate shall account for and dispose of all such fines, forfeitures, fees and costs collected. Ohio Revised Code Section 733.40 states that all money collected be paid by the Mayor into the municipality on the first Monday of each month. The Mayor did not keep a complete docket. Furthermore, the Mayor did not submit monthly reports to the legislative authority nor did the submit money to the Fiscal Office timely.	Yes	N/A



Dave Yost • Auditor of State

CITY OF ST CLAIRSVILLE

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 14, 2018**