

# **City of St. Clairsville**

*Audited Financial Statements*

*December 31, 2006*





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of St. Clairsville, Belmont County, prepared by Rea & Associates, Inc., for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

July 10, 2007

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**CITY OF ST. CLAIRSVILLE  
BELMONT COUNTY**

**DECEMBER 31, 2006**

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June 22, 2007

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

### **REPORT OF INDEPENDENT AUDITOR'S**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Clairsville, Ohio (the "City"), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Clairsville, Ohio, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund, Street Fund, Recreation Fund, and Police Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

City of St. Clairsville  
Report of Independent Auditor's  
June 22, 2007  
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2007 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Audit Standards* and should be considered in assessing the results of our audit.

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

*Rea & Associates, Inc.*



**City of St. Clairsville**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*  
(Unaudited)

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The discussion and analysis of the City of St. Clairsville's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2006. 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 2006 are as follows:

- General Revenues accounted for \$1,553,513 in revenue or 68 percent of all revenues for governmental activities and \$78,331 or 2 percent of all revenues in business-type. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$743,756 or 32 percent of total revenues of \$2,297,269 for governmental activities. Business-type accounted for \$5,023,236 program specific revenues or 98 percent of total revenues of \$5,101,567.
- Total program expenses were \$9,026,036. \$2,675,818 in governmental activities and \$6,350,218 in business-type activities.
- In total, net assets decreased \$1,627,200. Net assets of governmental activities decreased \$378,549. Net assets of business-type activities decreased \$1,248,651 from 2005.
- Outstanding debt, including capital leases, increased from \$3,910,715 in 2005 to \$5,018,976 in 2006. This increase was a result of new proceeds exceeding principal debt payments.

***Using this Annual Financial Report***

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

The Statement of Net Assets and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2006 and how they affected the operations of the City as a whole.

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

*Statement of Net Assets and the Statement of Activities*

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

**City of St. Clairsville**  
*Management's Discussion and Analysis (Continued)*  
*For the Year Ended December 31, 2006*  
*(Unaudited)*

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A question typically asked about the City's finances "How did we do financially during fiscal year 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

***Fund Financial Statements***

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

**Governmental Funds** - Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. 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 to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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

**City of St. Clairsville**  
*Management's Discussion and Analysis (Continued)*  
For the Year Ended December 31, 2006  
(Unaudited)

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

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

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

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

Table 1 provides a summary of the City's net assets for 2006 compared to 2005:

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

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Assets:</b>						
Current and Other Assets	\$ 3,469,353	\$ 5,164,833	\$ 4,447,732	\$ 4,041,992	\$ 7,917,085	\$ 9,206,825
Capital Assets	4,828,563	3,545,354	8,195,029	8,500,897	13,023,592	12,046,251
Total Assets	8,297,916	8,710,187	12,642,761	12,542,889	20,940,677	21,253,076
<b>Liabilities:</b>						
Long-Term Liabilities	1,238,420	1,081,748	3,860,004	898,567	5,098,424	1,980,315
Other Liabilities	767,335	957,729	613,458	2,226,372	1,380,793	3,184,101
Total Liabilities	2,005,755	2,039,477	4,473,462	3,124,939	6,479,217	5,164,416
<b>Net Assets:</b>						
Invested in Capital						
Assets, Net of Debt	3,654,809	2,310,073	5,515,773	5,825,463	9,170,582	8,135,536
Restricted	1,698,871	3,146,469	0	0	1,698,871	3,146,469
Unrestricted	938,481	1,214,168	2,653,526	3,592,487	3,592,007	4,806,655
Total Net Assets	\$ 6,292,161	\$ 6,670,710	\$ 8,169,299	\$ 9,417,950	\$ 14,461,460	\$ 16,088,660

**City of St. Clairsville**  
*Management's Discussion and Analysis (Continued)*  
For the Year Ended December 31, 2006  
(Unaudited)

Total assets decreased by \$312,399 with governmental assets decreasing \$412,271 and business-type assets increasing \$99,872. The majority of the decrease in total assets for governmental activities was a result of a decrease in intergovernmental receivables due to a reduction in grant funding. An increase of \$977,341 in total capital assets reflects the additional purchases exceeding depreciation. Total liabilities increased by \$1,314,801 with governmental liabilities decreasing \$33,722 and business-type assets increasing \$1,348,523. The majority of this increase was the result of increased notes payable in business-type activities.

Total net assets decreased by \$1,627,200. This number reflects an decrease of \$378,549 in governmental activities and an decrease of \$1,248,651 in the net assets of the business-type activities. Table 2 shows the changes in net assets for fiscal years 2006 and 2005. This table presents two fiscal years in side-by-side comparisons. This will enable the reader to draw further conclusion about the City's financial status and possibly project future problems.

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

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for Services	\$ 371,717	\$ 181,300	\$ 5,023,236	\$ 4,102,045	\$ 5,394,953	\$ 4,283,345
Operating Grants	372,039	1,043,567	0	69,488	372,039	1,113,055
Capital Grants	0	84,819	0	15,015	0	99,834
<i>General Revenue:</i>						
Property Taxes	969,668	752,848	0	0	969,668	752,848
Kilowatt Per Hour Taxes	0	0	22,245	42,788	22,245	42,788
Grants and Entitlements	237,443	362,504	0	0	237,443	362,504
Investments	194,395	167,794	0	0	194,395	167,794
Other	152,007	51,348	56,086	221,899	208,093	273,247
<b>Total Revenues</b>	<b>2,297,269</b>	<b>2,644,180</b>	<b>5,101,567</b>	<b>4,451,235</b>	<b>7,398,836</b>	<b>7,095,415</b>
<b>Program Expenses</b>						
General Government	451,242	280,957	0	0	451,242	280,957
Security of Persons and Property	940,553	925,014	0	0	940,553	925,014
Transportation	527,891	572,997	0	0	527,891	572,997
Public Health Services	30,636	30,816	0	0	30,636	30,816
Community Environment	244,989	371,010	0	0	244,989	371,010
Leisure Time Activities	420,637	394,716	0	0	420,637	394,716
Interest and Fiscal Charges	59,870	6,988	0	0	59,870	6,988
<i>Enterprise Operations:</i>						
Water	0	0	953,747	1,053,250	953,747	1,053,250
Sewer	0	0	912,322	919,795	912,322	919,795
Light	0	0	4,484,149	2,372,845	4,484,149	2,372,845
<b>Total Program Expenses</b>	<b>2,675,818</b>	<b>2,582,498</b>	<b>6,350,218</b>	<b>4,345,890</b>	<b>9,026,036</b>	<b>6,928,388</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ (378,549)</b>	<b>\$ 61,682</b>	<b>\$ (1,248,651)</b>	<b>\$ 105,345</b>	<b>\$ (1,627,200)</b>	<b>\$ 167,027</b>

**City of St. Clairsville**  
*Management's Discussion and Analysis (Continued)*  
*For the Year Ended December 31, 2006*  
*(Unaudited)*

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**Governmental Activities**

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

General revenues include grants and entitlements, such as local government funds. With the combination of property tax and intergovernmental funding all expenses in the governmental activities are funded. The City monitors its source of revenues very closely for fluctuations. Intergovernmental revenues decreased this year causing a decrease in governmental net asset balance.

Police represents the largest expense of the Governmental Activities. This expense of \$940,553 represents 35 percent of the total governmental activities expenses. This department operates out of the police fund.

**Business-Type Activities**

Business-type activities include water, sewer and light operations. The revenues are generated primarily from charges for services. In 2006, charges for services of \$5,023,236 accounted for 98 percent of the business-type revenues. The total expenses for the utilities were \$6,350,218. Contractual service expenses increased in the Light fund this year causing a decrease in net assets for business-type activities.

***The City's Funds***

Information about the City's governmental funds begins on page 13. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$2,357,157 and expenditures of \$4,000,542. The city's general fund balance decreased by \$454,937 and the Recreation fund balance decreased by \$951,671. These decreases in fund balances can be attributed to expenditures increasing faster than revenues. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

Information about the proprietary funds starts on page 21. These funds are accounted for on an accrual basis. All business type funds had operating expenses of \$6,196,455 and operating revenues of \$5,079,322.

***General Fund Budgeting Highlights***

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

During the course of 2006, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the general fund, final budget basis revenue was \$1,062,578 and the original budget estimate was \$846,500. Of this \$216,078 increase, most was attributable to an increase in interest and intergovernmental revenue.

Final appropriations of \$481,837 were \$57,050 higher than the \$424,787 in the original budget.

**City of St. Clairsville**  
*Management's Discussion and Analysis (Continued)*  
For the Year Ended December 31, 2006  
(Unaudited)

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of year 2006, the City had \$13,023,592 in land, buildings, improvements other than buildings, machinery and equipment, vehicles, infrastructure and CIP. A total of \$4,828,563 of this was for governmental activities with the remainder attributable to business-type activities. Table 3 shows fiscal year 2006 balances compared with 2005.

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

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 1,187,706	\$ 287,706	\$ 280,596	\$ 30,000	\$ 1,468,302	\$ 317,706
Buildings	1,234,564	557,108	1,825,059	1,892,278	3,059,623	2,449,386
Improvements Other Than Buildings	93,108	63,747	0	0	93,108	63,747
Machinery and Equipment	265,357	233,795	288,586	267,952	553,943	501,747
Vehicles	109,337	77,724	58,833	64,303	168,170	142,027
Infrastructure	1,918,491	1,970,368	5,651,787	6,246,364	7,570,278	8,216,732
CIP	20,000	354,906	90,168	0	110,168	354,906
<b>Totals</b>	<b>\$ 4,828,563</b>	<b>\$ 3,545,354</b>	<b>\$ 8,195,029</b>	<b>\$ 8,500,897</b>	<b>\$ 13,023,592</b>	<b>\$ 12,046,251</b>

The \$977,341 increase in capital assets was attributable to additional purchases exceeding depreciation expense. Note 8 provides capital asset activity during the 2006 year.

**Debt**

The outstanding debt for the City of St. Clairsville as of December 31, 2006 was \$5,018,976 with \$3,521,339 due within one year. Table 4 summarizes outstanding debt.

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

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
General Obligation Bonds	\$ 967,814	\$ 1,000,000	\$ 0	\$ 0	\$ 967,814	\$ 1,000,000
Rural Development Bonds	0	0	128,055	130,034	128,055	130,034
OPWC Loans	0	0	475,885	518,248	475,885	518,248
OWDA Loans	0	0	115,607	218,831	115,607	218,831
Bond Anticipation Notes	200,000	223,500	3,122,000	1,799,000	3,322,000	2,022,500
Capital Leases	5,940	11,781	3,675	9,321	9,615	21,102
<b>Total</b>	<b>\$ 1,173,754</b>	<b>\$ 1,235,281</b>	<b>\$ 3,845,222</b>	<b>\$ 2,675,434</b>	<b>\$ 5,018,976</b>	<b>\$ 3,910,715</b>

**City of St. Clairsville**  
*Management's Discussion and Analysis (Continued)*  
*For the Year Ended December 31, 2006*  
*(Unaudited)*

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The general obligation bond is for the purpose of acquiring land. The principal and interest for this bond is paid from the collection of recreation fees and general revenues.

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

***Current Financial Issues***

The City of St. Clairsville was very busy once again in 2006.

Last year we reported grants for the widening of Rt. 40 and have spent the year in engineering and will bid the project in early 2007.

The City received \$250,000 in Economic Development Initiative Special Projects funding to restore the outside of the Clarendon Hotel including foundation, roof, windows and masonry repointing. Phase I was completed this summer and at the end of this year, we began architectural work on Phase II with an additional \$100,000 in EDISP funds. We believe we are getting close to finding an entity to run a restaurant and hotel in this refurbished, historic building.

Once again many projects were initiated this year including the purchase of a line striping machine and ordering a new sludge truck for the wastewater department.

The City made two large land purchases this year. Several parcels were purchased on the east end outside of the corporate limits for a new substation. The engineering is well underway and we anticipate putting it out to bid early next year. The City also purchased the Belmont County Fairgrounds from the Belmont County Agricultural Society. We gave them a lease for three years and an open renewal for an additional year if needed. They are hoping to be in their new location within three years. The City's Recreation Department grabbed the bull by the horns and held several outdoor concerts in the football stadium as well as an indoor flea market in the Jr. Fair Building throughout the summer. In the fall, Comcast came in for their community day and painted several of the fair buildings and donated and installed playground equipment behind the J. B. Martin Recreation Center. The Recreation Department also used the Jr. Fair Building for storage of recreation vehicles which were taken in the first weekend of November and will remain in storage until the first weekend in April 2007.

The City lost two long time employees in 2006. Richard "Dick" Bauer, the Water/Wastewater Superintendent and George Gabel from the same department retired this year. We were deeply saddened that Dick had a short retirement before passing away in January 2007. However, four new employees were hired for Water/Wastewater and we're looking forward to many years together. We are very proud that our Mayor was appointed as President of the Ohio Municipal League.

We have great employees that strive to keep St. Clairsville "Paradise on the Hilltop". We operated with no new taxes this year and provided excellent services to our residents. St. Clairsville truly is the best place to live, work and play!

**City of St. Clairsville**  
*Management's Discussion and Analysis (Continued)*  
*For the Year Ended December 31, 2006*  
*(Unaudited)*

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

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Jill Lucidi, Auditor of St. Clairsville, Ohio, Municipal Building, St. Clairsville, or [jlucidi@1st.net](mailto:jlucidi@1st.net).



**City of St. Clairsville**  
*Statement of Net Assets*  
*December 31, 2006*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 1,121,122	\$ 3,542,137	\$ 4,663,259
Cash and Cash Equivalents in Segregated Accounts	725	0	725
Investments with Trustees	132	0	132
Taxes Receivable	913,854	18,934	932,788
Accounts Receivable	179,365	467,878	647,243
Intergovernmental Receivable	773,954	0	773,954
Special Assessments Receivable	23,283	0	23,283
Loans Receivable	405,654	0	405,654
Prepaid Items	7,164	6,837	14,001
Materials and Supplies Inventory	44,100	310,600	354,700
Restricted Assets:			
Customer Deposits	0	101,346	101,346
Non-Depreciable Capital Assets	1,207,706	370,764	1,578,470
Depreciable Capital Assets, Net	3,620,857	7,824,265	11,445,122
<i>Total Assets</i>	<u>8,297,916</u>	<u>12,642,761</u>	<u>20,940,677</u>
<b>Liabilities</b>			
Accounts Payable	13,620	333,632	347,252
Accrued Wages	15,477	17,465	32,942
Contracts Payable	20,000	6,730	26,730
Intergovernmental Payable	52,967	29,484	82,451
Undistributed Monies	725	0	725
Customer Deposits Payable	0	101,346	101,346
Accrued Interest Payable	9,532	72,373	81,905
Accrued Vacation Leave Payable	28,014	52,428	80,442
Deferred Revenue	627,000	0	627,000
Long-Term Liabilities:			
Due Within One Year	287,237	3,288,416	3,575,653
Due in More Than One Year	951,183	571,588	1,522,771
<i>Total Liabilities</i>	<u>2,005,755</u>	<u>4,473,462</u>	<u>6,479,217</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	3,654,809	5,515,773	9,170,582
Restricted for Debt Service	2,661	0	2,661
Restricted for Capital Outlay	156,086	0	156,086
Restricted for Other Purposes	1,540,124	0	1,540,124
Unrestricted	938,481	2,653,526	3,592,007
<i>Total Net Assets</i>	<u>\$ 6,292,161</u>	<u>\$ 8,169,299</u>	<u>\$ 14,461,460</u>

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

**City of St. Clairsville**  
*Statement of Activities*  
For the Year Ended December 31, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>						
General Government	\$ 451,242	\$ 252,831	\$ 0	\$ (198,411)	\$ 0	\$ (198,411)
Security of Persons and Property	940,553	243	60,863	(879,447)	0	(879,447)
Public Health Services	30,636	0	0	(30,636)	0	(30,636)
Lesiure Time Activities	420,637	118,643	0	(301,994)	0	(301,994)
Community and Economic Development	244,989	0	0	(244,989)	0	(244,989)
Transportation	527,891	0	311,176	(216,715)	0	(216,715)
Interest and Fiscal Charges	59,870	0	0	(59,870)	0	(59,870)
<i>Total Governmental Activities</i>	<u>2,675,818</u>	<u>371,717</u>	<u>372,039</u>	<u>(1,932,062)</u>	<u>0</u>	<u>(1,932,062)</u>
<b>Business-Type Activities</b>						
Water	953,747	840,958	0	0	(112,789)	(112,789)
Sewer	912,322	754,745	0	0	(157,577)	(157,577)
Light	4,484,149	3,427,533	0	0	(1,056,616)	(1,056,616)
<i>Total Business-Type Activities</i>	<u>6,350,218</u>	<u>5,023,236</u>	<u>0</u>	<u>0</u>	<u>(1,326,982)</u>	<u>(1,326,982)</u>
<i>Total - Primary Government</i>	<u>\$ 9,026,036</u>	<u>\$ 5,394,953</u>	<u>\$ 372,039</u>	<u>(1,932,062)</u>	<u>(1,326,982)</u>	<u>(3,259,044)</u>
<b>General Revenues:</b>						
Property and Other Taxes Levied for:						
General Purposes				559,041	0	559,041
Other Purposes				410,627	0	410,627
Kilowatt Per Hour Taxes Levied for General Purposes				0	22,245	22,245
Grants and Entitlements not Restricted to Specific Programs				237,443	0	237,443
Investment Earnings				194,395	0	194,395
Miscellaneous				152,007	56,086	208,093
<i>Total General Revenues</i>				<u>1,553,513</u>	<u>78,331</u>	<u>1,631,844</u>
<i>Change in Net Assets</i>				(378,549)	(1,248,651)	(1,627,200)
<i>Net Assets Beginning of Year</i>				<u>6,670,710</u>	<u>9,417,950</u>	<u>16,088,660</u>
<i>Net Assets End of Year</i>				<u>\$ 6,292,161</u>	<u>\$ 8,169,299</u>	<u>\$ 14,461,460</u>

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

**City of St. Clairsville**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2006*

	General	Street	Recreation	Police	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$ 515,893	\$ 6,806	\$ 6,284	\$ 3,081	\$ 589,058	\$ 1,121,122
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0	725	725
Investments with Trustees	0	0	0	0	132	132
Taxes Receivable	432,878	0	0	441,623	39,353	913,854
Accounts Receivable	179,365	0	0	0	0	179,365
Intergovernmental Receivable	118,564	117,637	0	15,700	522,053	773,954
Special Assessments Receivable	0	0	0	0	23,283	23,283
Loans Receivable	0	0	0	0	405,654	405,654
Advances To Other Funds	20,758	0	0	0	0	20,758
Prepaid Items	4,557	0	0	2,607	0	7,164
Materials and Supplies Inventory	0	29,800	5,000	0	9,300	44,100
<i>Total Assets</i>	<u>\$ 1,272,015</u>	<u>\$ 154,243</u>	<u>\$ 11,284</u>	<u>\$ 463,011</u>	<u>\$ 1,589,558</u>	<u>\$ 3,490,111</u>
<b>Liabilities</b>						
Accounts Payable	4,913	3,707	3,159	1,841	0	13,620
Accrued Wages	363	3,649	0	11,273	192	15,477
Contracts Payable	0	0	0	0	20,000	20,000
Intergovernmental Payable	4,756	6,763	4,668	12,140	24,640	52,967
Undistributed Monies	0	0	0	0	725	725
Accrued Interest Payable	0	0	3,757	0	5,775	9,532
Advances From Other Funds	0	0	0	0	20,758	20,758
Deferred Revenue	690,545	75,942	0	457,323	533,790	1,757,600
<i>Total Liabilities</i>	<u>700,577</u>	<u>90,061</u>	<u>11,584</u>	<u>482,577</u>	<u>605,880</u>	<u>1,890,679</u>
<b>Fund Balances</b>						
Reserved for Encumbrances	4,866	4,870	3,621	1,441	97,942	112,740
Reserved for Advances	20,758	0	0	0	0	20,758
Reserved for Loans Receivable	0	0	0	0	405,654	405,654
Reserved for Unclaimed Monies	312	0	0	0	0	312
Unreserved, Undesignated, Reported in:						
General Fund	545,502	0	0	0	0	545,502
Special Revenue Funds	0	59,312	(3,921)	(21,007)	368,967	403,351
Debt Service Funds	0	0	0	0	(20,622)	(20,622)
Capital Projects Funds	0	0	0	0	131,737	131,737
<i>Total Fund Balances</i>	<u>571,438</u>	<u>64,182</u>	<u>(300)</u>	<u>(19,566)</u>	<u>983,678</u>	<u>1,599,432</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,272,015</u>	<u>\$ 154,243</u>	<u>\$ 11,284</u>	<u>\$ 463,011</u>	<u>\$ 1,589,558</u>	<u>\$ 3,490,111</u>

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

**City of St. Clairsville**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2006*

<b>Total Governmental Fund Balances</b>		\$ 1,599,432
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		4,828,563
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds:		
Intergovernmental	\$ 641,098	
Special Assessments	23,283	
Property Taxes	286,854	
Charges for Services	<u>179,365</u>	
Total		1,130,600
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Bond Anticipation Notes	(1,167,814)	
Capital Leases	(5,940)	
Accrued Vacation Payable	(28,014)	
Compensated Absences	<u>(64,666)</u>	
Total		<u>(1,266,434)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$ 6,292,161</u></u>

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

**City of St. Clairsville**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2006*

	General	Street	Recreation	Police	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property Taxes	\$ 481,211	\$ 0	\$ 0	\$ 294,782	\$ 25,312	\$ 801,305
Special Assessments	0	0	0	0	13,794	13,794
Charges for Services	0	0	118,543	0	0	118,543
Licenses and Permits	50,530	0	0	0	0	50,530
Fines and Forfeitures	7,701	0	0	0	1,053	8,754
Intergovernmental	325,382	304,138	20,000	37,794	314,660	1,001,974
Interest	191,637	79	712	0	1,967	194,395
Rent	14,425	0	0	0	100	14,525
Other	11,190	37,092	9,817	65,904	29,334	153,337
<i>Total Revenues</i>	<u>1,082,076</u>	<u>341,309</u>	<u>149,072</u>	<u>398,480</u>	<u>386,220</u>	<u>2,357,157</u>
<b>Expenditures</b>						
Current:						
General Government	287,078	0	0	0	590	287,668
Security of Persons and Property	1,909	0	0	842,729	83,054	927,692
Public Health Services	30,636	0	0	0	0	30,636
Lesiure Time Activities	0	0	356,207	0	13,934	370,141
Community and Economic Development	0	0	0	0	227,237	227,237
Transportation	0	451,567	0	0	659	452,226
Capital Outlay	39,751	131,429	1,021,470	30,481	383,914	1,607,045
Debt Service:						
Principal Retirement	3,817	0	34,210	0	0	38,027
Interest and Fiscal Charges	627	0	47,456	0	11,787	59,870
<i>Total Expenditures</i>	<u>363,818</u>	<u>582,996</u>	<u>1,459,343</u>	<u>873,210</u>	<u>721,175</u>	<u>4,000,542</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>718,258</u>	<u>(241,687)</u>	<u>(1,310,271)</u>	<u>(474,730)</u>	<u>(334,955)</u>	<u>(1,643,385)</u>
<b>Other Financing Sources (Uses)</b>						
Note Proceeds	0	0	0	0	200,000	200,000
Transfers In	0	218,600	358,600	480,700	115,295	1,173,195
Transfers Out	(1,173,195)	0	0	0	0	(1,173,195)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,173,195)</u>	<u>218,600</u>	<u>358,600</u>	<u>480,700</u>	<u>315,295</u>	<u>200,000</u>
<i>Net Change in Fund Balances</i>	(454,937)	(23,087)	(951,671)	5,970	(19,660)	(1,443,385)
<i>Fund Balance (Deficit) Beginning of Year</i>	<u>1,026,375</u>	<u>87,269</u>	<u>951,371</u>	<u>(25,536)</u>	<u>1,003,338</u>	<u>3,042,817</u>
<i>Fund Balance (Deficit) End of Year</i>	<u>\$ 571,438</u>	<u>\$ 64,182</u>	<u>\$ (300)</u>	<u>\$ (19,566)</u>	<u>\$ 983,678</u>	<u>\$ 1,599,432</u>

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

**City of St. Clairsville**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2006*

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**Net Change in Fund Balances - Total Governmental Funds** \$ (1,443,385)

*Amounts reported for governmental activities in the statement  
of activities are different because*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Asset Additions	\$	1,607,045	
Current Year Depreciation		<u>(178,480)</u>	
Total			1,428,565

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (145,356)

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

Delinquent Property Taxes		168,364	
Special Assessments		(15,125)	
Intergovernmental		(392,492)	
Charges for Services		<u>179,365</u>	
Total			(59,888)

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Capital Lease Principal		5,841	
Bond Anticipation Notes Principal		<u>32,186</u>	
Total			38,027

Proceeds of notes in the governmental funds that increase long-term liability in the statement of net assets are not reported as revenues in the statement of activities. (200,000)

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

Compensated Absences		5,301	
Vacation Payable		<u>(1,813)</u>	
Total			<u>3,488</u>

*Change in Net Assets of Governmental Activities* \$ (378,549)

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

**City of St. Clairsville**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2006*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$ 475,000	\$ 465,000	\$ 481,211	\$ 16,211
Licenses and Permits	50,500	51,500	50,530	(970)
Fines and Forfeitures	13,500	13,500	7,701	(5,799)
Intergovernmental	201,100	299,366	328,172	28,806
Interest	85,000	191,300	226,288	34,988
Rent	14,400	14,400	14,425	25
Contributions and Donations	0	0	208	208
Other	7,000	27,512	34,427	6,915
<i>Total Revenues</i>	<u>846,500</u>	<u>1,062,578</u>	<u>1,142,962</u>	<u>80,384</u>
<b>Expenditures</b>				
Current:				
General Government	379,287	396,337	295,048	101,289
Security of Persons and Property	3,500	3,500	2,308	1,192
Public Health Services	32,000	32,000	30,636	1,364
Capital Outlay	10,000	50,000	40,488	9,512
Debt Service:				
Principal Retirement	0	0	3,817	(3,817)
Interest and Fiscal Charges	0	0	627	(627)
<i>Total Expenditures</i>	<u>424,787</u>	<u>481,837</u>	<u>372,924</u>	<u>108,913</u>
<i>Excess of Revenues Over Expenditures</i>	<u>421,713</u>	<u>580,741</u>	<u>770,038</u>	<u>189,297</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	0	0	13,342	13,342
Transfers Out	(1,253,550)	(1,339,650)	(1,173,195)	166,455
<i>Total Other Financing Sources (Uses)</i>	<u>(1,253,550)</u>	<u>(1,339,650)</u>	<u>(1,159,853)</u>	<u>179,797</u>
<i>Net Change in Fund Balance</i>	(831,837)	(758,909)	(389,815)	369,094
<i>Fund Balance Beginning of Year (Restated, See Note 19)</i>	841,832	841,832	841,832	0
Prior Year Encumbrances Appropriated	8,635	8,635	8,635	0
<i>Fund Balance End of Year</i>	<u>\$ 18,630</u>	<u>\$ 91,558</u>	<u>\$ 460,652</u>	<u>\$ 369,094</u>

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

**City of St. Clairsville**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Street Fund*  
*For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Intergovernmental	\$ 237,000	\$ 237,000	\$ 306,222	\$ 69,222
Interest	200	200	79	(121)
Other	5,000	5,000	37,092	32,092
<i>Total Revenues</i>	<u>242,200</u>	<u>242,200</u>	<u>343,393</u>	<u>101,193</u>
<b>Expenditures</b>				
Current:				
Transportation	536,250	485,250	468,537	16,713
Capital Outlay	100,000	101,000	132,029	(31,029)
<i>Total Expenditures</i>	<u>636,250</u>	<u>586,250</u>	<u>600,566</u>	<u>(14,316)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(394,050)</u>	<u>(344,050)</u>	<u>(257,173)</u>	<u>86,877</u>
<b>Other Financing Source</b>				
Transfers In	394,050	344,050	218,600	(125,450)
<i>Net Change in Fund Balance</i>	0	0	(38,573)	(38,573)
<i>Fund Balance Beginning of Year</i>	304	304	304	0
Prior Year Encumbrances Appropriated	38,323	38,323	38,323	0
<i>Fund Balance End of Year</i>	<u>\$ 38,627</u>	<u>\$ 38,627</u>	<u>\$ 54</u>	<u>\$ (38,573)</u>

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



**City of St. Clairsville**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Recreation Fund*  
*For the Year Ended December 31, 2006*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Charges for Services	\$ 102,500	\$ 176,675	\$ 118,543	\$ (58,132)
Intergovernmental	0	20,000	20,000	0
Other	2,000	13,500	9,817	(3,683)
<i>Total Revenues</i>	<u>104,500</u>	<u>210,175</u>	<u>148,360</u>	<u>(61,815)</u>
<b>Expenditures</b>				
Current:				
Leisure Time Services	292,250	359,815	359,203	612
Capital Outlay	10,000	1,027,370	1,027,370	0
Debt Service:				
Principal Retirements	0	31,600	34,210	(2,610)
Interest and Fiscal Charges	0	43,840	43,674	166
<i>Total Expenditures</i>	<u>302,250</u>	<u>1,462,625</u>	<u>1,464,457</u>	<u>(1,832)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(197,750)</u>	<u>(1,252,450)</u>	<u>(1,316,097)</u>	<u>(63,647)</u>
<b>Other Financing Sources</b>				
Transfers In	197,750	352,750	358,600	5,850
<i>Total Other Financing Source</i>	395,500	705,500	717,200	11,700
<i>Net Change in Fund Balance</i>	0	(899,700)	(957,497)	(57,797)
<i>Fund Balance Beginning of Year</i>	953,470	953,470	953,470	0
Prior Year Encumbrances Appropriated	4,099	4,099	4,099	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$ 957,569</u>	<u>\$ 57,869</u>	<u>\$ 72</u>	<u>\$ (57,797)</u>

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

**City of St. Clairsville**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Police Fund*  
*For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property Taxes	\$ 287,000	\$ 274,000	\$ 294,782	\$ 20,782
Intergovernmental	36,000	29,000	37,794	8,794
Other	5,000	5,000	65,904	60,904
<i>Total Revenues</i>	<u>328,000</u>	<u>308,000</u>	<u>398,480</u>	<u>90,480</u>
<b>Expenditures</b>				
Current:				
Security of Persons and Property	833,400	850,219	852,198	(1,979)
Capital Outlay	35,000	30,481	30,481	0
<i>Total Expenditures</i>	<u>868,400</u>	<u>880,700</u>	<u>882,679</u>	<u>(1,979)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(540,400)</u>	<u>(572,700)</u>	<u>(484,199)</u>	<u>88,501</u>
<b>Other Financing Source</b>				
Transfers In	540,400	572,400	480,700	(91,700)
<i>Net Change in Fund Balance</i>	0	(300)	(3,499)	(3,199)
<i>Fund Balance Beginning of Year</i>	358	358	358	0
Prior Year Encumbrances Appropriated	3,231	3,231	3,231	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$ 3,589</u>	<u>\$ 3,289</u>	<u>\$ 90</u>	<u>\$ (3,199)</u>

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

**City of St. Clairsville**  
*Statement of Fund Net Assets*  
*Proprietary Funds*  
*December 31, 2006*

	Business-Type Activities			
	Water	Sewer	Light	Total
<b>Assets</b>				
<i>Current Assets</i>				
Equity in Pooled Cash and Cash Equivalents	\$ 133,387	\$ 45,251	\$ 3,363,499	\$ 3,542,137
Taxes Receivable	0	0	18,934	18,934
Accounts Receivable	75,269	64,885	327,724	467,878
Advances To Other Funds	0	70,000	0	70,000
Prepaid Items	2,279	2,279	2,279	6,837
Interfund Receivable	0	88,000	0	88,000
Materials and Supplies Inventory	61,500	22,500	226,600	310,600
<i>Total Current Assets</i>	<u>272,435</u>	<u>292,915</u>	<u>3,939,036</u>	<u>4,504,386</u>
<i>Non-Current Assets</i>				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	49,608	38,431	13,307	101,346
Non-Depreciable Capital Assets	0	0	370,764	370,764
Depreciable Capital Assets, Net	2,452,137	3,281,506	2,090,622	7,824,265
<i>Total Non-Current Assets</i>	<u>2,501,745</u>	<u>3,319,937</u>	<u>2,474,693</u>	<u>8,296,375</u>
<i>Total Assets</i>	<u>2,774,180</u>	<u>3,612,852</u>	<u>6,413,729</u>	<u>12,800,761</u>
<b>Liabilities</b>				
<i>Current Liabilities</i>				
Accounts Payable	4,507	5,088	324,037	333,632
Accrued Wages	7,583	4,013	5,869	17,465
Contracts Payable	0	0	6,730	6,730
Intergovernmental Payable	8,275	7,956	13,253	29,484
Customer Deposits Payable	49,608	38,431	13,307	101,346
Accrued Interest Payable	7,364	9,154	55,855	72,373
Accrued Vacation Leave Payable	16,452	12,163	23,813	52,428
Interfund Payable	88,000	0	0	88,000
Advances From Other Funds	70,000	0	0	70,000
Notes Payable	255,000	317,000	2,550,000	3,122,000
Compensated Absences Payable	1,941	953	2,254	5,148
Capital Leases Payable	488	488	488	1,464
Rural Development Loan Payable	0	2,126	0	2,126
OPWC Loans Payable	2,218	39,853	0	42,071
OWDA Loan Payable	115,607	0	0	115,607
<i>Total Current Liabilities</i>	<u>627,043</u>	<u>437,225</u>	<u>2,995,606</u>	<u>4,059,874</u>
<i>Long-Term Liabilities</i>				
Compensated Absences Payable- net of current portion	1,742	3,128	4,764	9,634
Capital Leases Payable- net of current portion	737	737	737	2,211
Rural Development Loan Payable- net of current portion	0	125,929	0	125,929
OPWC Loans Payable- net of current portion	48,483	385,331	0	433,814
<i>Total Long-Term Liabilities</i>	<u>50,962</u>	<u>515,125</u>	<u>5,501</u>	<u>571,588</u>
<i>Total Liabilities</i>	<u>678,005</u>	<u>952,350</u>	<u>3,001,107</u>	<u>4,631,462</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	2,029,604	2,410,042	1,076,127	5,515,773
Unrestricted	66,571	250,460	2,336,495	2,653,526
<i>Total Net Assets</i>	<u>\$ 2,096,175</u>	<u>\$ 2,660,502</u>	<u>\$ 3,412,622</u>	<u>\$ 8,169,299</u>

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

**City of St. Clairsville**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Funds*  
*For the Year Ended December 31, 2006*

	Business-Type Activities			
	Water	Sewer	Light	Total
<b>Operating Revenues</b>				
Charges for Services	\$ 840,958	\$ 754,745	\$ 3,427,533	\$ 5,023,236
Other	15,437	18,792	21,857	56,086
<i>Total Operating Revenues</i>	<u>856,395</u>	<u>773,537</u>	<u>3,449,390</u>	<u>5,079,322</u>
<b>Operating Expenses</b>				
Personal Services	489,177	363,312	445,238	1,297,727
Contractual Services	83,569	111,602	3,791,210	3,986,381
Materials and Supplies	102,069	45,801	35,840	183,710
Depreciation	248,107	354,305	126,225	728,637
<i>Total Operating Expenses</i>	<u>922,922</u>	<u>875,020</u>	<u>4,398,513</u>	<u>6,196,455</u>
<i>Operating Loss</i>	<u>(66,527)</u>	<u>(101,483)</u>	<u>(949,123)</u>	<u>(1,117,133)</u>
<b>Non-Operating Revenue (Expense)</b>				
Kilowatt Taxes	0	0	22,245	22,245
Interest and Fiscal Charges	(30,825)	(37,302)	(85,636)	(153,763)
<i>Total Non-Operating Revenue (Expense)</i>	<u>(30,825)</u>	<u>(37,302)</u>	<u>(63,391)</u>	<u>(131,518)</u>
<i>Change in Net Assets</i>	(97,352)	(138,785)	(1,012,514)	(1,248,651)
<i>Net Assets Beginning of Year</i>	<u>2,193,527</u>	<u>2,799,287</u>	<u>4,425,136</u>	<u>9,417,950</u>
<i>Net Assets End of Year</i>	<u>\$ 2,096,175</u>	<u>\$ 2,660,502</u>	<u>\$ 3,412,622</u>	<u>\$ 8,169,299</u>

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

**City of St. Clairsville**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2006**

	Business-Type Activities			
	Water	Sewer	Light	Total
<b>Increase (Decrease) in Cash and Cash Equivalents</b>				
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$ 851,057	\$ 766,467	\$ 3,370,162	\$ 4,987,686
Other Operating Receipts	15,437	18,792	21,857	56,086
Cash Payments for Goods and Services	(105,440)	(48,094)	(47,160)	(200,694)
Cash Payments to Employees	(497,378)	(367,635)	(458,256)	(1,323,269)
Cash Payments for Contractual Services	(95,695)	(121,130)	(3,624,842)	(3,841,667)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>167,981</u>	<u>248,400</u>	<u>(738,239)</u>	<u>(321,858)</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Tax Receipts	0	0	24,277	24,277
Advances In	88,000	0	0	88,000
Advance Out	0	(88,000)	0	(88,000)
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>88,000</u>	<u>(88,000)</u>	<u>24,277</u>	<u>24,277</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Proceeds from Notes	255,000	317,000	2,550,000	3,122,000
Acquisition of Capital Assets	(24,036)	(67,056)	(348,983)	(440,075)
Principal Payments on Debt	(366,790)	(483,540)	(1,101,882)	(1,952,212)
Interest Payments	(26,137)	(34,400)	(41,326)	(101,863)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(161,963)</u>	<u>(267,996)</u>	<u>1,057,809</u>	<u>627,850</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	94,018	(107,596)	343,847	330,269
<i>Cash and Cash Equivalents Beginning of Year</i>	88,977	191,278	3,032,959	3,313,214
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 182,995</u>	<u>\$ 83,682</u>	<u>\$ 3,376,806</u>	<u>\$ 3,643,483</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>				
Operating Loss	\$ (66,527)	\$ (101,483)	\$ (949,123)	\$ (1,117,133)
Adjustments:				
Depreciation	248,107	354,305	126,225	728,637
(Increase) Decrease in Assets:				
Accounts Receivable	(2,313)	2,105	(60,701)	(60,909)
Prepaid Items	(902)	(902)	(902)	(2,706)
Materials and Supplies Inventory	(4,750)	(476)	(8,662)	(13,888)
Increase (Decrease) in Liabilities:				
Accounts Payable	1,090	(1,971)	167,710	166,829
Accrued Wages	1,223	135	588	1,946
Customer Deposits Payable	1,477	1,145	397	3,019
Compensated Absences Payable	(3,725)	(1,491)	(2,135)	(7,351)
Accrued Vacation Payable	(4,245)	(1,089)	(9,880)	(15,214)
Intergovernmental Payable	(1,454)	(1,878)	(1,756)	(5,088)
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 167,981</u>	<u>\$ 248,400</u>	<u>\$ (738,239)</u>	<u>\$ (321,858)</u>

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

**City of St. Clairsville**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2006*

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	<u>Agency</u>
<b>Assets</b>	
Accounts Receivable	<u>\$ 720</u>
<b>Liabilities</b>	
Undistributed Monies	<u>\$ 720</u>

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

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2006*

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

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

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

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

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

**Reporting Entity**

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

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

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2006*

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the levying of taxes or the issuance of debt. The City has no component units.

The City is involved with the Ohio Mid-Eastern Governments Association, Jefferson-Belmont Joint Solid Waste Authority, Southeastern Ohio Narcotics Task Force, Bel-O-Mar Regional Council, and Belmont County Board of Health which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 18.

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

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

***A. Basis of Presentation***

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

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



**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2006*

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

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

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

**B. Fund Accounting**

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

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

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

**Street Fund** The street special revenue fund is required by the Ohio Revised Code to account for state gasoline tax and motor vehicle registration fees designated for maintenance of streets within the City.

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

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

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2006*

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

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

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

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

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

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

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

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

**C. Measurement Focus**

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

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2006*

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

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

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

***D. Basis of Accounting***

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

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

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

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

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2006*

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

**E. Pooled Cash and Cash Equivalents**

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

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

During fiscal year 2006, the City's investments were limited to certificates of deposit, money market funds, STAROhio, and overnight sweep accounts.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2006. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price for which the investment could be sold on December 31, 2006.

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 2006 amounted to \$191,637, which includes \$94,072 assigned from other City funds.

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

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2006*

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

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

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2006 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the payment and an expenditure/expense is reported in the year in which services are consumed.

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

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

***H. Restricted Assets***

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

***I. Capital Assets***

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

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

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
 December 31, 2006

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

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

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

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

***J. Interfund Balances***

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

***K. Compensated Absences***

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

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

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2006*

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

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

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

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

***M. Fund Balance Reserves***

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

***N. Net Assets***

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

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

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

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

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

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2006*

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

***P. Interfund Activity***

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

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

***P. Extraordinary and Special Items***

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

***Q. Estimates***

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

***R. Budgetary Data***

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

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



**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2006*

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

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

***S. Changes in Accounting Principles***

For the year ended December 31, 2006, the City has implemented GASB Statement No. 46 “*Net Assets Restricted by Enabling Legislation*”, and Statement No. 47 “*Accounting for Termination Benefits*.”

Statement No. 46 establishes that any amount of the primary government’s net assets at the end of the reporting period restricted by enabling legislation should be disclosed in the notes to the financial statements. At December 31, 2006, \$2,661 of the City’s net assets were restricted by enabling legislation.

Statement No. 47 provides guidance to governmental employers for measuring, recognizing, and reporting liabilities and expenses/expenditures related to *all* termination benefits without limitation as to the period of time during which the benefits are offered.

The implementation of these GASB Statements did not have an effect on the financial statements of the City.

**NOTE 3 – BUDGETARY BASIS OF ACCOUNTING**

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

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

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

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
 December 31, 2006

**NOTE 3 – BUDGETARY BASIS OF ACCOUNTING (Continued)**

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

	<b>Net Change in Fund Balance</b>			
	<u>General</u>	<u>Street</u>	<u>Recreation</u>	<u>Police</u>
GAAP Basis	\$ (454,937)	\$ (23,087)	\$ (951,671)	\$ 5,970
Revenue Accruals	60,886	2,084	(712)	0
Advances In	13,342	0	0	0
Expenditure Accruals	139	(10,818)	(552)	(6,478)
Encumbrances	<u>(9,245)</u>	<u>(6,752)</u>	<u>(4,562)</u>	<u>(2,991)</u>
Budget Basis	<u><u>\$ (389,815)</u></u>	<u><u>\$ (38,573)</u></u>	<u><u>\$ (957,497)</u></u>	<u><u>\$ (3,499)</u></u>

**NOTE 4 – ACCOUNTABILITY**

The following funds had a deficit fund balance as of December 31, 2006:

	<u>Deficit Fund Balance</u>
Major Funds:	
Recreation	\$ (300)
Police	(19,566)
Non-Major Funds:	
Litter	(479)
Police Pension	(24,308)
Street Assessment	(20,622)

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

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2006*

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

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

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

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

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

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

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
 December 31, 2006

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

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

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the City's name. During 2006, the City and public depositories complied with the provisions of these statutes.

Deposits with Financial Institutions

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

At fiscal year-end, the carrying amount of the City's deposits was \$4,495,537. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of December 31, 2006, \$3,936,650 of the City's bank balance of \$4,533,724 was exposed to custodial risk as discussed above, while \$597,074 was covered by Federal Deposit Insurance Corporation.

Investments

As of December 31, 2006, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>
		<u>6 Months or Less</u>
Repurchase Agreement	\$ 265,954	\$ 265,954
STAROhio	3,971	3,971
	<u>\$ 269,925</u>	<u>\$ 269,925</u>

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

**Credit Risk.** The City's repurchase agreement and STAROhio are unrated investments.

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
 December 31, 2006

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

**Concentration of Credit Risk.** The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the City at December 31, 2006:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Repurchase Agreement	\$ 265,954	99%
STAROhio	3,971	1%
 Total	 <u>\$ 269,925</u>	 <u>100%</u>

**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2006 for real and public utility property taxes represents collections of the 2006 taxes. Property tax payments received during 2006 for tangible personal property (other than public utility property) are for 2006 taxes.

2006 real property taxes are levied after October 1, 2006, on the assessed value as of January 1, 2006, the lien date. Assessed values are established by the State law at 35 percent of appraised market value. 2006 real property taxes are collected in and intended to finance 2006.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2006 public utility property taxes which became a lien on December 31, 2005, are levied after October 1, 2006, and are collected in 2006 with real property taxes.

2006 tangible personal property taxes are levied after October 1, 2006, on the values as of December 31, 2006. Collections are made in 2006. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent for inventory.

The full tax rate for all City operations for the year ended December 31, 2006, was \$12.05 per \$1,000 of assessed value for real property and \$12.35 per \$1,000 of assessed value for intangible property. The assessed values of real and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	\$ 89,291,870
Tangible Personal Property	3,427,660
Public Utility Property	<u>1,197,640</u>
 Total	 <u>\$ 93,917,170</u>

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

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2006*

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

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

The County Treasurer collects property tax on behalf of all taxing districts in the County, including the City of St. Clairsville. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represent real and tangible personal property, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2006 and for which there is an enforceable legal claim. In the general fund, and the police levy and police pension special revenue funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2006 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

**NOTE 7 - RECEIVABLES**

Receivables at December 31, 2006 consisted of taxes, accounts (billings for user charged services including unbilled utility services), special assessments, loans, and intergovernmental receivables arising from grants and shared revenues. All receivables are deemed collectible in full.

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
 December 31, 2006

**NOTE 8 - CAPITAL ASSETS**

A summary of changes in capital assets during 2006 follows:

	Balance 12/31/2005	Additions	Deletions	Balance 12/31/2006
<b>Governmental Activities</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 287,706	\$ 900,000	\$ 0	\$ 1,187,706
Construction in Progress	354,906	253,438	(588,344)	20,000
<i>Total Capital Assets Not Being Depreciated</i>	642,612	1,153,438	(588,344)	1,207,706
 <i>Capital Assets, Being Depreciated:</i>				
Buildings	2,225,184	728,094	0	2,953,278
Improvements Other Than Buildings	105,139	34,502	0	139,641
Machinery and Equipment	468,149	61,474	0	529,623
Vehicles	246,685	49,544	0	296,229
Infrastructure	2,087,282	168,337	(178,356)	2,077,263
<i>Total Capital Assets, Being Depreciated</i>	5,132,439	1,041,951	(178,356)	5,996,034
 <i>Less Accumulated Depreciation:</i>				
Buildings	(1,668,076)	(50,638)	0	(1,718,714)
Improvements Other Than Buildings	(41,392)	(5,141)	0	(46,533)
Machinery and Equipment	(234,354)	(29,912)	0	(264,266)
Vehicles	(168,961)	(17,931)	0	(186,892)
Infrastructure	(116,914)	(74,858)	33,000	(158,772)
<i>Total Accumulated Depreciation</i>	(2,229,697)	(178,480)*	33,000	(2,375,177)
 <i>Total Capital Assets Being Depreciated, Net</i>	2,902,742	863,471	(145,356)	3,620,857
 <i>Total Governmental Activities Capital Assets, Net</i>	\$ 3,545,354	\$ 2,016,909	\$ (733,700)	\$ 4,828,563

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

General Government	\$ 18,369
Leisure Time Services	51,323
Security of Persons and Property	14,241
Transportation	76,795
Community and Economic Development	17,752
Total	\$ 178,480

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
 December 31, 2006

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

	Balance 12/31/2005	Additions	Deletions	Balance 12/31/2006
<b>Business-Type Activities</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 30,000	\$ 250,596	\$ 0	\$ 280,596
Construction in Progress	0	90,168	0	90,168
<i>Total Capital Assets Not Being Depreciated</i>	<u>30,000</u>	<u>340,764</u>	<u>0</u>	<u>370,764</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings	2,436,365	0	0	2,436,365
Machinery and Equipment	597,127	67,056	0	664,183
Vehicles	270,968	0	0	270,968
Infrastructure	18,741,356	14,949	0	18,756,305
<i>Total Capital Assets, Being Depreciated</i>	<u>22,045,816</u>	<u>82,005</u>	<u>0</u>	<u>22,127,821</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(544,087)	(67,219)	0	(611,306)
Machinery and Equipment	(329,175)	(46,422)	0	(375,597)
Vehicles	(206,665)	(5,470)	0	(212,135)
Infrastructure	(12,494,992)	(609,526)	0	(13,104,518)
<i>Total Accumulated Depreciation</i>	<u>(13,574,919)</u>	<u>(728,637)</u>	<u>0</u>	<u>(14,303,556)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>8,470,897</u>	<u>(646,632)</u>	<u>0</u>	<u>7,824,265</u>
<i>Total Business-Type Activities Capital Assets, Net</i>	<u>\$ 8,500,897</u>	<u>\$ (305,868)</u>	<u>\$ 0</u>	<u>\$ 8,195,029</u>

**NOTE 9 - RISK MANAGEMENT**

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



**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2006*

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NOTE 9 - RISK MANAGEMENT (Continued)

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System:

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

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

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement, were required to contribute 9 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary. The City's contribution rate for pension benefits for 2006 was 13.7 percent, except for those plan members in law enforcement or public safety. For those classifications, the employer's pension contributions were 16.93 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005 and 2004 were \$208,231, \$200,795 and \$132,355, respectively. 92.35 percent has been contributed for 2006 and 100 percent for 2005 and 2004.

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2006*

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

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

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 19.5 percent for police officers. The City has no firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police for the years ended December 31, 2006, 2005 and 2004 were \$82,008, \$81,994 and \$77,103, respectively. The full amount has been contributed for 2005 and 2004. 79 percent has been contributed for 2006.

**C. Medicare System:**

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

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System of Ohio (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.5 percent of covered payroll was the portion that was used to fund health care.

Benefits are advanced-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between .5 percent and 6.00 percent annually for the next nine years and 4 percent annually after nine years.

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2006*

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**NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)**

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214 as of December 31, 2006. The number of active contributing participants for both plans used in the December 31, 2005 actuarial valuation was 358,804. The City's actual contributions for 2006 which were used to fund postemployment benefits were \$61,470. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005 (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

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

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

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

The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2006 and 2005. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2006 that were used to fund postemployment benefits were \$32,558 for police. The City has no firefighters. The OP&F's total health care expenses for the year ended December 31, 2005 (the latest information available) was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005 was 13,922 for police and 10,537 for firefighters.

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
 December 31, 2006

**NOTE 12 - OTHER EMPLOYEE BENEFITS**

A. Additional Insurance

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

The City contracts with Health Plan of the Upper Ohio Valley for hospitalization insurance; Delta Dental for dental insurance; for all employees, excluding part-time elected officials, part-time appointed officials, and part-time employees. The City offers Ohio AFSCME Eye Care and Hearing Care for AFSCME and FOP members. The City contracts with Vision Service Plan for eye care for full-time employees that are not in a union and elected officials who choose to pay for it themselves. The City and employees share the cost of the total monthly premiums of \$1,029.76 family health care, \$411.90 single health care; \$98.12 family dental care, \$28.47 single dental care, employee and one dependent dental care \$52.84; and \$7.25 family or single eye and hearing care. Health insurance co-payments for doctors' visits are reimbursed by the City. Premiums and co-payments are paid from the same funds that pay the employee's salaries.

B. Compensated Absences

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn vacation time based on the length of service. Typically, vacation can not be carried over, however, unforeseen circumstances may come into play and the superintendent may elect to permit an employee to carryover minimal vacation time. Sick leave is accumulated at a rate of 4.6 hours per each 80 hours worked. For employees that work less than a 40 hour work week, the sick leave accumulation is prorated based on 4.6 hours per 80 hours worked. All accumulated, unused vacation time and personal days are paid upon separation if the employee has acquired at least one year of service with the City. Upon separation, AFSCME members and non-union employees other than police, are paid for a maximum of 400 hours of accumulated sick time provided they have ten years of service with PERS. Police are paid a maximum of 400 hours of accumulated sick time provided they have ten years of service with the City. Upon separation, police are paid all accumulated unused comp time up to a maximum of 60 hours. As of December 31, 2006, the liability for unpaid compensated absences was \$79,448.

**13 - CONTRACTUAL COMMITMENTS**

As of December 31, 2006, the City had contractual commitments for the following projects:

	<u>Contractual Commitment</u>	<u>Expended</u>	<u>Balance 12/31/2006</u>
Electric Substation	\$ 168,000	\$ 83,438	\$ 84,562
Rt. 40 Widening Project	<u>32,536</u>	<u>0</u>	<u>32,536</u>
	<u>\$ 200,536</u>	<u>\$ 83,438</u>	<u>\$ 117,098</u>

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
 December 31, 2006

**NOTE 14 - LONG-TERM OBLIGATIONS**

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Date of Maturity</u>
<b>Governmental Activities:</b>			
Recreation Bond Anticipation Note	4.36%	\$ 1,000,000	10/27/2025
Bike Trail Bond Anticipation Note	4.25%	2,000,000	04/26/2007
<b>Business-Type Activities:</b>			
Belmont Drive Pump Station Replacement OPWC Loan	0.02%	74,000	01/01/2025
Wastewater Compliance Project OPWC Loan	0.04%	190,000	01/01/2009
Water Storage Tank Repair OPWC Loan	0.02%	17,773	07/01/2006
Wastewater System Repairs OPWC Loan	0.02%	133,216	07/01/2024
Joint Sewer Rural Development Loan	6.125%	2,000,000	01/01/2032
Water Improvements OWDA Loan	12.00%	1,015,560	11/01/2007
Water Transmission Connection	0.02%	52,875	01/01/2026
<b>Bond Anticipation Notes:</b>			
Water Vehicles and Reservoir Improvements	4.25%	255,000	04/26/2007
Sewer Vehicles, Chlorine Removal and West End Improvements	4.25%	317,000	04/26/2007
Light Garage Construction	4.25%	2,550,000	04/26/2007

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**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
 December 31, 2006

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

Changes in long-term obligations of the City during the year ended December 31, 2006 consisted of the following:

	<b>Principal Balance 12/31/2005</b>	<b>Additions</b>	<b>Reductions</b>	<b>Principal Balance 12/31/2006</b>	<b>Due in One Year</b>
<b>Governmental Activities:</b>					
Compensated Absences	\$ 69,967	\$ 0	\$ (5,301)	\$ 64,666	\$ 49,166
Capital Leases	11,781	0	(5,841)	5,940	4,466
Recreation Bond Anticipation Notes	1,000,000	0	(32,186)	967,814	33,605
Bike Trail Bond Anticipation Note	0	200,000	0	200,000	200,000
<i>Total Governmental Activities</i>	<u>\$ 1,081,748</u>	<u>\$ 200,000</u>	<u>\$ (43,328)</u>	<u>\$ 1,238,420</u>	<u>\$ 287,237</u>
<b>Business-Type Activities:</b>					
OPWC Loans:					
Water Transmission Connection	\$ 52,875	\$ 0	\$ (2,174)	\$ 50,701	\$ 2,218
Belmont Drive Pump Station Replacement	73,774	0	0	73,774	3,033
Wastewater Compliance Project	65,088	0	(20,842)	44,246	21,684
East Main Force Main Liner	197,042	0	(9,194)	187,848	9,379
Water Storage Tank Repair	4,510	0	(4,510)	0	0
Wastewater System Repairs	124,959	0	(5,643)	119,316	5,757
<i>Total OPWC Loans</i>	<u>518,248</u>	<u>0</u>	<u>(42,363)</u>	<u>475,885</u>	<u>42,071</u>
OWDA Loan	218,831	0	(103,224)	115,607	115,607
Joint Sewer Rural Development	130,034	0	(1,979)	128,055	2,126
Bond Anticipation Notes:				0	
Water Vehicle and Reservoir Improvements	0	255,000	0	255,000	255,000
Sewer Vehicles, Chlorine Removal and West End Improvements	0	317,000	0	317,000	317,000
Light Garage Construction	0	1,050,000	0	1,050,000	1,050,000
Substation	0	1,500,000	0	1,500,000	1,500,000
Compensated Absences	22,133	0	(7,351)	14,782	5,148
Capital Leases	9,321	0	(5,646)	3,675	1,464
<i>Total Business-Type Activities</i>	<u>\$ 898,567</u>	<u>\$ 3,122,000</u>	<u>\$ (160,563)</u>	<u>\$ 3,860,004</u>	<u>\$ 3,288,416</u>

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
 December 31, 2006

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

The OPWC loans and the OWDA loan will be paid from revenues derived from charges for services in the Enterprise funds. The City and Belmont County are jointly obligated for the Rural Development Loan for Water Works System #3, Phase I Project. At December 31, 2006, the total debt was \$1,800,000 with the City's share being 7.34 percent or \$128,055. The bond anticipation note will be paid with recreation fees and general revenues. Compensated absences will be paid from the fund from which the employees' salaries are paid. The Business-Type capital lease will be paid from user charges and the Governmental Activities lease will be paid from the General Fund revenues.

The City's overall legal debt margin was \$6,765,184 at December 31, 2006.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2006 are as follows:

Year	OPWC Loans		OWDA Loans		Rural Development Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 42,071	\$ 10,086	\$ 115,607	\$ 13,877	\$ 2,126	\$ 7,843
2008	43,357	8,801	0	0	2,272	7,713
2009	21,214	7,704	0	0	2,419	7,574
2010	21,641	7,277	0	0	2,566	7,426
2011	22,076	6,842	0	0	2,712	7,269
2012-2016	117,215	27,374	0	0	16,126	33,654
2017-2021	129,479	15,111	0	0	21,770	28,074
2022-2026	78,832	2,985	0	0	29,247	20,536
2027-2031	0	0	0	0	39,435	10,411
2032-2035	0	0	0	0	9,382	575
	<u>\$ 475,885</u>	<u>\$ 86,180</u>	<u>\$ 115,607</u>	<u>\$ 13,877</u>	<u>\$ 128,055</u>	<u>\$ 131,075</u>

  

Year	Bond Anticipation Note		Total	
	Principal	Interest	Principal	Interest
2007	\$ 3,355,605	\$ 164,470	\$ 3,515,409	\$ 196,276
2008	35,086	40,353	80,715	56,867
2009	36,632	38,807	60,265	54,085
2010	38,247	37,192	62,454	51,895
2011	39,933	35,506	64,721	49,617
2012-2016	227,667	149,528	361,008	210,556
2017-2021	282,462	94,734	433,711	137,919
2022-2026	274,182	27,574	382,261	51,095
2027-2031	0	0	39,435	10,411
2032-2035	0	0	9,382	575
	<u>\$ 4,289,814</u>	<u>\$ 588,164</u>	<u>\$ 5,009,361</u>	<u>\$ 819,296</u>

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
 December 31, 2006

**NOTE 15 - NOTE DEBT**

The City's note activity for 2006, including amounts outstanding, interest rates, and the purpose for which the note was issued, is as follows:

	<u>Outstanding</u> <u>12/31/2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding</u> <u>12/31/2006</u>
<b>Governmental Activities</b>				
Bike Trail Fund:				
Construction - 1.57%	\$ 223,500	\$ 0	\$ (223,500)	\$ 0
<b>Business-Type Activities</b>				
Water Fund:				
Vehicles and Reservoir Improvements - 1.57%	\$ 255,000	\$ 0	\$ (255,000)	\$ 0
Sewer Fund:				
Vehicles, Chlorine Removal and West End Improvements - 1.57%	444,000	0	(444,000)	0
Light Fund:				
Light Garage Construction- 1.57%	<u>1,100,000</u>	<u>0</u>	<u>(1,100,000)</u>	<u>0</u>
Total Business-Type Activities	<u>\$ 1,799,000</u>	<u>\$ 0</u>	<u>\$ (1,799,000)</u>	<u>\$ 0</u>

**NOTE 16 – CAPITALIZED LEASES**

In prior years the City entered into four leases for the acquisition of a copier in the finance department, mayor's office, recreation department and a mailing system. All leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The capital assets acquired by the leases have been capitalized in the governmental activities and business-type activities in the amounts of \$24,602 and \$33,036, respectively, which is equal to the present value of the future minimum lease payments at the time of acquisition. Capital lease payments will be reclassified and reflected as debt service expenditures on the fund financial statements for governmental funds. These expenditures are reflected as general government on the budgetary basis in the general fund and as leisure time services on the budgetary basis in the recreation fund. A corresponding liability was recorded and is reduced for each required principal payment.



**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
 December 31, 2006

**NOTE 16 – CAPITALIZED LEASES (Continued)**

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

		<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Year Ending December 31,	2007	\$ 4,888	\$ 1,786	\$ 6,674
	2008	1,191	1,786	2,977
	2009	397	595	992
Minimum lease payments		<u>6,476</u>	<u>4,167</u>	<u>10,643</u>
Less: amount representing interest at the City's incremental borrowing rate of interest		<u>(536)</u>	<u>(492)</u>	<u>(1,028)</u>
Present value of minimum lease payments		<u>\$ 5,940</u>	<u>\$ 3,675</u>	<u>\$ 9,615</u>

**NOTE 17 – INTERFUND TRANSFERS AND BALANCES**

A. Interfund Transfers

Interfund transfers for the year ended December 31, 2006, consisted of the following:

	<u>Transfer In</u>	<u>Transfer Out</u>
<b>Governmental Activities</b>		
General	\$ 0	\$ 1,173,195
Street	218,600	0
Recreation	358,600	0
Police	480,700	0
Litter	11,515	0
Police Pension	54,435	0
Bike Trail	31,745	0
Bike Trail Maintenance	<u>17,600</u>	<u>0</u>
<i>Totals</i>	<u>\$ 1,173,195</u>	<u>\$ 1,173,195</u>

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

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
 December 31, 2006

**NOTE 17 – INTERFUND TRANSFERS AND BALANCES (Continued)**

**B. Interfund Balances**

As of December 31, 2006, receivables and payables that resulted from interfund transactions were as follows:

	<u>Interfund</u>		<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>
	<u>Receivable</u>	<u>Payable</u>		
<b>Governmental Activities</b>				
General	\$ 0	\$ 0	\$ 20,758	\$ 0
Street Assessment	<u>0</u>	<u>0</u>	<u>0</u>	<u>20,758</u>
<i>Total Governmental Activities</i>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 20,758</u></u>	<u><u>\$ 20,758</u></u>
<b>Business-Type Activities</b>				
Water	\$ 0	\$ 88,000	\$ 0	\$ 70,000
Sewer	<u>88,000</u>	<u>0</u>	<u>70,000</u>	<u>0</u>
<i>Total Business-Type Activities</i>	<u><u>\$ 88,000</u></u>	<u><u>\$ 88,000</u></u>	<u><u>\$ 70,000</u></u>	<u><u>\$ 70,000</u></u>

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

**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS**

- A. Ohio Mid-Eastern Governments Association (OMEGA) is a ten county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum, and Tuscarawas counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a sixteen member executive board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. The Mayor of the City of St. Clairsville serves as the City's representative on the board, however the City is not active. Each member currently pays a per capita membership fee based upon the most recent United States census. During 2006, no fees were paid to OMEGA. The continued existence of OMEGA is not dependent on the City's continued participation and no equity interest exists. OMEGA has no outstanding debt.
- B. Jefferson-Belmont Joint Solid Waste Authority is established by State statutes and is operated to provide solid waste services to Jefferson and Belmont counties. The Authority is governed by a fourteen member board of directors of which the Mayor of the City of St. Clairsville is a member. The Authority is not dependent on the City of St. Clairsville for its continued existence, no debt exists, and the City does not maintain an equity interest. The City does not make any monetary contributions to the Authority.

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
 December 31, 2006

**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS** (Continued)

- C. Bel-O-Mar Regional Council is operated as a non-profit organization formed to provide planning and administrative services to all local governments in a four county region comprised of Belmont County, Ohio and three counties in West Virginia. The governing board is comprised of 58 officials from the four county service area of which three members and one alternate member are appointed by Belmont County and one member is appointed by each local government within Belmont County. The Mayor of the City of St. Clairsville serves as the City's representative on the board. The Council is not dependent upon the City of St. Clairsville for its continued existence, no debt exists, and the City does not maintain an equity interest. During 2006, the City made a contribution of \$1,416 to Bel-O-Mar Regional Council.
- D. Southeastern Ohio Narcotics Task Force (SENT) is a multi jurisdictional drug task force with the primary goal of combating major narcotic traffickers in Belmont, Carroll, Guernsey, Harrison, Monroe, and Tuscarawas counties. The Task Force is jointly governed among the participating counties and cities. A grant is received from the State of Ohio of which the participating entities must match 25 percent. Of the 14 members of the board, the Police Chief of the City of St. Clairsville acts as the City's representative on the board. Each member's control over the operation of SENT is limited to its representation on the board, and the City does not maintain an equity interest. During 2006, the City made no contribution to the Task Force.
- E. Belmont County Board of Health is operated as a non-profit organization formed to provide health care services to all areas within Belmont County. The governing board is comprised of officials from Belmont County. The City of St. Clairsville has a contract with the Board of Health. The Board is not dependent upon the City of St. Clairsville for its continued existence, no debt exists, and the City does not maintain an equity interest. During 2006, Belmont County Board of Health received \$30,636 from the City of St. Clairsville for annual fees, which are deducted from the property tax collections and distributed to the Board by the County Auditor.

**NOTE 19 – RESTATEMENT OF FUND BALANCE**

In the prior year, the general fund was overstated by \$81,082 on the budgetary basis statements. To correct this error, the beginning fund balance has been restated as follows:

<u>Budget (Non-GAAP Basis) Fund Balance</u>	<u>General Fund</u>
Previously Reported Fund Balance at 12/31/05	\$ 922,914
Correction of Error	<u>(81,082)</u>
Restated Fund Balance at 1/1/06	<u><u>\$ 841,832</u></u>

**City of St. Clairsville, Ohio**  
*Notes to the Basic Financial Statements (Continued)*  
*December 31, 2006*

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NOTE 20 - CONTINGENCIES

A. Grants:

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2006.

B. Litigation:

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

NOTE 21 – SUBSEQUENT EVENTS

On April 26, 2007 the City issued \$6,995,000 of general obligation bonds for the purpose of retiring bond anticipation notes that matured on April 26, 2007. The bonds have a maturity date of December 1, 2032 and interest rates varying between 4 and 5 percent.



June 22, 2007

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Clairsville (the "City") as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 22, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

City of St. Clairsville, Ohio  
Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards  
June 22, 2007  
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of noncompliance that we have reported to management of the City in a separate letter dated June 22, 2007.

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

*Hea & Associates, Inc.*



**Mary Taylor, CPA**  
Auditor of State

**CITY OF ST. CLAIRSVILLE**

**MONTGOMERY 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  
JULY 24, 2007**