



Dave Yost • Auditor of State

**CITY OF ST. CLAIRSVILLE
BELMONT COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances Of Governmental Funds to the Statement of Activities.....	18
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund	19
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual – Police Fund	20
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual – Street Fund.....	21
Statement of Fund Net Position – Proprietary Funds	22
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds.....	23
Statement of Cash Flows – Proprietary Funds	24
Statement of Fiduciary Assets and Liabilities – Agency Funds	25
Notes to the Basic Financial Statements.....	27
Required Supplementary Information:	
Schedule of the City's Proportionate Share of the Net Pension Liability- Ohio Public Employees Retirement System - Traditional Plan.....	67
Schedule of the City's Proportionate Share of the Net Pension Liability- Ohio Police and Fire Pension Fund	68
Schedule of City Contributions- Ohio Public Employees Retirement System - Traditional Plan.....	69

CITY OF ST. CLAIRSVILLE
BELMONT COUNTY

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Schedule of City Contributions- Ohio Police and Fire Pension Fund	70
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	71
Schedule of Findings	73
Summary Schedule of Prior Audit Findings	76



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Clairsville, Belmont County, Ohio (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Clairsville, Belmont County, Ohio, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Police, and Street Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2016, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

November 22, 2016

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

The discussion and analysis of the City of St. Clairsville's (the City) financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2015. 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 2015 are as follows:

- In total, net position increased \$2,433,965.
- General revenues for governmental activities accounted for \$4,059,910 or approximately 79 percent of total revenues. Program specific revenues in the form of charges for services, operating grants, contributions, and interest, and capital grants and contributions accounted for \$1,098,048 or approximately 21 percent of total revenues in the amount of \$5,157,958.
- Total assets of governmental activities increased \$1,721,104 primarily due to capital asset additions, increases in cash and cash equivalents, and property taxes. Total liabilities of governmental activities decreased \$538,748, primarily due to the City fully repaying the 2005 Recreation long-term note payable during 2015.
- The City had \$2,580,231 in expenses related to governmental activities; only \$1,098,048 of which was offset by program specific charges for services, operating grants, contributions, and interest, and capital grants and contributions. General revenues in the amount of \$4,059,910 were adequate to provide for these programs.
- Total governmental funds had \$5,282,298 in revenues and \$4,401,586 in expenses. Overall, including other financing sources and uses, total governmental fund balance increased \$890,786.

Using this Annual Financial Report

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

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

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

Reporting the City of St. Clairsville as a Whole

Statement of Net Position and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

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

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

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

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

Fund Financial Statements

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

Governmental Funds Most of the City's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled as part of the financial statements.

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

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

The City of St. Clairsville as a Whole

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2015 compared to 2014:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Assets						
Current and						
Other Assets	\$4,681,276	\$3,801,095	\$4,011,935	\$3,944,658	\$8,693,211	\$7,745,753
Capital Assets, Net	10,068,532	9,227,609	16,674,277	16,881,784	26,742,809	26,109,393
Total Assets	14,749,808	13,028,704	20,686,212	20,826,442	35,436,020	33,855,146
Deferred Outflows of Resources						
Pension	248,575	163,322	184,989	128,492	433,564	291,814
Liabilities						
Current Liabilities	89,888	55,019	559,527	552,918	649,415	607,937
Long-Term Liabilities						
Due within One Year	65,309	92,767	284,565	274,745	349,874	367,512
Due in More Than One Year:						
Net Pension Liability	1,678,241	1,602,883	1,053,342	1,029,551	2,731,583	2,632,434
Other Amounts	529,119	1,150,636	5,271,027	5,589,016	5,800,146	6,739,652
Total Liabilities	2,362,557	2,901,305	7,168,461	7,446,230	9,531,018	10,347,535
Deferred Inflows of Resources						
Property Taxes	994,053	919,213	0	0	994,053	919,213
Pension	11,831	0	18,505	0	30,336	0
Total Deferred Inflows of Resources	1,005,884	919,213	18,505	0	1,024,389	919,213
Net Position						
Net Investment						
in Capital Assets	9,635,278	8,166,452	12,235,271	12,207,009	21,870,549	20,373,461
Restricted	1,893,810	1,814,871	0	0	1,893,810	1,814,871
Unrestricted (Deficit)	100,854	(609,815)	1,448,964	1,301,695	1,549,818	691,880
Total Net Position	\$11,629,942	\$9,371,508	\$13,684,235	\$13,508,704	\$25,314,177	\$22,880,212

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

During 2015, the City adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

Under the new standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

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

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

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

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

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

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from \$10,811,069 to \$9,371,508 for governmental activities and \$14,409,763 to \$13,508,704 for business-type activities.

Total assets of governmental activities increased \$1,721,104. Current and other assets increased \$880,181 primarily due to increases in cash and cash equivalents and property taxes receivables. The increase in current assets was offset slightly by a decrease in income taxes receivable. Capital assets increased \$840,923 primarily due to capital asset additions, which were offset slightly by annual depreciation.

Overall, total liabilities of governmental activities decreased \$538,748. Current liabilities increased \$34,869, primarily due to increases in accounts payable and contracts payable. Long-term liabilities decreased \$573,617 primarily due to the City using a portion of its oil and gas lease bonus to fully repay the outstanding 2005 Recreation long-term note payable. The decrease in long-term liabilities was slightly offset by an increase in the City's net pension liability.

Total assets of business-type activities decreased \$140,230. Current and other assets increased \$67,277 primarily due to increases in cash and cash equivalents, as a result of net cash provided by operating and noncapital activities exceeding the net cash used for capital and related financing activities. The increase in cash and cash equivalents was offset by a decrease in intergovernmental receivables due to the subsequent contravention of a grant agreement, which was repaid during 2015. Capital assets decreased \$207,507 primarily due to annual depreciation on capital assets, which was offset slightly by capital asset additions.

Overall, total liabilities of business-type activities decreased \$277,769. Current liabilities increased slightly by \$6,609, primarily due to an increase in intergovernmental payable, which was partially offset by a decrease in accounts payable. Long-term liabilities decreased \$284,378 primarily due to annual debt service payments on long-term obligations.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2015 and 2014.

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues:						
Charges for Services	\$299,243	\$324,883	\$6,927,030	\$7,254,506	\$7,226,273	\$7,579,389
Operating Grants, Contributions, and Interest	358,027	428,537	0	0	358,027	428,537
Capital Grants	440,778	122,479	0	0	440,778	122,479
Total Program Revenues	1,098,048	875,899	6,927,030	7,254,506	8,025,078	8,130,405
General Revenues:						
Property Taxes	953,428	931,413	0	0	953,428	931,413
Income Taxes	1,144,062	1,476,382	0	0	1,144,062	1,476,382
Kilowatt per Hour Taxes	201,855	204,730	0	0	201,855	204,730
Grants and Entitlements	170,534	150,813	0	0	170,534	150,813
Investment Earnings	44,016	31,403	0	0	44,016	31,403
Oil and Gas Lease Bonus	1,474,252	0	0	0	1,474,252	0
Miscellaneous	71,763	35,914	70,304	54,574	142,067	90,488
Total General Revenues	4,059,910	2,830,655	70,304	54,574	4,130,214	2,885,229
Total Revenues	5,157,958	3,706,554	6,997,334	7,309,080	12,155,292	11,015,634
Program Expenses						
General Government						
Legislative and Executive	333,251	382,046	0	0	333,251	382,046
Judicial	1,975	3,271	0	0	1,975	3,271
Security of Persons and Property						
Police	1,114,026	1,025,471	0	0	1,114,026	1,025,471
Public Health Services	29,459	29,724	0	0	29,459	29,724
Leisure Time Services	537,919	483,094	0	0	537,919	483,094
Community and Economic Development	125,386	104,488	0	0	125,386	104,488
Transportation	429,971	1,046,326	0	0	429,971	1,046,326
Interest and Fiscal Charges	8,244	34,874	0	0	8,244	34,874
Water	0	0	1,299,184	1,001,507	1,299,184	1,001,507
Sewer	0	0	1,004,476	937,645	1,004,476	937,645
Light	0	0	4,837,436	4,666,395	4,837,436	4,666,395
Total Expenses	2,580,231	3,109,294	7,141,096	6,605,547	9,721,327	9,714,841
Increase (Decrease) Before Transfers	2,577,727	597,260	(143,762)	703,533	2,433,965	1,300,793
Transfers	(319,293)	(991,271)	319,293	991,271	0	0
Change in Net Position	2,258,434	(394,011)	175,531	1,694,804	2,433,965	1,300,793
Net Position Beginning of Year	9,371,508	N/A	13,508,704	N/A	22,880,212	N/A
Net Position End of Year	\$11,629,942	\$9,371,508	\$13,684,235	\$13,508,704	\$25,314,177	\$22,880,212

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$291,814 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$285,857. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-Type Activities	Total
Total 2015 program expenses under GASB 68	\$2,580,231	\$7,141,096	\$9,721,327
Pension expense under GASB 68	(171,272)	(114,585)	(285,857)
2015 contractually required contribution	169,336	128,786	298,122
Adjusted 2015 program expenses	2,578,295	7,155,297	9,733,592
Total 2014 program expenses under GASB 27	3,109,294	6,605,547	9,714,841
Increase (decrease) in program expenses not related to pension	(\$530,999)	\$549,750	\$18,751

Governmental Activities

Several revenue sources fund governmental activities, with the City income tax usually being the largest source. The income tax rate is 0.75 percent. Property taxes are usually the second largest revenue source for the City. In 2015, the City received a \$1,474,252 oil and gas lease bonus, making it the largest revenue source. The oil and gas lease bonus represents approximately 29 percent of total revenue. Income taxes and property taxes represent approximately 41 percent of total revenue.

Charges for services and operating grants, contributions, and interest for governmental activities decreased from 2014. The decrease in operating grants and contributions is primarily due to decreases in State revenues received in the Street Fund. The increase in capital grants and contributions is primarily due to capital grant funding received for the Biketrail Tunnel Project.

Program expenses of governmental activities not related to pension decreased by \$530,999 in 2015. The decrease in program expense not related to pension was primarily due to capital asset additions exceeding current year depreciation on existing assets.

Security of persons and property – police accounted for the largest share of governmental expenses for the City, approximately 43 percent in 2015. Leisure time services accounted for 21 percent of governmental expenses in 2015.

Other program expenses for the City in 2015 were made up of transportation, which accounted for approximately 17 percent; general government – legislative and executive, which accounted for approximately 13 percent; community and economic development, which accounted for approximately 5 percent

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
General Government				
Legislative and Executive	\$333,251	\$382,046	\$184,764	\$232,772
Judicial	1,975	3,271	560	1,671
Security of Persons and Property				
Police	1,114,026	1,025,471	980,783	880,380
Public Health Services	29,459	29,724	29,459	29,724
Leisure Time Services	537,919	483,094	(6,455)	374,490
Community and				
Economic Development	125,386	104,488	110,780	24,685
Transportation	429,971	1,046,326	174,048	654,799
Interest and Fiscal Charges	8,244	34,874	8,244	34,874
Total Expenses	\$2,580,231	\$3,109,294	\$1,482,183	\$2,233,395

The dependence upon property tax and income tax revenues is apparent. Approximately 57 percent of expenses are supported through taxes and other general revenues.

Business-Type Activities

Business-type activities include water, sewer and light operations. The major source of revenue for these funds is charges for services, accounting for \$6,927,030 or approximately 99 percent of total business-type revenues.

The City's Funds

Information about the City's governmental funds begins on page 15. The City has five major governmental funds, the General Fund, the Police, and the Street Special Revenue funds, the Debt Service Fund, and the Permanent Improvement Capital Projects Fund. These funds are accounted for using the modified accrual method of accounting. The General Fund had \$3,138,768 in revenues and \$486,956 in expenditures. Overall, including other financing uses, the General Fund's balance increased \$281,461. The Police Fund had \$647,828 in revenues and \$1,143,250 in expenditures. Overall, including other financing sources, the Police Fund's balance decreased \$1,132. The Street Fund had \$269,638 in revenues and \$624,873 in expenditures. Overall, including other financing sources and uses, the Street Fund's balance decreased \$2,522. The Debt Service Fund had \$0 in revenues and \$687,351 in expenditures. Overall, including other financing sources, the Debt Service Fund's balance had no change. The Permanent Improvement Fund had \$1,090,108 in revenues and \$1,117,252 in expenditures. Overall, including other financing sources, the Permanent Improvement Fund's balance increased \$9,627.

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

Information about the proprietary funds starts on page 22. The City has three major proprietary funds, the Water, Sewer, and Light funds. These funds are accounted for on an accrual basis. The Water Fund had operating revenues in the amount of \$947,466 and operating expenses in the amount of \$1,088,933. Overall, including non-operating expenses and capital contributions, the Water Fund's net position decreased \$62,425. The Sewer Fund had operating revenues in the amount of \$784,022 and operating expenses in the amount of \$991,548. Overall, including non-operating expenses and transfers, the Sewer Fund's net position decreased \$190,454. The Light Fund had operating revenues in the amount of \$5,265,846 and operating expenses in the amount of \$4,626,468. Overall, including non-operating expenses, the Light Fund's net position increased \$428,410.

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 2015, the City amended its General Fund budget and the budgetary statement reflects original and final budgeted amounts. The changes between original and final budget reflected a change in estimated revenues, as a result of oil and gas lease bonus revenue. Original and final budgeted appropriations varied only slightly as budgeted transfers out increased. The variance between final budget and actual operations reflected slightly less revenue than estimated, coupled with actual spending in all programs being less than appropriated.

Capital Assets and Debt Administration

Capital Assets

At the end of year 2015, the City's governmental and business-type activities had \$26,742,809 in land, land improvements, buildings and improvements, machinery and equipment, infrastructure, and vehicles, net of depreciation. Table 4 shows 2015 balances compared with 2014.

Table 4
Capital Assets Net of Depreciation

	Governmental Activities		Business Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$1,360,478	\$1,360,478	\$305,596	\$305,596	\$1,666,074	\$1,666,074
Land Improvements	2,729,782	2,511,000	42,259	44,218	2,772,041	2,555,218
Buildings and Improvements	320,730	348,605	1,163,747	1,234,588	1,484,477	1,583,193
Machinery and Equipment	60,838	37,261	740,982	354,836	801,820	392,097
Infrastructure	5,446,821	4,816,640	14,129,195	14,611,827	19,576,016	19,428,467
Vehicles	149,883	153,625	292,498	330,719	442,381	484,344
Total	\$10,068,532	\$9,227,609	\$16,674,277	\$16,881,784	\$26,742,809	\$26,109,393

See Note 9 for more information on capital assets.

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

Debt

The outstanding debt for the governmental and business-type activities of the City of St. Clairsville as of December 31, 2015 was \$5,861,466 with \$323,401 due within one year. Table 5 summarizes outstanding debt.

Table 5
Outstanding Debt at Year End

	Governmental Activities		Business Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$85,000	\$90,000	\$5,216,876	\$5,464,922	\$5,301,876	\$5,554,922
Long-Term Notes	0	653,357	0	0	0	653,357
OPWC Loans	276,167	292,891	244,706	268,375	520,873	561,266
Capital Leases	38,717	24,909	0	0	38,717	24,909
Total	<u>\$399,884</u>	<u>\$1,061,157</u>	<u>\$5,461,582</u>	<u>\$5,733,297</u>	<u>\$5,861,466</u>	<u>\$6,794,454</u>

Additional information concerning the City's debt and other long-term obligations, including net pension liability, compensated absences, and long-term intergovernmental payables can be found in Note 15.

Current Finance Related Issues

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

Contacting the City's Finance Department

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

**City of St. Clairsville
Statement of Net Position
December 31, 2015**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$2,108,860	\$3,199,446	\$5,308,306
Accounts Receivable	29,597	621,859	651,456
Income Taxes Receivable	528,796	0	528,796
Intergovernmental Receivable	329,422	0	329,422
Property Taxes Receivable	1,011,991	0	1,011,991
Materials and Supplies Inventory	31,271	190,630	221,901
Loans Receivable	608,384	0	608,384
Assets Held for Resale	32,955	0	32,955
Nondepreciable Capital Assets	1,360,478	305,596	1,666,074
Depreciable Capital Assets, Net	8,708,054	16,368,681	25,076,735
<i>Total Assets</i>	<u>14,749,808</u>	<u>20,686,212</u>	<u>35,436,020</u>
<u>Deferred Outflows of Resources</u>			
Pension	248,575	184,989	433,564
<u>Liabilities</u>			
Accounts Payable	22,686	313,756	336,442
Contracts Payable	33,370	0	33,370
Accrued Wages and Benefits Payable	12,625	12,728	25,353
Intergovernmental Payable	19,106	55,157	74,263
Accrued Interest Payable	2,101	17,050	19,151
Refundable Deposits	0	160,836	160,836
Long-Term Liabilities:			
Due Within One Year	65,309	284,565	349,874
Due in More Than One Year:			
Net Pension Liability (See Note 11)	1,678,241	1,053,342	2,731,583
Other Amounts Due In More Than One Year	529,119	5,271,027	5,800,146
<i>Total Liabilities</i>	<u>2,362,557</u>	<u>7,168,461</u>	<u>9,531,018</u>
<u>Deferred Inflows of Resources</u>			
Property Taxes	994,053	0	994,053
Pension	11,831	18,505	30,336
<i>Total Deferred Inflows of Resources</i>	<u>1,005,884</u>	<u>18,505</u>	<u>1,024,389</u>
<u>Net Position</u>			
Net Investment in Capital Assets	9,635,278	12,235,271	21,870,549
Restricted for:			
Capital Outlay	518,832	0	518,832
Community Development	859,442	0	859,442
Street	271,073	0	271,073
Recreation	236,297	0	236,297
Other Purposes	8,166	0	8,166
Unrestricted	100,854	1,448,964	1,549,818
<i>Total Net Position</i>	<u>\$11,629,942</u>	<u>\$13,684,235</u>	<u>\$25,314,177</u>

See accompanying notes to the basic financial statements

City of St. Clairsville
Statement of Activities
For the Year Ended December 31, 2015

Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government		
	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
General Government						
Legislative and Executive	\$333,251	\$148,487	\$0	\$0	(\$184,764)	\$0
Judicial	1,975	1,415	0	0	(560)	0
Security of Persons and Property - Police	1,114,026	56,745	76,498	0	(980,783)	0
Public Health Services	29,459	0	0	0	(29,459)	0
Leisure Time Services	537,919	92,596	11,000	440,778	6,455	0
Community and Economic Development	125,386	0	14,606	0	(110,780)	0
Transportation	429,971	0	255,923	0	(174,048)	0
Interest and Fiscal Charges	8,244	0	0	0	(8,244)	0
<i>Total Governmental Activities</i>	<u>2,580,231</u>	<u>299,243</u>	<u>358,027</u>	<u>440,778</u>	<u>(1,482,183)</u>	<u>0</u>
Business-Type Activities						
Water	1,299,184	923,236	0	0	0	(375,948)
Sewer	1,004,476	782,097	0	0	0	(222,379)
Light	4,837,436	5,221,697	0	0	0	384,261
<i>Total Business-Type Activities</i>	<u>7,141,096</u>	<u>6,927,030</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(214,066)</u>
<i>Total Primary Government</i>	<u>\$9,721,327</u>	<u>\$7,226,273</u>	<u>\$358,027</u>	<u>\$440,778</u>	<u>(1,482,183)</u>	<u>(214,066)</u>
General Revenues						
Property Taxes Levied for General Purpose				448,128	0	448,128
Property Taxes Levied for Police Operation				505,300	0	505,300
Income Taxes Levied for General Purpose				572,031	0	572,031
Income Taxes Levied for Capital Outlay				572,031	0	572,031
Kilowatt per Hour Tax Levied for General Purpose				201,855	0	201,855
Grants and Entitlements not Restricted to Specific Program				170,534	0	170,534
Gifts and Donations				19,012	0	19,012
Investment Earnings				44,016	0	44,016
Oil and Gas Lease Bonus				1,474,252	0	1,474,252
Miscellaneous				52,751	70,304	123,055
<i>Total General Revenues</i>				<u>4,059,910</u>	<u>70,304</u>	<u>4,130,214</u>
Transfers				(319,293)	319,293	0
<i>Total General Revenues and Transfers</i>				<u>3,740,617</u>	<u>389,597</u>	<u>4,130,214</u>
Change in Net Position				2,258,434	175,531	2,433,965
<i>Net Position Beginning of Year (Restated - Note 3)</i>				<u>9,371,508</u>	<u>13,508,704</u>	<u>22,880,212</u>
<i>Net Position End of Year</i>				<u>\$11,629,942</u>	<u>\$13,684,235</u>	<u>\$25,314,177</u>

See accompanying notes to the basic financial statement:

**City of St. Clairsville
Balance Sheet
Governmental Funds
December 31, 2015**

	General	Police	Street	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>						
Equity in Pooled Cash and Cash Equivalents	\$744,432	\$0	\$153,179	\$191,562	\$1,016,263	\$2,105,436
Accounts Receivable	29,597	0	0	0	0	29,597
Intergovernmental Receivable	82,490	37,486	121,205	88,241	0	329,422
Income Taxes Receivable	264,398	0	0	264,398	0	528,796
Materials and Supplies Inventory	0	2,981	28,290	0	0	31,271
Interfund Receivable	90,561	0	0	0	0	90,561
Property Taxes Receivable	471,105	540,886	0	0	0	1,011,991
Loans Receivable	0	0	0	0	608,384	608,384
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	3,424	0	0	0	0	3,424
Assets Held for Resale	0	0	0	0	32,955	32,955
Total Assets	\$1,686,007	\$581,353	\$302,674	\$544,201	\$1,657,602	\$4,771,837
<u>Liabilities</u>						
Accounts Payable	\$11,637	\$280	\$92	\$3,369	\$7,308	\$22,686
Accrued Wages and Benefits Payable	2,027	7,059	2,589	0	950	12,625
Contracts Payable	0	0	0	33,370	0	33,370
Intergovernmental Payable	2,767	9,803	4,895	0	1,641	19,106
Interfund Payable	0	0	0	22,000	68,561	90,561
Total Liabilities	16,431	17,142	7,576	58,739	78,460	178,348
<u>Deferred Inflows of Resources</u>						
Property Taxes	462,786	531,267	0	0	0	994,053
Unavailable Revenue	247,970	47,105	79,392	200,414	0	574,881
Total Deferred Inflows of Resources	710,756	578,372	79,392	200,414	0	1,568,934
<u>Fund Balances (Deficit)</u>						
Nonspendable:						
Materials and Supplies Inventory	0	2,981	28,290	0	0	31,271
Unclaimed Monies	3,424	0	0	0	0	3,424
Restricted for:						
Capital Outlay	0	0	0	285,048	0	285,048
Community Development	0	0	0	0	859,442	859,442
Street	0	0	187,416	0	0	187,416
Recreation	0	0	0	0	246,293	246,293
Other Purposes	0	0	0	0	4,742	4,742
Committed to:						
Capital Projects	0	0	0	0	504,271	504,271
Unassigned	955,396	(17,142)	0	0	(35,606)	902,648
Total Fund Balances (Deficit)	958,820	(14,161)	215,706	285,048	1,579,142	3,024,555
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$1,686,007	\$581,353	\$302,674	\$544,201	\$1,657,602	\$4,771,837

See accompanying notes to the basic financial statements

City of St. Clairsville
Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
December 31, 2015

Total Governmental Fund Balances		\$3,024,555
<i>Amounts reported for governmental activities on the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		10,068,532
Other long-term assets are not available to pay for current period expenditures and therefore are reported as deferred inflows of resources in the funds:		
Property Taxes	17,938	
Income Taxes	356,828	
Intergovernmental	200,115	
Total		574,881
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(2,101)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
General Obligation Bonds	85,000	
OPWC Loans Payable	276,167	
Capital Leases	38,717	
Compensated Absences	194,544	
Total		(594,428)
The net pension liability is not due and payable in the current period; therefore the liability and related deferred inflows/outflows are not reported in the governmental funds.		
Deferred Outflows - Pension	248,575	
Net Pension Liability	(1,678,241)	
Deferred Inflows - Pension	(11,831)	
Total		(1,441,497)
Net Position of Governmental Activities		\$11,629,942

See accompanying notes to the basic financial statements

City of St. Clairsville
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2015

	General	Police	Street	Debt Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>							
Property Taxes	\$445,028	\$510,939	\$0	\$0	\$0	\$0	\$955,967
Income Taxes	640,158	0	0	0	640,158	0	1,280,316
Kilowatt per Hour Taxes	201,855	0	0	0	0	0	201,855
Charges for Services	0	56,745	0	0	0	92,596	149,341
Licenses and Permits	127,542	0	0	0	0	0	127,542
Fines and Forfeitures	20,945	0	0	0	0	1,415	22,360
Intergovernmental	167,157	77,709	265,636	0	418,778	25,606	954,886
Interest	42,524	0	612	0	0	880	44,016
Oil and Gas Lease Bonus	1,474,252	0	0	0	0	0	1,474,252
Contributions and Donations	1,118	2,435	0	0	0	15,459	19,012
Other	18,189	0	3,390	0	31,172	0	52,751
<i>Total Revenues</i>	<u>3,138,768</u>	<u>647,828</u>	<u>269,638</u>	<u>0</u>	<u>1,090,108</u>	<u>135,956</u>	<u>5,282,298</u>
<u>Expenditures</u>							
Current:							
General Government:							
Legislative and Executive	322,441	0	0	0	0	0	322,441
Judicial	0	0	0	0	0	1,975	1,975
Security of Persons and Property - Police	0	1,076,910	0	0	0	0	1,076,910
Public Health Services	29,459	0	0	0	0	0	29,459
Leisure Time Services	14,375	0	0	0	0	281,625	296,000
Community and Economic Development	120,681	0	0	0	0	0	120,681
Transportation	0	0	624,873	0	0	0	624,873
Capital Outlay	0	40,074	0	0	1,117,252	58,304	1,215,630
Debt Service:							
Principal Retirement	0	26,266	0	675,081	0	0	701,347
Interest and Fiscal Charges	0	0	0	12,270	0	0	12,270
<i>Total Expenditures</i>	<u>486,956</u>	<u>1,143,250</u>	<u>624,873</u>	<u>687,351</u>	<u>1,117,252</u>	<u>341,904</u>	<u>4,401,586</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,651,812</u>	<u>(495,422)</u>	<u>(355,235)</u>	<u>(687,351)</u>	<u>(27,144)</u>	<u>(205,948)</u>	<u>880,712</u>
<u>Other Financing Sources (Uses)</u>							
Inception of Capital Lease	0	40,074	0	0	0	0	40,074
Transfers In	0	454,216	375,212	687,351	36,771	812,575	2,366,125
Transfers Out	(2,370,351)	0	(22,499)	0	0	(3,275)	(2,396,125)
<i>Total Other Financing Sources (Uses)</i>	<u>(2,370,351)</u>	<u>494,290</u>	<u>352,713</u>	<u>687,351</u>	<u>36,771</u>	<u>809,300</u>	<u>10,074</u>
Net Change in Fund Balances	281,461	(1,132)	(2,522)	0	9,627	603,352	890,786
<i>Fund Balances (Deficit) at Beginning of Year</i>	<u>677,359</u>	<u>(13,029)</u>	<u>218,228</u>	<u>0</u>	<u>275,421</u>	<u>975,790</u>	<u>2,133,769</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u>\$958,820</u>	<u>(\$14,161)</u>	<u>\$215,706</u>	<u>\$0</u>	<u>\$285,048</u>	<u>\$1,579,142</u>	<u>\$3,024,555</u>

See accompanying notes to the basic financial statements

City of St. Clairsville
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2015

Net Change in Fund Balances - Total Governmental Funds		\$890,786
<i>Amounts reported for governmental activities on the Statement of Activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, on the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
This is the amount by which capital outlay exceeded capital depreciation in the current year:		
Capital Asset Additions	2,076,184	
Depreciation	(813,450)	
Total	1,262,734	1,262,734
Governmental funds only report the disposal of assets of the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal.		
		(421,811)
Revenues on the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds:		
Property Taxes	(2,539)	
Income Taxes	(136,254)	
Intergovernmental	14,453	
Total	(124,340)	(124,340)
Repayments of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
General Obligation Bonds	5,000	
Long-Term Note	653,357	
OPWC Loans	16,724	
Capital Leases	26,266	
Total	701,347	701,347
Some expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in the governmental funds.		
Accrued Interest		4,026
Inception of capital leases are reported as other financing sources in the governmental funds, but the inception increases long term liabilities on the Statement of Activities		
		(40,074)
Some expenses reported on the Statement of Activities such as compensated absences do not require the use of current financial resources, therefore are not reported as expenditures in governmental funds.		
		(12,298)
Contractually required contributions are reported as expenditures in the governmental fund; however, the Statement of Net Position reports these amounts as deferred outflows or a reduction in net pension liability.		
		169,336
Except for amounts reported as deferred inflows/outflows, changes in net position liability are reported as pension expense in the Statement of Activities.		
		(171,272)
Change in Net Position of Governmental Activities		\$2,258,434

See accompanying notes to the basic financial statements

City of St. Clairsville
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<u>Revenues</u>				
Property Taxes	\$477,000	\$477,000	\$445,028	(\$31,972)
Income Taxes	636,042	636,042	647,274	11,232
Kilowatt per Hour Taxes	198,353	198,353	201,855	3,502
Licenses and Permits	124,374	124,374	126,570	2,196
Fines and Forfeitures	20,582	20,582	20,945	363
Intergovernmental	153,326	153,326	166,576	13,250
Interest	41,786	41,786	42,524	738
Contributions and Donations	1,099	1,099	1,118	19
Oil and Gas Lease Bonus	0	1,474,252	1,474,252	0
Other	17,873	17,873	18,189	316
Total Revenues	1,670,435	3,144,687	3,144,331	(356)
<u>Expenditures</u>				
Current:				
General Government:				
Legislative and Executive	490,381	490,381	316,289	174,092
Public Health Services	32,500	32,500	29,459	3,041
Leisure Time Services	15,000	15,000	14,375	625
Community and Economic Development	173,279	173,279	118,957	54,322
Total Expenditures	711,160	711,160	479,080	232,080
Excess of Revenues Over Expenditures	959,275	2,433,527	2,665,251	231,724
<u>Other Financing Uses</u>				
Advances Out	0	0	(250,000)	(250,000)
Transfers Out	(1,728,886)	(3,203,138)	(2,333,580)	869,558
Total Other Financing Uses	(1,728,886)	(3,203,138)	(2,583,580)	619,558
Net Change in Fund Balance	(769,611)	(769,611)	81,671	851,282
Fund Balance at Beginning of Year	666,185	666,185	666,185	0
Fund Balance (Deficit) at End of Year	(\$103,426)	(\$103,426)	\$747,856	\$851,282

See accompanying notes to the basic financial statements

City of St. Clairsville
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
Police Fund
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Property Taxes	\$559,900	\$559,900	\$510,939	(\$48,961)
Charges for Services	83,070	83,279	56,745	(26,534)
Intergovernmental	91,447	99,941	77,709	(22,232)
Contributions and Donations	2,865	2,873	2,435	(438)
Total Revenues	737,282	745,993	647,828	(98,165)
<u>Expenditures</u>				
Current:				
Security of Persons and Property - Police	1,271,750	1,281,800	1,075,778	206,022
Debt Service:				
Principal Retirement	0	0	26,266	(26,266)
Total Expenditures	1,271,750	1,281,800	1,102,044	179,756
Excess of Revenues Under Expenditures	(534,468)	(535,807)	(454,216)	81,591
<u>Other Financing Sources</u>				
Transfers In	534,518	535,857	454,216	(81,641)
Net Change in Fund Balance	50	50	0	(50)
Fund Balance at Beginning of Year	0	0	0	0
Fund Balance (Deficit) at End of Year	<u>\$50</u>	<u>\$50</u>	<u>\$0</u>	<u>(\$50)</u>

See accompanying notes to the basic financial statements

City of St. Clairsville
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
Street Fund
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Intergovernmental	\$356,051	\$356,051	\$290,015	(\$66,036)
Interest	757	757	612	(145)
Other	14,248	14,248	3,390	(10,858)
Total Revenues	371,056	371,056	294,017	(77,039)
<u>Expenditures</u>				
Current:				
Transportation	918,676	918,676	608,082	310,594
Excess of Revenues Under Expenditures	(547,620)	(547,620)	(314,065)	233,555
<u>Other Financing Sources (Uses)</u>				
Transfers In	463,919	463,919	375,212	(88,707)
Transfers Out	(22,499)	(22,499)	(22,499)	0
Total Other Financing Sources (Uses)	441,420	441,420	352,713	(88,707)
Net Change in Fund Balance	(106,200)	(106,200)	38,648	144,848
Fund Balance at Beginning of Year	114,531	114,531	114,531	0
Fund Balance at End of Year	<u>\$8,331</u>	<u>\$8,331</u>	<u>\$153,179</u>	<u>\$144,848</u>

See accompanying notes to the basic financial statements

City of St. Clairsville
Statement of Fund Net Position
Proprietary Funds
December 31, 2015

	Water	Sewer	Light	Total Enterprise
<u>Assets</u>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$230,568	\$386,293	\$2,421,749	\$3,038,610
Accounts Receivable	85,487	76,127	460,245	621,859
Materials and Supplies Inventory	95,183	17,965	77,482	190,630
<i>Total Current Assets</i>	<u>411,238</u>	<u>480,385</u>	<u>2,959,476</u>	<u>3,851,099</u>
Non-Current Assets:				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	74,933	58,107	27,796	160,836
Nondepreciable Capital Assets	0	0	305,596	305,596
Depreciable Capital Assets, Net	4,221,453	7,296,630	4,850,598	16,368,681
<i>Total Non-Current Assets</i>	<u>4,296,386</u>	<u>7,354,737</u>	<u>5,183,990</u>	<u>16,835,113</u>
<i>Total Assets</i>	<u>4,707,624</u>	<u>7,835,122</u>	<u>8,143,466</u>	<u>20,686,212</u>
<u>Deferred Outflows of Resources</u>				
Pension	60,652	57,620	66,717	184,989
<u>Liabilities</u>				
Current Liabilities:				
Accounts Payable	10,952	17,652	285,152	313,756
Accrued Wages and Benefits Payable	4,844	3,223	4,661	12,728
Intergovernmental Payable	36,748	15,251	9,755	61,754
Accrued Interest Payable	700	617	15,733	17,050
Current Portion Compensated Absences Payable	417	1,177	2,231	3,825
Current Portion OPWC Loan Payable	2,626	21,517	0	24,143
Current Portion General Obligation Bonds Payable	10,000	25,000	215,000	250,000
<i>Total Current Liabilities</i>	<u>66,287</u>	<u>84,437</u>	<u>532,532</u>	<u>683,256</u>
Long-Term Liabilities (Net of Current Portion):				
Refundable Deposits Payable from Restricted Assets:				
Compensated Absences Payable	74,933	58,107	27,796	160,836
OPWC Loans Payable	4,641	13,092	24,808	42,541
Intergovernmental Payable	27,739	192,824	0	220,563
General Obligation Bonds Payable	0	41,047	0	41,047
Net Pension Liability	205,523	162,832	4,598,521	4,966,876
	345,358	328,090	379,894	1,053,342
<i>Total Long-Term Liabilities</i>	<u>658,194</u>	<u>795,992</u>	<u>5,031,019</u>	<u>6,485,205</u>
<i>Total Liabilities</i>	<u>724,481</u>	<u>880,429</u>	<u>5,563,551</u>	<u>7,168,461</u>
<u>Deferred Inflows of Resources</u>				
Pension	6,067	5,764	6,674	18,505
<u>Net Position</u>				
Net Investment in Capital Assets	3,981,088	6,897,289	1,356,894	12,235,271
Unrestricted	56,640	109,260	1,283,064	1,448,964
<i>Total Net Position</i>	<u>\$4,037,728</u>	<u>\$7,006,549</u>	<u>\$2,639,958</u>	<u>\$13,684,235</u>

See accompanying notes to the basic financial statement:

City of St. Clairsville
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2015

	Water	Sewer	Light	Total Enterprise
<u>Operating Revenues</u>				
Charges for Services	\$923,236	\$782,097	\$5,221,697	\$6,927,030
Other	24,230	1,925	44,149	70,304
<i>Total Operating Revenues</i>	<u>947,466</u>	<u>784,022</u>	<u>5,265,846</u>	<u>6,997,334</u>
<u>Operating Expenses</u>				
Personal Services	602,814	481,239	611,500	1,695,553
Contractual Services	279,254	161,615	194,580	635,449
Purchased Power	0	0	3,545,751	3,545,751
Materials and Supplies	51,713	69,081	70,602	191,396
Depreciation	155,152	279,613	204,035	638,800
<i>Total Operating Expenses</i>	<u>1,088,933</u>	<u>991,548</u>	<u>4,626,468</u>	<u>6,706,949</u>
<i>Operating Income (Loss)</i>	<u>(141,467)</u>	<u>(207,526)</u>	<u>639,378</u>	<u>290,385</u>
<u>Non-Operating Expenses</u>				
Intergovernmental	(200,000)	0	0	(200,000)
Interest and Fiscal Charges	(10,251)	(12,928)	(210,968)	(234,147)
<i>Total Non-Operating Expenses</i>	<u>(210,251)</u>	<u>(12,928)</u>	<u>(210,968)</u>	<u>(434,147)</u>
<i>Income (Loss) Before Contributions and Transfers</i>	<u>(351,718)</u>	<u>(220,454)</u>	<u>428,410</u>	<u>(143,762)</u>
Capital Contributions	289,293	0	0	289,293
<i>Income Before Transfers</i>	<u>(62,425)</u>	<u>(220,454)</u>	<u>428,410</u>	<u>145,531</u>
Transfers In	0	30,000	0	30,000
<i>Change in Net Position</i>	<u>(62,425)</u>	<u>(190,454)</u>	<u>428,410</u>	<u>175,531</u>
<i>Net Position Beginning of Year (Restated - Note 3)</i>	<u>4,100,153</u>	<u>7,197,003</u>	<u>2,211,548</u>	<u>13,508,704</u>
<i>Net Position End of Year</i>	<u><u>\$4,037,728</u></u>	<u><u>\$7,006,549</u></u>	<u><u>\$2,639,958</u></u>	<u><u>\$13,684,235</u></u>

See accompanying notes to the basic financial statements

City of St. Clairsville
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2015

	Water	Sewer	Light	Total Enterprise
Increase (Decrease) in Cash and Cash Equivalents				
<u>Cash Flows from Operating Activities</u>				
Cash Received from Customers	\$926,364	\$786,510	\$5,339,409	\$7,052,283
Cash Payments for Employee Services and Benefits	(612,023)	(489,783)	(623,934)	(1,725,740)
Cash Payments for Goods and Services	(344,282)	(227,851)	(272,264)	(844,397)
Cash Payments for Purchased Power	0	0	(3,595,047)	(3,595,047)
Utility Deposits Received	4,799	4,041	23,260	32,100
Utility Deposits Paid	(4,463)	(3,759)	(21,632)	(29,854)
Other Operating Revenues	24,230	1,925	44,149	70,304
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(5,375)</u>	<u>71,083</u>	<u>893,941</u>	<u>959,649</u>
<u>Cash Flows from Noncapital Financing Activities</u>				
Transfers In	0	30,000	0	30,000
Advances In	0	0	250,000	250,000
Cash Received for Other Local Taxes	0	0	26,432	26,432
Cash Payments of Other Local Taxes	0	0	(26,432)	(26,432)
<i>Net Cash Provided by Noncapital Activities</i>	<u>0</u>	<u>30,000</u>	<u>250,000</u>	<u>280,000</u>
<u>Cash Flows from Capital and Related Financing Activities</u>				
Payments for Capital Acquisitions	(142,000)	0	0	(142,000)
Principal Paid on General Obligation Bonds	(10,000)	(25,000)	(205,000)	(240,000)
Principal Paid on OPWC Loans	(2,575)	(21,094)	0	(23,669)
Interest Paid on Debt	(10,609)	(14,429)	(217,955)	(242,993)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(165,184)</u>	<u>(60,523)</u>	<u>(422,955)</u>	<u>(648,662)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(170,559)	40,560	720,986	590,987
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>476,060</u>	<u>403,840</u>	<u>1,728,559</u>	<u>2,608,459</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$305,501</u>	<u>\$444,400</u>	<u>\$2,449,545</u>	<u>\$3,199,446</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>				
Operating Income (Loss)	<u>(\$141,467)</u>	<u>(\$207,526)</u>	<u>\$639,378</u>	<u>\$290,385</u>
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>				
Depreciation	155,152	279,613	204,035	638,800
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:				
Decrease in Accounts Receivable	3,128	4,413	117,712	125,253
(Increase) in Materials and Supplies Inventory	(34,012)	(7,477)	(10,054)	(51,543)
Decrease in Deferred Outflows of Resources - Pension	4,511	4,284	4,961	13,756
Increase in Accrued Wages and Benefits Payable	1,579	976	1,837	4,392
Increase (Decrease) in Accounts Payable	81	16,553	(46,324)	(29,690)
Decrease in Compensated Absences Payable	(9,306)	(8,040)	(12,877)	(30,223)
Increase (Decrease) in Intergovernmental Payable	23,790	(3,287)	3,727	24,230
Increase in Refundable Deposits Payable	336	282	1,628	2,246
Decrease in Net Pension Liability	(6,367)	(6,049)	(7,003)	(19,419)
Decrease in Deferred Inflows of Resources - Pension	(2,800)	(2,659)	(3,079)	(8,538)
Total Adjustments	<u>136,092</u>	<u>278,609</u>	<u>254,563</u>	<u>669,264</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(\$5,375)</u>	<u>\$71,083</u>	<u>\$893,941</u>	<u>\$959,649</u>

Noncash Activities:

There was \$289,293 of Capital Contributions from Governmental Activities recorded in the Water Fund in 2015
There was a \$200,000 repayment of a grant due to subsequent contravention of the grant agreement in the Water Fund in 2015.

See accompanying notes to the basic financial statements

City of St. Clairsville
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2015

Assets

Equity in Pooled Cash and Cash Equivalents	\$3,457
Cash and Cash Equivalents in Segregated Accounts	<u>30,216</u>

<i>Total Assets</i>	<u><u>\$33,673</u></u>
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Liabilities

Undistributed Monies	<u>\$33,673</u>
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<i>Total Liabilities</i>	<u><u>\$33,673</u></u>
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See accompanying notes to the basic financial statements

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City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

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

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

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

The City’s Manager (Service Director) is appointed by the Mayor, subject to a majority vote of Council, to an indefinite term, not to exceed the Mayor’s term. The Service Director may be removed from office by the Mayor, subject to the approval of two-thirds of the Council. The Service Director is responsible to Council for the administration of all affairs of the City and the enforcement of all laws and ordinances within the scope of the designated powers and duties of the office. The Service Director has the power to appoint, promote, transfer, reduce or remove, subject to the provisions of the Charter and enactments of Council, any officer or employee of the City, except those required by the Charter to be elected and those whose appointment or term of office may otherwise be provided for in the Charter.

Reporting Entity

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

The primary government consists of all funds and departments that are not legally separate from the City. Services provided by the primary government include police, parks and recreation, cemetery, planning, zoning, street construction, maintenance and repair, water, sewer and electric services, and general administrative services. The operation of these activities is directly controlled by Council through the budgetary process. None of these services are provided by a legally separate organization; therefore, these operations are included in the primary government.

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

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

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

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

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

The City is involved with the following organizations which are defined as jointly governed organizations. Additional financial information concerning the jointly governed organizations is presented in Note 17.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the City's accounting policies are described below.

A. Basis of Presentation

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

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

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

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

B. Fund Accounting

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

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

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

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

Street Fund The street special revenue fund is to account for revenue derived from motor vehicle licenses, gasoline taxes, state and local highway funds, and interest income. The fund is used to finance the activities of the street department of the City.

Debt Service Fund The debt service fund accounts for and reports transfers in restricted for the payment of general long-term debt principal and interest.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

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

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

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

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

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

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

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

C. Measurement Focus

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

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

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

D. Basis of Accounting

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

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

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are for pension reported in the government-wide Statement of Net Position. The deferred outflows of resources related to the pension are explained in Note 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, income tax revenue, licenses and permits, state-levied and locally shared taxes, and grants and entitlements. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 16. Deferred inflows of resources related to pension are reported on the government-wide Statement of Net Position. See Note 11 for more details.

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

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

E. Pensions

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

F. Budgetary Data

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

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

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

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

G. Pooled Cash and Cash Equivalents and Investments

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

During 2015, the City's investments were limited to nonnegotiable certificates of deposit, and State Treasury Asset Reserve of Ohio (STAROhio). As of December 31, 2015, the City had no investments in STAROhio.

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

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 net position value per share which is the price the investment could be sold at December 31, 2015.

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 2015 amounted to \$42,524, which includes \$35,775 assigned from other City funds.

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

H. Materials and Supplies Inventory

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

I. Restricted Assets

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

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

J. Receivables and Payables

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

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

K. Assets Held for Resale

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

L. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of capital assets by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of ten thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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

<u>Description</u>	<u>Governmental and Business Type Activities Estimated Lives</u>
Land Improvements	10-15 Years
Building and Building Improvements	20-50 Years
Machinery and Equipment	5-40 Years
Vehicles	5-15 Years
Infrastructure	15-75 Years

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

M. Internal Balances

During the course of operations, transactions occur between individual funds for goods provided or services rendered. On fund financial statements, receivables and payables resulting from short-term and long-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities column of the Statement of Net Position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

N. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's union contracts.

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

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

O. Accrued Liabilities and Long-Term Obligations

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

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

P. Fund Balance

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

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

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

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance or resolution) of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. For 2015, the City had a committed fund balance of \$504,271 to be used for the acquisition, construction or improvements of capital assets which includes the purchasing of motor vehicles and equipment pursuant to Ohio Revised Code 5705.13 (C).

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

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

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

Q. Net Position

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

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

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

R. Operating Revenues and Expenses

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

S. Internal Activity

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

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

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

T. 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.

U. 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.

V. Contributions of Capital

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

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE/
NET POSITION**

For 2015, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31, 2014:

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

	Governmental Activities	Business -Type Activities
Net position December 31, 2014	\$10,811,069	\$14,409,763
Adjustments:		
Net Pension Liability	(1,602,883)	(1,029,551)
Deferred Outflow - Payments Subsequent to Measurement Date	163,322	128,492
Restated Net Position December 31, 2014	\$9,371,508	\$13,508,704

	Water Fund	Sewer Fund	Light Fund	Total Enterprise
Net position December 31, 2014	\$4,395,582	\$7,477,661	\$2,536,520	\$14,409,763
Adjustments:				
Net Pension Liability	(337,558)	(320,680)	(371,313)	(1,029,551)
Deferred Outflow - Payments Subsequent to Measurement Date	42,129	40,022	46,341	128,492
Restated Net Position December 31, 2014	\$4,100,153	\$7,197,003	\$2,211,548	\$13,508,704

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Inception of Capital Lease is a non-cash transaction which is reported on the GAAP operating statement, and not on the budgetary basis statements.
4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

5. Transfers In and transfers out are balance sheet transactions (GAAP basis) as opposed to operating transactions (budget basis).

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

Net Change in Fund Balances
General and Major Special Revenue Funds

	General	Police	Street
GAAP Basis	\$281,461	(\$1,132)	(\$2,522)
Revenue Accruals	5,563	0	24,379
Expenditure Accruals	7,876	41,206	16,791
Inception of Capital Lease	0	(40,074)	0
Advances Out	(250,000)	0	0
Transfer Out	36,771	0	0
Budget Basis	\$81,671	\$0	\$38,648

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

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

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

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

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$4,833,724 of the City's bank balance of \$5,431,992 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the County. Property tax revenue received during 2015 for real and public utility property taxes represents collections of 2014 taxes.

2015 real property taxes were levied after October 1, 2015, on the assessed value as of January 1, 2015, the lien date. Assessed values are established by the State Law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 25 percent of true value. 2015 public utility property taxes which became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2015, was \$12.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2015 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Property	\$108,711,110
Public Utility Personal Property	982,150
Total Assessed Property Value	<u><u>\$109,693,260</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2015, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2015 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2015 consisted of taxes, accounts (billings for user charged services including unbilled utility services), loans, and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered collectible in full. Delinquent accounts receivable may be certified and collected as a special assessment, subject to foreclosure for nonpayment. Except as noted below, all other receivables are expected to be collected within one year.

Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$17,938 may not be collected within one year.

The other governmental funds reflect loans receivable of \$608,384. These loans receivable are for financing the rehabilitation of downtown local businesses for community and economic development. Of the total loans receivable, \$17,000 is scheduled to be collected within one year.

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

<u>Governmental Activities:</u>	
Local Government Funding	\$59,122
Homestead/Rollback Reimbursement	60,854
Motor Vehicle License and Gasoline Tax	121,205
Ohio Department of Natural Resources Grant	22,000
State Appalachian Grant	<u>66,241</u>
Total Governmental Activities	<u><u>\$329,422</u></u>

NOTE 8 - INCOME TAXES

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

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

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

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 9 - CAPITAL ASSETS

A summary of changes in capital assets during 2015 is as follows:

	Balance 12/31/2014	Additions	Deletions	Balance 12/31/2015
<u>Governmental Activities:</u>				
Non Depreciable Capital Assets:				
Land	\$1,360,478	\$0	\$0	\$1,360,478
Depreciable Capital Assets:				
Land Improvements	4,261,384	435,337	(39,870)	4,656,851
Buildings and Improvements	1,259,461	0	0	1,259,461
Machinery and Equipment	236,769	32,897	0	269,666
Infrastructure	16,560,198	1,573,355	(1,462,174)	16,671,379
Vehicles	646,213	34,595	0	680,808
Total Depreciable Capital Assets	22,964,025	2,076,184	(1,502,044)	23,538,165
Accumulated Depreciation:				
Land Improvements	(1,750,384)	(184,658)	7,973	(1,927,069)
Buildings and Improvements	(910,856)	(27,875)	0	(938,731)
Machinery and Equipment	(199,508)	(9,320)	0	(208,828)
Infrastructure	(11,743,558)	(553,260)	1,072,260	(11,224,558)
Vehicles	(492,588)	(38,337)	0	(530,925)
Total Accumulated Depreciation	(15,096,894)	(813,450)	1,080,233	(14,830,111)
Total Depreciable Capital Assets, Net	7,867,131	1,262,734	(421,811)	8,708,054
Governmental Type Capital Assets, Net	\$9,227,609	\$1,262,734	(\$421,811)	\$10,068,532

*Depreciation expense was charged to governmental functions as follows:

<u>Governmental Activities:</u>	
General Government:	
Legislative and Executive	\$16,000
Leisure Time Activities	211,697
Security of Persons and Property:	
Police	14,395
Transportation	567,826
Community and Economic Development	3,532
Total Depreciation Expense	\$813,450

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

	Balance 12/31/2014	Additions	Deletions	Balance 12/31/2015
<u>Business Type Activities:</u>				
Non Depreciable Capital Assets:				
Land	\$305,596	\$0	\$0	\$305,596
Depreciable Capital Assets:				
Land Improvements	67,975	0	0	67,975
Buildings and Improvements	2,401,487	0	0	2,401,487
Machinery and Equipment	2,654,698	431,293	0	3,085,991
Infrastructure	22,964,887	0	0	22,964,887
Vehicles	895,679	0	0	895,679
Total Depreciable Capital Assets	<u>28,984,726</u>	<u>431,293</u>	<u>0</u>	<u>29,416,019</u>
Accumulated Depreciation:				
Land Improvements	(23,757)	(1,959)	0	(25,716)
Buildings and Improvements	(1,166,899)	(70,841)	0	(1,237,740)
Machinery and Equipment	(2,299,862)	(45,147)	0	(2,345,009)
Infrastructure	(8,353,060)	(482,632)	0	(8,835,692)
Vehicles	(564,960)	(38,221)	0	(603,181)
Total Accumulated Depreciation	<u>(12,408,538)</u>	<u>(638,800)</u>	<u>0</u>	<u>(13,047,338)</u>
Total Depreciable Capital Assets, Net	<u>16,576,188</u>	<u>(207,507)</u>	<u>0</u>	<u>16,368,681</u>
Business Type Capital Assets, Net	<u>\$16,881,784</u>	<u>(\$207,507)</u>	<u>\$0</u>	<u>\$16,674,277</u>

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 10 - RISK MANAGEMENT

A. Property and Liability Insurance

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2015, the City contracted with the Scottsdale Insurance Company, and the Westfield Insurance Company for property and inland marine coverage, for fleet insurance, and liability insurance. The Scottsdale Insurance Coverage and Westfield Insurance Coverage, provided by the Pilney-Foster Insurance Agency of Ohio, are as follows:

Building and Contents - replacement cost (\$5,000 deductible)	\$28,402,650
Flood Coverage (\$10,000 deductible)	5,000,000
Earthquake (\$25,000 deductible)	5,000,000
Crime:	
Employee Dishonesty	500,000
Automotive:	
Bodily Injury, Property Damage, etc. (each occurrence)	1,000,000
Uninsured Motorist	1,000,000
Medical Payments	5,000
General Liability:	
General Aggregate	2,000,000
Personal Injury / Advertising Injury	1,000,000
Limit Per Occurrence	1,000,000
Employers Stop Gap	1,000,000
Employee Benefits:	
Each Employee (\$1,000 deductible)	1,000,000
Aggregate	1,000,000
Public Officials Liability:	
Aggregate	1,000,000
Each Occurrence (\$5,000 deductible)	1,000,000
Law Enforcement Liability:	
Aggregate	1,000,000
Each Person / Occurrence (\$5,000 deductible)	1,000,000
Umbrella:	
Aggregate	5,000,000
Each Occurrence (\$10,000 deductible)	5,000,000

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

B. Workers' Compensation

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

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

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

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

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

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

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

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

	State and Local
2015 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2015 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$211,125 for 2015. Of this amount, \$16,448 is reported as an intergovernmental payable.

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

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

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

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

2015 Statutory Maximum Contribution Rates	Police
Employer	19.50 %
Employee:	
January 1, 2015 through July 1, 2015	11.50 %
July 2, 2015 through December 31, 2015	12.25 %
2015 Actual Contribution Rates	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	0.50
Total Employer	19.50 %
Employee:	
January 1, 2015 through July 1, 2015	11.50 %
July 2, 2015 through December 31, 2015	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$86,997 for 2015. Of this amount \$1,342 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	OP&F	Total
Proportionate Share of the Net Pension Liability	\$1,726,789	\$1,004,794	\$2,731,583
Proportion of the Net Pension Liability	0.0143170%	0.0193960%	
Pension Expense	\$187,844	\$98,013	\$285,857

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$92,136	\$43,306	\$135,442
City contributions subsequent to the measurement date	211,125	86,997	298,122
Total Deferred Outflows of Resources	\$303,261	\$130,303	\$433,564
 Deferred Inflows of Resources			
Differences between expected and actual experience	\$30,336	\$0	\$30,336

\$298,122 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2016	\$9,037	\$10,826	\$19,863
2017	9,037	10,826	19,863
2018	20,688	10,826	31,514
2019	23,038	10,828	33,866
Total	\$61,800	\$43,306	\$105,106

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

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

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

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	100.00 %	5.28 %

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

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$3,176,799	\$1,726,789	\$505,533

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

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

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2014 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	0.00 %	(0.25) %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income *	20.00	1.62
Global Inflation Protected *	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	<u>120.00 %</u>	

* levered 2x

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

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

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$1,389,782	\$1,004,794	\$678,826

Social Security System

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

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

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

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml> by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, state and local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5 percent.

Substantially all of the City's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2015, 2014, and 2013 was \$35,187, \$35,092, and \$70,529, respectively. For 2015, 85.71 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2014 and 2013.

B. Police and Fire Pension Fund

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

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

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

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 0.5 percent of covered payroll from January 1, 2015 through December 31, 2015. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OPF Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contribution to OPF for the years ended December 31, 2015, 2014, and 2013 were \$89,286, \$83,302, and \$80,087, respectively, of which \$2,289, \$2,131, and \$15,483, respectively, was allocated to the healthcare plan. For 2015, 97.44 percent has been contributed for police with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2014 and 2013.

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn vacation time based on the length of service. Typically, vacation cannot be carried over; however, unforeseen circumstances may come into play and the supervisor may elect to permit an employee to carryover minimal vacation time. Sick leave is accumulated at a rate of 4.6 hours per each 80 hours worked. For employees that work less than a 40 hour work week, the sick leave accumulation is prorated based on 4.6 hours per 80 hours worked. All accumulated, unused vacation time and personal days are paid upon separation if

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

the employee has acquired at least one year of service with the City. Upon separation, AFSCME members and non-union employees other than police, are paid for a maximum of 480 hours of accumulated sick time provided they have ten years of service with OPERS. Police are paid a maximum of 600 hours of accumulated sick time provided they have ten years of service with the City.

B. Insurances

The City provides medical/surgical and prescription drug insurance coverage for all eligible employees through the Health Plan of the Upper Ohio Valley. The monthly premium for medical/surgical and prescription drug coverage is \$787.26 for single plan and \$1,968.14 for a family plan. The Council pays 90 percent of the premiums. The City provides dental insurance coverage for all eligible employees through Delta Dental. The monthly premium for dental coverage is \$29.91 for a single plan, \$55.67 for a one dependent plan, and \$104.23 for a two or more dependent plan. The Council pays 100 percent of the premiums. The City provides vision insurance coverage for all AFSCME and FOP union employees through Vision Service Plan. The monthly premium for vision coverage is \$7.25; the Council pays 100 percent of the premiums. Elected officials and full time non-union employees may purchase vision insurance from Vision Service Plan at a premium of \$20.34 per month. The City provides a life insurance policy, in the amount of \$25,000, for all eligible employees through Anthem. The monthly premium for life insurance policy is \$9.75; the Council pays 100 percent of the premiums.

NOTE 14 - CAPITALIZED LEASES - LESSEE DISCLOSURE

The City entered into capitalized leases for vehicles in 2015 and 2014. Capital lease payments are reflected as debt service expenditures in the basic financial statements for the governmental funds.

Vehicles acquired by lease have been capitalized in government wide statements governmental activities in the amount of \$68,042, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the government wide statements governmental activities. Governmental activities capitalized leased assets are reflected net of accumulated depreciation in the amount of \$57,893. Principal payments towards capital leases during 2015 totaled \$26,266 for governmental activities.

Future minimum lease payments through 2017 are as follows:

Year	Governmental Activities	
	Principal	Interest
2016	\$25,375	\$2,517
2017	13,342	867
Total	\$38,717	\$3,384

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 15 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City during the year ended December 31, 2015 consisted of the following:

	Balance 12/31/2014	Additions	Reductions	Balance 12/31/2015	Due Within One Year
Governmental Activities:					
General Obligation Bonds					
<i>Various Purpose - 2007 \$6,995,000</i>					
Road Equipment - Serial/Term Bonds \$35,000 @ 4.0% to 5.5%	\$15,000	\$0	\$5,000	\$10,000	\$5,000
Recreational Facilities - Serial/Term Bonds \$75,000 @ 4.0% to 5.0%	75,000	0	0	75,000	0
Total General Obligation Bonds	<u>90,000</u>	<u>0</u>	<u>5,000</u>	<u>85,000</u>	<u>5,000</u>
Long-Term Notes Payable					
Recreation, 2005 - \$1,000,000	653,357	0	653,357	0	0
OPWC Loans					
Bett-Mar (CR10L) 2008 - \$116,589 @ 0%	84,528	0	5,829	78,699	5,829
St. Clairsville Road Project (CR25M) 2010 - \$98,372 @ 0%	78,697	0	4,919	73,778	4,919
Resurfacing 22 Roads (CR03N) 2011 - \$76,320 @ 0%	64,872	0	3,816	61,056	3,816
Road Resurfacing (CR02Q) 2014 - \$64,794	64,794	0	2,160	62,634	4,319
Total OPWC Loans	<u>292,891</u>	<u>0</u>	<u>16,724</u>	<u>276,167</u>	<u>18,883</u>
Other Long-Term Obligations					
Net Pension Liability:					
OPERS	658,237	15,210	0	673,447	0
OP&F	944,646	60,148	0	1,004,794	0
Net Pension Liability	<u>1,602,883</u>	<u>75,358</u>	<u>0</u>	<u>1,678,241</u>	<u>0</u>
Capital Leases	24,909	40,074	26,266	38,717	25,375
Compensated Absences	182,246	133,780	121,482	194,544	16,051
Total Governmental Activities	<u>\$2,846,286</u>	<u>\$249,212</u>	<u>\$822,829</u>	<u>\$2,272,669</u>	<u>\$65,309</u>

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

	Balance 12/31/2014	Additions	Reductions	Balance 12/31/2015	Due Within One Year
<u>Business-Type Activities:</u>					
<i>General Obligation Bonds</i>					
<i>Various Purpose - 2007 \$6,995,000</i>					
Various Water System Improvements					
\$255,000 @ 4.0% to 5.5%	\$220,000	\$0	\$10,000	\$210,000	\$10,000
Premium - \$8,123	5,848	0	325	5,523	0
Various Sewer System Improvements					
\$410,000 @ 4.0% to 5.5%	210,000	0	25,000	185,000	25,000
Premium - \$14,176	4,250	0	1,418	2,832	0
Various Light System Improvements					
\$6,015,000 @ 4.0% to 5.5%	4,925,000	0	205,000	4,720,000	215,000
Premium - \$143,952	99,824	0	6,303	93,521	0
Total General Obligation Bonds	<u>5,464,922</u>	<u>0</u>	<u>248,046</u>	<u>5,216,876</u>	<u>250,000</u>
<i>OPWC Loans</i>					
Belmont Drive Pump Station Replacement (CR20H)					
2007 - \$73,774 @ 0.02%	49,483	0	3,522	45,961	3,592
East Main Force Liner (CR23F)					
2004 - \$214,890 @ 0.02%	112,737	0	10,889	101,848	11,107
Watstewater System Repairs (CR13E)					
2004 - \$133,216 @ 0.02%	73,215	0	6,683	66,532	6,818
Water Transmission System (CR05H)					
2006 - \$52,875 @ 0.02%	32,940	0	2,575	30,365	2,626
Total OPWC Loans	<u>268,375</u>	<u>0</u>	<u>23,669</u>	<u>244,706</u>	<u>24,143</u>
Belmont County					
Intergovernmental Payable	53,875	0	6,231	47,644	6,597
Compensated Absences	<u>76,589</u>	<u>53,697</u>	<u>83,920</u>	<u>46,366</u>	<u>3,825</u>
<i>Net Pension Liability - OPERS:</i>					
Water	337,558	7,800	0	345,358	0
Sewer	320,680	7,410	0	328,090	0
Light	371,313	8,581	0	379,894	0
Total Net Pension Liability - OPERS	<u>1,029,551</u>	<u>23,791</u>	<u>0</u>	<u>1,053,342</u>	<u>0</u>
Total Business-Type Activities	<u>\$6,893,312</u>	<u>\$77,488</u>	<u>\$361,866</u>	<u>\$6,608,934</u>	<u>\$284,565</u>

Governmental Activities

2007 Various Purpose General Obligation Bonds - On April 26, 1997 the City issued \$6,995,000 of general obligation bonds which included serial and term bonds in the amount of \$5,025,000 and \$1,970,000, respectively. The bonds were issued for a twenty-five year period with final maturity at December 1, 2032. The bonds were issued with a premium of \$166,251, which is reported as an increase to bonds payable for business-type activities. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method, which approximates the effective interest method. A breakdown of the business-type portion of this bond issue is addressed below in the business type activity portion of this note. This bond was refinanced on June 16, 2016 as a portion of the Refunding Bonds, Series 2016, see Subsequent Event Note 19 for more information.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Principal and interest requirements to retire the governmental activities portion of the 2007 Various Purpose Bonds outstanding at December 31, 2015 are as follows:

Year Ending December 31,	Serial and Term Bonds		
	Principal	Interest	Total
2016	\$5,000	\$3,800	\$8,800
2017	5,000	3,550	8,550
2018	5,000	3,275	8,275
2019	5,000	3,075	8,075
2020	5,000	2,875	7,875
2021-2025	25,000	11,342	36,342
2026-2030	25,000	6,100	31,100
2021-2032	10,000	750	10,750
Total	\$85,000	\$34,767	\$119,767

Long-Term Notes Payable – In 2005 the City issued a long-term note in the amount of \$1,000,000 for the purpose of acquiring property from the Belmont County Agricultural Society. On February 6, 2015, the City used a portion of the proceeds of the gas/oil lease bonus to retire the remaining portion of the Recreation Long-Term Note. The payoff sum as of February 6, 2015, including interest and fees, to fully retire the long-term note was \$661,577.

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

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

Year Ending December 31,	Principal
2016	\$18,883
2017	18,884
2018	18,884
2019	18,884
2020	18,884
2021-2025	94,418
2026-2030	83,513
2031-2032	3,817
Total	\$276,167

Business Type Activities

2007 Various Purpose General Obligation Bonds - On April 26, 1997 the city issued \$6,995,000 of general obligation bonds which included serial and term bonds in the amount of \$5,025,000 and \$1,970,000, respectively. The bonds were issued for a twenty-five year period with final maturity at December 1, 2032. The bonds were issued with a premium of \$166,251, which is reported as an increase to bonds payable for business-type activities.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

The amounts are being amortized to interest expense over the life of the bonds using the straight-line method, which approximates the effective interest method. This bond was refinanced on June 16, 2016 as a portion of the Refunding Bonds, Series 2016, see Subsequent Event Note 19.

Principal and interest requirements to retire the business-type activities portion of the 2007 Various Purpose Bonds outstanding at December 31, 2015 are as follows:

Year Ending December 31,	Serial and Term Bonds		
	Principal	Interest	Total
2016	\$250,000	\$225,742	\$475,742
2017	265,000	213,243	478,243
2018	280,000	198,667	478,667
2019	300,000	187,468	487,468
2020	310,000	175,467	485,467
2021-2025	1,775,000	676,582	2,451,582
2026-2030	1,365,000	325,050	1,690,050
2031-2032	570,000	43,000	613,000
Total	\$5,115,000	\$2,045,219	\$7,160,219

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

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

Year Ending December 31,	Principal	Interest	Total
2016	\$24,143	\$4,773	\$28,916
2017	24,630	4,287	28,917
2018	25,124	3,793	28,917
2019	25,629	3,288	28,917
2020	26,145	2,772	28,917
2021-2025	110,832	6,006	116,838
2026-2027	8,203	149	8,352
Total	\$244,706	\$25,068	\$269,774

Belmont County Intergovernmental Payable – In prior years, the City and Belmont County approved an agreement for the City to pay 7.33 percent of the costs of Belmont County’s Water Works System #3, Phase I Project, in return for the City to have access to an emergency water supply. The City’s repayment schedule for the project is as follows.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>
2016	\$6,597
2017	6,597
2018	6,597
2019	6,597
2020	6,963
2021-2023	<u>14,293</u>
Total	<u><u>\$47,644</u></u>

As of December 31, 2015, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$11,517,792, with an unvoted debt margin of \$6,033,129.

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

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

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

The City pays obligations related to employee compensation from the fund benefitting from their service. See Note 11 for additional information related to the net pension liability.

NOTE 16 - INTERFUND ACTIVITY

A. Interfund Balances

Interfund balances at December 31, 2015 consisted of the following individual interfund receivables and payables:

<u>Interfund Payable</u>	<u>Interfund Receivable</u>
	<u>General</u>
Permanent Improvement	\$22,000
Other Non-Major Governmental Funds	<u>68,561</u>
Total	<u><u>\$90,561</u></u>

In a prior year, the General Fund advanced funding to the Permanent Improvement Fund for funding of a capital project. The loan will be repaid upon completion of the project and receipt of the grant revenue. The amount due to the General Fund from other non-major governmental funds relates to property tax payments made by the City on behalf of the Community Improvement Corporation, which is reported as a non-major special revenue fund.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2015, consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>			<u>Total</u>
	<u>Major Funds</u>		<u>Other Non-Major</u>	
	<u>General</u>	<u>Street</u>	<u>Governmental Funds</u>	
Major Funds:				
Police	\$454,216	\$0	\$0	\$454,216
Street	375,212	0	0	375,212
Debt Service	661,577	22,499	3,275	687,351
Permanent Improvement	36,771	0	0	36,771
Sewer	30,000	0	0	30,000
Other Non-Major				
Governmental Funds	812,575	0	0	812,575
	<u>\$2,370,351</u>	<u>\$22,499</u>	<u>\$3,275</u>	<u>\$2,396,125</u>

The transfers from the General Fund to the Police, to the Street, to the Permanent Improvement and to the Other Non-Major Governmental funds were made to provide additional operating resources for City programs. The transfer from the General Fund to the Sewer Fund was to help finance a sewer project. Additional transfers from the General Fund, Street Special Revenue Fund, and the Other Non-Major Governmental Funds were made to the Debt Service Fund for annual debt service payments on outstanding long-term obligations.

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

A. Ohio Mid-Eastern Governments Association (OMEGA)

The Ohio Mid-Eastern Governments Association (OMEGA) is a ten-county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum, and Tuscarawas Counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application of Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a twenty-one member executive board comprised of members appointed from each participating county and the cities within each county. City membership is voluntary. The mayor of the City of St. Clairsville serves as the City's representative on the Board. The board exercises total control over the operations of the OMEGA including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. Each member currently pays a per capita membership fee based upon the most recent United States census. During 2015, the City made no contributions to OMEGA. OMEGA has no outstanding debt. Information can be obtained from 326 Highland Avenue, PO Box 130, Cambridge, Ohio 43725.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

B. Bel-O-Mar Regional Council

Bel-O-Mar Regional Council is operated as a non-profit organization formed to provide planning and administrative services to all local governments in a four county region comprised of Belmont County and three counties in West Virginia. The governing board is comprised of 46 officials from the four county service area of which five are appointed by Belmont County. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Council. The City contributed \$1,710 to the Council during 2015.

C. Southeastern Ohio Narcotics Task Force (SENT)

Southeastern Ohio Narcotics Task Force (SENT) is a multi-jurisdictional drug task force with the primary goal of combating major narcotic traffickers in Belmont, Carroll, Guernsey, Harrison, Monroe, and Tuscarawas Counties. It is jointly governed among the participating counties and cities. A grant is received from the State of Ohio of which the participating entities must match 25 percent. Of the 32 members, the Police Chief of the City of St. Clairsville acts as the City's representative. The participating Counties and Cities exercise total control over the operations of the SENT including budgetary, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the Board. During 2015, the City made no contribution to SENT.

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

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

E. Cumberland Trail Fire District

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

F. Belmont County Major Crime Unit

The Belmont County Major Crimes Unit (BCMCU) was created by a resolution and an agreement between Belmont County Sheriff's Office, the police departments of the City of St. Clairsville, the City of Martins Ferry, and all the villages located in Belmont County under the authority of Ohio Revised Code sections 311.07, 505.43, and 737.04. The Belmont County Sheriff serves as the director of the BCMCU. The BCMCU is governed by an Advisory Board consisting of the Belmont County Sheriff, the Belmont County Prosecutor, and the chief of police of each participating political subdivision. Each participant's degree of control is limited to its representation on the Board. All participating agencies agree that any mandatory fines collected shall be placed in an indemnity fund, administered by the Belmont County Sheriff's Office. The indemnity fund shall be used to subsidize the cost of BCMCU investigations. The City made no contributions to BCMCU during 2015.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 18 - CONTINGENCIES

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2015.

B. Litigation

The City is currently party to legal proceedings. The City management is of the opinion that the disposition of claims will not have a material effect, if any, on the financial condition of the City.

C. Component Unit Tax-Exempt Status

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

D. Paid Up Oil/Gas Lease

Rice Drilling D LLC - The City has entered into a "Paid-Up" Oil and Gas Lease with Rice Energy D LLC for 195.066 acres of property owned by the City, and is effective September 16, 2014 for a five year period. In consideration of the execution of the lease, the City received a signing bonus in the amount of \$1,474,252 on January 21, 2015. The lease calls for payments to the City, in addition to the bonus, royalties in the amount of 20 percent for all oil and other liquid hydrocarbons and by-products produced and saved from the land, and all gas and other hydrocarbons and by-products. The total carrying value of the land leased is \$1,086,768. As of the date of the financial statements, the value of any potential royalties cannot be determined, and the City has not received any compensation beyond the bonus.

NOTE 19 - SUBSEQUENT EVENTS

A. Commons Mall Crossing

On February 1, 2016, the City approved an ordinance to accept the dedication plat of the Commons Mall Crossing. On November 7, 2016, the City passed a resolution to enter into a contract with A.S.K. Services, LLC for the waterline improvement project from Young Lane to Commons Mall Crossing in the amount of \$219,676.

B. Wastewater Treatment Plant

On February 1, 2016, the City passed a resolution to enter into a contract with CTI Engineers to perform engineer duties during the construction for the wastewater treatment plant-Rotating Biological Contractor (RBC), project and declaring an emergency for a cost of \$44,308. Workman Industrial Services, Inc. has been awarded the contract for installation in the amount of \$1,788,780.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

C. OWDA Loan

The City has been approved for a \$2,000,000 Ohio Water Development Authority Loan in conjunction with the RBC project. The loan has an interest rate of 2.71 percent for twenty year with the first payment due January 1, 2017. As of the date of the financial statements, no loan proceeds have been drawn.

D. Bond Rating

On June 2, 2016, the City of St. Clairsville received a credit rating of A2 from Moody's Investor Services for the \$4,810,000 Refunding Bonds, Series 2016 (General Obligation – Limited Tax).

E. Refunding Bond, Series 2016 Issue

On June 16, 2016, the City issued \$4,810,000 Refunding Bonds, Series 2016 (General Obligation – Limited Tax) for the purpose of advance refunding a portion of the \$6,995,000 Various Purpose General Obligation Bonds. The Bonds were issued with a variable interest rate of three to four percent and matures on December 1, 2032.

F. Tax Increment Financing (TIF)

On June 20, 2016, Council passed an ordinance declaring the improvement to certain parcels known as St. Clair Commons to be a public purpose and exempt from taxation; providing for the collection and deposit of service payments and specifying the purposes for which those services payments may be expended; authorizing school compensation payments; authorizing the execution of a tax increment financing agreement; and declaring an emergency. Pursuant to Ohio Revised Code Sections 5709.40, 5709.42, and 5709.43 the City is authorized to declare the improvement to parcels of real property located within the City to be a public purpose and exempt from taxation. The City has delivered notice of this ordinance to the St. Clairsville-Richland City School District and the Belmont-Harrison Area Joint Vocational School District within the time periods required by the TIF Statutes and Ohio Revised Code Section 5709.83 and whereas the City desires to provide design, construction and financing of certain public infrastructure improvements directly benefiting and enabling the development of the parcels by entering into a Tax Increment Financing Agreement with Equity, Inc. or its designee (the "Developer").

G. Sewer Rate Increase

On January 6, 2016, the City Council established a sewer rate increase to be effective at the earliest date determined by law which is 30 days thereafter on February 5, 2016. The last sewer rate increase was May 1, 2011. Sewer rates increased in 2016 by approximately 15% across all cost per gallon block limits.

H. Ohio Public Works Commission Funding

On November 7, 2016, the City was approved for emergency funding from the Ohio Public Works Commission for the Legion Road Slip Repair Project in the amount of \$258,850. Of this amount \$200,000 has been approved as a grant and \$58,850 has been approved as a loan.

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

	<u>2014</u>	<u>2013</u>
City's Proportion of the Net Pension Liability	0.0143170%	0.0143170%
City's Proportionate Share of the Net Pension Liability	\$1,726,789	\$1,687,788
City's Covered-Employee Payroll	\$1,755,358	\$1,763,231
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	98.37%	95.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) Information prior to 2013 is not available.

Amounts presented as of the City's measurement date which is the prior fiscal year end.

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

	<u>2014</u>	<u>2013</u>
City's Proportion of the Net Pension Liability	0.0193960%	0.0193960%
City's Proportionate Share of the Net Pension Liability	\$1,004,794	\$944,646
City's Covered-Employee Payroll	\$427,216	\$406,739
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	235.20%	232.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.20%	73.00%

(1) Information prior to 2013 is not available.

Amounts presented as of the City's measurement date which is the prior fiscal year end.

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

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

(1) Information prior to 2013 is not available.

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contributor	\$86,997	\$81,171	\$64,604	\$54,882	\$51,734	\$54,709	\$62,025	\$61,139	\$57,317	\$49,415
Contributions in Relation to the Contractually Required Contribution	(86,997)	(81,171)	(64,604)	(54,882)	(51,734)	(54,709)	(62,025)	(61,139)	(57,317)	(49,415)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
City Covered-Employee Payroll	\$457,877	\$427,216	\$406,739	\$430,447	\$405,757	\$429,090	\$486,471	\$479,522	\$449,545	\$420,553
Contributions as a Percentage of Covered-Employee Payroll:	19.00%	19.00%	15.88%	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%	11.75%



Dave Yost • Auditor of State

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

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Clairsville, Belmont County, Ohio (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 22, 2016, wherein we noted the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. We consider finding 2015-001 described in the accompanying Schedule of Findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2015-002 described in the accompanying Schedule of Findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

City's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

November 22, 2016

**CITY OF ST. CLAIRSVILLE
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Material Weakness

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

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

During 2015, we noted the following:

- The City did not perform monthly bank reconciliations which resulted in an unreconciled balance of approximately \$40,996 at December 31, 2015.
- The Mayor's Court monthly bank statements for 2015 were not reconciled each month.
- The Utility Supervisor did not reconcile all Utility bank accounts each month. Also, the Utility Deposit Fund's certificate of deposit was not reconciled to the Utility Deposit Fund or the Utility Supervisor's Customer Deposit Record/Report maintained on a separate excel spreadsheet. Customer refund checks were written out of the General Checking account without reducing the Utility certificate of deposit balance.
- The Recreation Department opened a separate bank account and established an accounting system by year end 2015. The department did not reconcile this bank account to the accounting system as well.

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

The City Finance Director, Mayor's Clerk, Utility Supervisor, and Recreation Director should perform monthly bank reconciliations on all bank accounts they are responsible for, investigate the unidentified reconciling items, and make the necessary adjustments to the books in a timely manner. The monthly bank reconciliations should be reviewed by someone independent of the person performing the reconciliation and this review should be indicated by signing and/or initialing and dating the reconciliations.

Officials' Response: The City Finance Department changed software companies January 2016 to the Uniform Accounting Network (UAN). Monthly bank reconciliations are now being performed and balanced accordingly. The Recreation Department now has a new director and is also performing monthly bank reconciliations. I cannot respond to if the Utility Supervisor or Mayor's Clerk are doing monthly reconciliations.

**CITY OF ST. CLAIRSVILLE
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2015-002

Significant Deficiency

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

The City's receipts and disbursements were not always posted into accurate classifications nor were all receipts and expenditures posted to the accounting system.

The following financial statement errors were noted:

- Utility receipts for July 2015 were over-posted in the Electric Fund by \$168,810 and Sewer Fund receipts were under-posted by \$6,380 due to an error on the monthly "pay-in" excel spreadsheet, which was submitted to the Finance Department for posting to the Revenue Audit Trail Report.
- May 2015 Income Tax receipts from Regional Income Tax Authority (RITA) were posted at gross with no memo expenditure for the RITA deductions in the amount of \$4,414. This amount was split evenly between the General Fund of \$2,207 and the Permanent Improvement Fund of \$2,207.
- Local Government for November 2015 received from the Belmont County Auditor's Office was not posted to the accounting system in the amount of \$9,841 to the General Fund.
- Motor Vehicle License Tax for October 2015 received from the Belmont County Engineer's Office for street paving was not posted to the account system in the amount of \$2,044. This amount was split between the Street Fund of \$1,891 and the State Highway Fund of \$153.
- State Municipal Income Tax for 2015 in the amount of \$702 was not posted to the accounting system to the General Fund.
- In December 2015, the City performed a general check run which did not post to the Expense Audit Trail Report since no "Expense Journal" (EJ) was assigned to upload this amount to the Expense Audit Trail Report in the amount of \$380 to the Recreation Fund.

The adjustments noted above were agreed to by City officials' and have been posted to the accounting records and are reflected within the accompanying financial statements.

We also noted the following financial errors:

- The City posted an expenditure in the amount of \$24,000 in the Permanent Improvement Fund from a voided purchase order in August 2015. Instead of this transaction reducing the encumbrances, it was posted to actual expenditures overstating expenditures in this fund.
- Interest earned on the City's bank accounts for the year 2015 was not fully posted until 2016 in the amount of \$18,190 which is allocated to the various funds: \$17,462 to the General Fund, \$364 to State Highway Fund, and \$364 to Downtown Renovation Fund.

CITY OF ST. CLAIRSVILLE
BELMONT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015
(Continued)

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

FINDING NUMBER 2015-002 (Continued)

Significant Deficiency (Continued)

As these errors are not significant to the opinion units affected in 2015, the adjustments noted above were agreed to by City officials' and will be posted to the accounting records in 2016.

The City Finance Director should utilize available authoritative resources to appropriately classify receipt and disbursement transactions. Also, the City Finance Director should perform monthly bank reconciliations to help ensure all receipts that are deposited in the bank are posted to the accounting system.

Officials' Response: Until 2016 when UAN was put in place the Utility Director was the assistant finance director. Her responsibility was to post 90% of the revenue. It is apparent from the finding that the revenue was not posted correctly in various areas. The revenue is now being posted by the finance director.

**CITY OF ST. CLAIRSVILLE
BELMONT COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Material Weakness regarding monthly bank reconciliations.	Not Corrected	Reissued as Finding Number 2015-001.
2014-002	Material Weakness regarding posting of receipts and disbursements to incorrect classifications.	Not Corrected	Reissued as Finding Number 2015-002.
2014-003	Material Weakness regarding Inventory policies and procedures.	Partially Corrected	Reissued in Management Letter.



Dave Yost • Auditor of State

CITY OF ST. CLAIRSVILLE

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 6, 2016