

# **City of St. Clairsville**

## ***Audited Financial Statements***

***December 31, 2004***





**Auditor of State  
Betty Montgomery**

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

We have reviewed the *Report of Independent Auditor's* of the City of St. Clairsville, Belmont County, prepared by Rea & Associates, Inc., for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

November 4, 2005

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**CITY OF ST. CLAIRSVILLE  
BELMONT COUNTY**

**DECEMBER 31, 2004**

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**CITY OF ST. CLAIRSVILLE  
BELMONT COUNTY**

**DECEMBER 31, 2004**

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# Rea & Associates, Inc.

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ACCOUNTANTS AND BUSINESS CONSULTANTS

August 19, 2005

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

## REPORT OF INDEPENDENT AUDITOR'S

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Clairsville, Ohio (the "City"), as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Clairsville, Ohio, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund, Street Fund, and Police Fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the City of St. Clairsville implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

City of St. Clairsville  
Report of Independent Auditor's  
August 19, 2005  
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2005 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Audit Standards* and should be considered in conjunction with this report when assessing the results of our audit.

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

*Rea & Associates, Inc.*



**City of St. Clairsville**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
(Unaudited)

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The discussion and analysis of the City of St. Clairsville's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2004. 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 2004 are as follows:

- General Revenues accounted for \$2,038,528 in revenue or 28% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$5,253,891 or 72% of total revenues of \$7,292,419.
- Total program expenses were \$6,516,526. \$2,324,969 in governmental activities and \$4,191,557 in business-type activities.
- In total, net assets increased \$775,893. Net assets of governmental activities increased \$833,131. Net assets of business-type activities decreased \$57,238 from 2003.
- Outstanding debt decreased from \$1,066,270 to \$961,882 through principal payments.

***Using this Annual Financial Report***

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

The Statement of Net Assets and the Statement of Changes in Net Assets provide information from a summary perspective showing the effects of the operations for the year 2004 and how they affected the operations of the City as a whole.

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

*Statement of Net Assets and the Statement of Activities*

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

**City of St. Clairsville**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
(Unaudited)

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A question typically asked about the City's finances "How did we do financially during fiscal year 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

***Fund Financial Statements***

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

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

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

**City of St. Clairsville**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
(Unaudited)

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

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

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds.

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

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

Table 1 provides a summary of the City's net assets for 2004 compared to 2003:

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

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
<b>Assets</b>						
Current and Other Assets	\$ 5,044,211	\$ 5,859,151	\$ 3,800,992	\$ 3,776,612	\$ 8,845,203	\$ 9,635,763
Capital Assets	2,723,182	1,122,484	8,942,703	9,254,342	11,665,885	10,376,826
Total Assets	7,767,393	6,981,635	12,743,695	13,030,954	20,511,088	20,012,589
<b>Liabilities</b>						
Long-Term Liabilities	163,901	150,037	995,313	1,086,298	1,159,214	1,236,335
Other Liabilities	994,464	1,055,701	2,435,777	2,574,813	3,430,241	3,630,514
Total Liabilities	1,158,365	1,205,738	3,431,090	3,661,111	4,589,455	4,866,849
<b>Net Assets</b>						
Invested in Capital Assets Net of Debt	2,408,726	1,047,870	5,990,765	9,254,342	8,399,491	10,302,212
Restricted	2,598,871	2,795,981	0	0	2,598,871	2,795,981
Unrestricted (Deficit)	1,601,431	1,932,046	3,321,840	115,501	4,923,271	2,047,547
Total Net Assets	\$ 6,609,028	\$ 5,775,897	\$ 9,312,605	\$ 9,369,843	\$ 15,921,633	\$ 15,145,740

**City of St. Clairsville**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
(Unaudited)

Total assets increased by \$498,499 with governmental assets increasing \$785,758 and business-type assets decreasing \$287,259. An increase of approximately \$1,289,059 in total capital assets reflects the purchase and renovation of the new city building and was the majority of the increase in governmental assets. Total liabilities decreased by \$277,394 with governmental liabilities decreasing \$47,373 and business-type assets decreasing \$230,021. The majority of this decrease was the result of loans proceeds from OWDA for the waste water project in business-type activities.

Total net assets increased by \$775,893. This number reflects an increase of \$833,131 in governmental activities and a decrease of \$57,238 in the net assets of the business-type activities. Table 2 shows the changes in net assets for fiscal year 2004. This table will present two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusion about the City's financial status and possibly project future problems.

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

	Governmental Activities	Business-Type Activities	Total
	2004	2004	2004
<b>Revenues</b>			
<i>Program Revenues:</i>			
Charges for Services	\$ 171,634	\$ 4,007,114	\$ 4,178,748
Operating Grants	986,285	88,858	1,075,143
<i>General Revenue:</i>			
Property Taxes	776,375	0	776,375
Local Taxes	0	23,884	23,884
Grants and Entitlements	1,034,398	0	1,034,398
Investments	112,581	0	112,581
Other	76,827	14,463	91,290
<b>Total Revenues</b>	<b>3,158,100</b>	<b>4,134,319</b>	<b>7,292,419</b>
<b>Program Expenses</b>			
General Government	430,075	0	430,075
Security of Persons and Property	843,055	0	843,055
Transportation	427,868	0	427,868
Public Health Services	32,291	0	32,291
Community Environment	251,404	0	251,404
Leisure Time Activities	330,053	0	330,053
Interest and Fiscal Charges	10,223	0	10,223
<i>Enterprise Operations:</i>			
Water	0	962,691	962,691
Sewer	0	841,099	841,099
Light	0	2,387,767	2,387,767
<b>Total Program Expenses</b>	<b>2,324,969</b>	<b>4,191,557</b>	<b>6,516,526</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 833,131</b>	<b>\$ (57,238)</b>	<b>\$ 775,893</b>

**City of St. Clairsville**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
(Unaudited)

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**Governmental Activities**

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

General revenues include grants and entitlements, such as local government funds. With the combination of property tax and intergovernmental funding all expenses in the governmental activities are funded. The City monitors its source of revenues very closely for fluctuations.

Police represents the largest expense of the Governmental Activities. This expense of \$817,781 represents 21% of the total expenses. This department operates out of the police fund.

**Business-Type Activities**

Business-type activities include water, sewer and light operations. The revenues are generated primarily from charges for services. In 2004, charges for services of \$4,007,114 accounted for 99.6% of the business-type revenues. The total expenses for the utilities were \$4,191,557.

***The City's Funds***

Information about the City's governmental funds begins on page 13. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$3,569,355 and expenditures of \$3,937,624. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

Information about the proprietary funds starts on page 20. These funds are accounted for on an accrual basis. All business type funds had operating expenses of \$4,111,196 which exceeded operating revenues of \$4,021,577, by \$89,619 or 2.2% of operating revenues.

***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 2004, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the general fund, budget basis revenue was \$817,101, under the original budget estimates of \$825,800. Of this approximate \$20,000 shortfall, most was attributable to decreased property tax collections due to increased delinquency rates.

Final appropriations of \$494,000, were \$182,300 higher than the \$311,700 in the original budget.

**City of St. Clairsville**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
(Unaudited)

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of year 2004, the City had \$11,665,885 invested in land, buildings, equipment, infrastructure and vehicles. A total of \$2,723,182 of this was for governmental activities with the remainder attributable to business-type activities. Table 3 shows fiscal year 2004 balances compared with 2003.

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

	Governmental Activities		Business-Type Activities		Total	
	2004	Restated 2003	2004	Restated 2003	2004	Restated 2003
Land	\$ 285,706	\$ 233,028	\$ 51,671	\$ 30,000	\$ 337,377	\$ 263,028
Buildings	604,753	644,331	1,959,505	2,019,179	2,564,258	2,663,510
Improvements Other Than Buildings	51,296	2,376	0	0	51,296	2,376
Machinery and Equipment	163,083	139,331	302,619	303,864	465,702	443,195
Vehicles	80,713	103,418	70,731	77,688	151,444	181,106
Infrastructure	1,537,631	0	6,558,177	6,823,611	8,095,808	6,823,611
<b>Totals</b>	<b>\$ 2,723,182</b>	<b>\$ 1,122,484</b>	<b>\$ 8,942,703</b>	<b>\$ 9,254,342</b>	<b>\$ 11,665,885</b>	<b>\$ 10,376,826</b>

The \$1,289,059 increase in capital assets was attributable to additional purchases not exceeding depreciation expense. Note 9 provides capital asset activity during the 2004 year.

**Debt**

The outstanding debt for the City of St. Clairsville as of December 31, 2004 was \$961,882 with \$155,577 due within one year. Table 4 summarizes outstanding debt.

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

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Special Assessment Bonds	\$ 55,000	\$ 70,000	\$ 0	\$ 0	\$ 55,000	\$ 70,000
Rural Development Bonds	0	0	131,940	133,699	131,940	133,699
OPWC Loans	0	0	463,947	469,286	463,947	469,286
OWDA Loans	0	0	310,995	393,285	310,995	393,285
<b>Total</b>	<b>\$ 55,000</b>	<b>\$ 70,000</b>	<b>\$ 906,882</b>	<b>\$ 996,270</b>	<b>\$ 961,882</b>	<b>\$1,066,270</b>

**City of St. Clairsville**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
(Unaudited)

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The special assessment bonds consist of various construction projects various improvements. The principal and interest for these bonds are paid from the collection of special assessments by the County Auditor from the specific property owners who primarily benefited from the projects.

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

***Current Financial Issues***

The City of St. Clairsville was very busy in 2004. We received a \$1.5 million grant from the Federal Highway Administration to widen, resurface, replace sidewalks and curbs for Routes 40 and 9 through the City. New drainage and pavement marking systems were also put into place. The entire project took approximately seven months and required patience and cooperation by our motorists.

The City annexed a 95 acre plot east of the City for a \$75 million project, St. Clair Commons that will consist of retail and entertainment, surrounded by professional office buildings and a residential area. For this project to succeed, a new transportation system is essential. Congressman Bob Ney has included \$7 million in the Federal Transportation Bill to amend the Mall Road Interchange. We have also applied to ODOT for additional funding.

The City of St. Clairsville received a grant and loan from the Ohio Public Works Commission for the construction of a water line connecting Belmont County's water system and the City's. Belmont County shared the costs with us. We also received a loan from OPWC for the removal and replacement of the Belmont Drive pump station with a new gravity line built to the plant. This will prevent wastewater flooding, save pumping costs, maintenance costs, and will add reliability and permit development.

The City will also receive \$475,000 in Economic Development Initiative Special Projects funding to restore the outside of the Clarendon Hotel including foundation, roof, windows and masonry repointing.

There is a new development under construction that will bring 55 new homes to the City. This traditional neighborhood development, Ashburn Greene, should be complete and ready for occupancy in the summer of 2005. The City was once again named "Tree City USA" for 2004. On Arbor Day, the Boy Scouts planted a George Washington Tulip Poplar near the gazebo on the National Road Bikeway, which is currently seeking a trademark for its name and logo. The seed for this particular tree was handpicked from the original George Washington Tulip Poplar which was planted in 1785 by George Washington at his Mount Vernon home.

Many other projects were initiated using grant moneys and local funding including TEA-21 funding to restore the old Belmont County Jail and Sheriff's residence, Provident Reservoir maintenance, contract paving throughout the City, a new storm sewer in the Broad Street area of the City, conservation of land along the National Road Bikeway, and the renovation of nine building facades in the historic downtown.

The City of St. Clairsville was able to provide the same excellent level of services to its residents in 2004. The finance department replaced its computer system and upgraded to laser printing of all forms and documents. The utility department added E-bills to its internet site enabling the customer to download their utility bills and print them at their convenience, as well as make payments on-line.

**City of St. Clairsville**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*(Unaudited)*

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We are proud of the accomplishments the City of St. Clairsville was able to provide. We have no income tax, but were able to meet all of our resident's needs in spite of the revenue cuts forced on us by the State of Ohio. All in all, St. Clairsville is a wonderful town to live in and raise children.

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

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



**City of St. Clairsville**  
*Statement of Net Assets*  
December 31, 2004

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 2,358,166	\$ 3,059,654	\$ 5,417,820
Cash and Cash Equivalents in Segregated Accounts	725	14,666	15,391
Investments with Trustees	132	0	132
Taxes Receivable	749,276	20,879	770,155
Accounts Receivable	20,412	391,582	411,994
Intergovernmental Receivable	1,379,461	0	1,379,461
Special Assessments Receivable	40,618	0	40,618
Loans Receivable	445,288	0	445,288
Internal Balances	18,706	(18,706)	0
Prepaid Items	2,766	0	2,766
Materials and Supplies Inventory	28,661	243,311	271,972
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	0	89,606	89,606
Non-Depreciable Capital Assets	285,706	51,671	337,377
Depreciable Capital Assets, Net	2,437,476	8,891,032	11,328,508
<i>Total Assets</i>	<u>7,767,393</u>	<u>12,743,695</u>	<u>20,511,088</u>
<b>Liabilities</b>			
Accounts Payable	15,904	177,225	193,129
Accrued Wages	10,061	10,439	20,500
Contracts Payable	65,900	74,233	140,133
Intergovernmental Payable	59,113	33,980	93,093
Undistributed Monies	725	0	725
Customer Deposits Payable	0	89,606	89,606
Accrued Interest Payable	2,545	21,294	23,839
Deferred Revenue	597,716	0	597,716
Notes Payable	242,500	2,029,000	2,271,500
Long-Term Liabilities:			
Due Within One Year	35,614	162,381	197,995
Due in More Than One Year	128,287	832,932	961,219
<i>Total Liabilities</i>	<u>1,158,365</u>	<u>3,431,090</u>	<u>4,589,455</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	2,408,726	5,990,765	8,399,491
Restricted for Debt Service	45,511	0	45,511
Restricted for Capital Outlay	1,121,522	0	1,121,522
Restricted for Other Purposes	1,431,838	0	1,431,838
Unrestricted	1,601,431	3,321,840	4,923,271
<i>Total Net Assets</i>	<u>\$ 6,609,028</u>	<u>\$ 9,312,605</u>	<u>\$ 15,921,633</u>

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

**City of St. Clairsville**  
**Statement of Activities**  
For the Year Ended December 31, 2004

	Program Revenues			Net(Expense)Revenue and Changes in Net Assets			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General Government	\$ 430,075	\$ 72,795	\$ 4,042	\$ 0	\$ (353,238)	\$ 0	\$ (353,238)
Security of Persons and Property	843,055	150	140,512	0	(702,393)	0	(702,393)
Public Health Services	32,291	0	0	0	(32,291)	0	(32,291)
Lesiure Time Activities	330,053	98,689	71,018	0	(160,346)	0	(160,346)
Community and Economic Development	251,404	0	484,268	0	232,864	0	232,864
Transportation	427,868	0	286,445	0	(141,423)	0	(141,423)
Interest and Fiscal Charges	10,223	0	0	0	(10,223)	0	(10,223)
<i>Total Governmental Activities</i>	<u>2,324,969</u>	<u>171,634</u>	<u>986,285</u>	<u>0</u>	<u>(1,167,050)</u>	<u>0</u>	<u>(1,167,050)</u>
<b>Business-Type Activities</b>							
Water Fund	962,691	780,059	0	84,374	0	(98,258)	(98,258)
Sewer Fund	841,099	771,988	0	471	0	(68,640)	(68,640)
Light Fund	2,387,767	2,455,067	0	4,013	0	71,313	71,313
<i>Total Business-Type Activities</i>	<u>4,191,557</u>	<u>4,007,114</u>	<u>0</u>	<u>88,858</u>	<u>0</u>	<u>(95,585)</u>	<u>(95,585)</u>
<i>Total - Primary Government</i>	<u>\$ 6,516,526</u>	<u>\$ 4,178,748</u>	<u>\$ 986,285</u>	<u>\$ 88,858</u>	<u>(1,167,050)</u>	<u>(95,585)</u>	<u>(1,262,635)</u>
<b>General Revenues:</b>							
Property and Other Taxes Levied for:							
General Purposes					473,614	0	473,614
Other Purposes					302,761	23,884	326,645
Grants and Entitlements not Restricted to Specific Programs					1,034,398	0	1,034,398
Investment Earnings					112,581	0	112,581
Miscellaneous					76,827	14,463	91,290
<i>Total General Revenues</i>					<u>2,000,181</u>	<u>38,347</u>	<u>2,038,528</u>
<i>Change in Net Assets</i>					<u>833,131</u>	<u>(57,238)</u>	<u>775,893</u>
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>					<u>5,775,897</u>	<u>9,369,843</u>	<u>15,145,740</u>
<i>Net Assets End of Year</i>					<u>\$ 6,609,028</u>	<u>\$ 9,312,605</u>	<u>\$ 15,921,633</u>

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

**City of St. Clairsville**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2004*

	General	Street	Police	Housing and Urban Development	Federal Highway Administration	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Equity in Pooled Cash and Cash Equivalents	\$ 1,363,795	\$ 7,386	\$ 4,123	\$ 0	\$ 0	\$ 982,862	\$ 2,358,166
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0	0	725	725
Investments with Trustees	0	0	0	0	0	132	132
Taxes Receivable	357,863	0	361,299	0	0	30,114	749,276
Accounts Receivable	20,252	0	0	0	0	160	20,412
Intergovernmental Receivable	141,794	109,443	18,171	474,562	77,340	558,151	1,379,461
Special Assessments Receivable	0	0	0	0	0	40,618	40,618
Loans Receivable	0	0	0	0	0	445,288	445,288
Due from Other Funds	18,706	0	0	0	0	0	18,706
Prepaid Items	0	0	2,766	0	0	0	2,766
Materials and Supplies Inventory	0	16,161	0	0	0	12,500	28,661
<i>Total Assets</i>	<u>\$ 1,902,410</u>	<u>\$ 132,990</u>	<u>\$ 386,359</u>	<u>\$ 474,562</u>	<u>\$ 77,340</u>	<u>\$ 2,070,550</u>	<u>\$ 5,044,211</u>
<b>Liabilities</b>							
Accounts Payable	7,314	4,378	2,638	0	0	1,574	15,904
Accrued Wages	198	2,883	5,871	0	0	1,109	10,061
Contracts Payable	0	0	0	0	65,900	0	65,900
Intergovernmental Payable	5,929	7,901	14,130	0	0	7,642	35,602
Undistributed Monies	0	0	0	0	0	725	725
Accrued Interest Payable	0	0	0	0	0	2,545	2,545
Deferred Revenue	457,741	73,325	379,470	474,562	11,440	613,359	2,009,897
Notes Payable	0	0	0	0	0	242,500	242,500
<i>Total Liabilities</i>	<u>471,182</u>	<u>88,487</u>	<u>402,109</u>	<u>474,562</u>	<u>77,340</u>	<u>869,454</u>	<u>2,383,134</u>
<b>Fund Balances</b>							
Reserved for Encumbrances	16,537	2,974	1,481	0	0	2,724	23,716
Reserved for Inventory	0	16,161	0	0	0	12,500	28,661
Reserved for Loans Receivable	0	0	0	0	0	445,288	445,288
Reserved for Unclaimed Monies	312	0	0	0	0	0	312
Unreserved, Undesignated, Reported in:							
General Fund	1,414,379	0	0	0	0	0	1,414,379
Special Revenue Funds	0	25,368	(17,231)	0	0	403,100	411,237
Debt Service Funds	0	0	0	0	0	134	134
Capital Projects Funds	0	0	0	0	0	337,350	337,350
<i>Total Fund Balances</i>	<u>1,431,228</u>	<u>44,503</u>	<u>(15,750)</u>	<u>0</u>	<u>0</u>	<u>1,201,096</u>	<u>2,661,077</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,902,410</u>	<u>\$ 132,990</u>	<u>\$ 386,359</u>	<u>\$ 474,562</u>	<u>\$ 77,340</u>	<u>\$ 2,070,550</u>	<u>\$ 5,044,211</u>

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

**City of St. Clairsville**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2004*

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<b>Total Governmental Fund Balances</b>	\$	2,661,077
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*Amounts reported for governmental activities in the  
 statement of net assets are different because*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		2,723,182
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property Taxes	\$	151,560
Special Assessments		40,618
Intergovernmental		<u>1,220,003</u>

Total		1,412,181
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Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.		(23,511)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Special Assessment Bonds		(55,000)
Capital Leases		(16,956)
Compensated Absences		<u>(91,945)</u>

Total		<u>(163,901)</u>
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<i>Net Assets of Governmental Activities</i>	\$	<u><u>6,609,028</u></u>
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The accompanying notes are an integral part of the basic financial statements.

**City of St. Clairsville**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2004*

	General	Street	Police	Federal Highway Administration	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property Taxes	\$ 480,495	\$ 0	\$ 287,899	\$ 0	\$ 24,569	\$ 792,963
Special Assessments	0	0	0	0	16,580	16,580
Charges for Services	0	0	0	0	98,689	98,689
Licenses and Permits	43,419	0	0	0	0	43,419
Fines and Forfeitures	13,606	0	0	0	1,520	15,126
Intergovernmental	397,342	268,204	36,334	1,330,664	366,226	2,398,770
Interest	109,429	0	0	0	3,152	112,581
Rent	14,400	0	0	0	0	14,400
Other	42,997	18,678	6,448	0	8,704	76,827
<i>Total Revenues</i>	<u>1,101,688</u>	<u>286,882</u>	<u>330,681</u>	<u>1,330,664</u>	<u>519,440</u>	<u>3,569,355</u>
<b>Expenditures</b>						
Current:						
General Government	382,309	0	0	0	2,411	384,720
Security of Persons and Property	3,286	0	705,101	0	109,394	817,781
Public Health Services	31,285	0	0	0	0	31,285
Lesiure Time Activities	0	0	0	0	288,461	288,461
Community and Economic Development	0	0	0	0	244,389	244,389
Transportation	0	414,522	0	0	3,312	417,834
Capital Outlay	19,097	233,103	0	1,330,664	140,305	1,723,169
Debt Service:						
Principal Retirement	3,545	0	0	0	16,217	19,762
Interest and Fiscal Charges	968	0	0	0	9,255	10,223
<i>Total Expenditures</i>	<u>440,490</u>	<u>647,625</u>	<u>705,101</u>	<u>1,330,664</u>	<u>813,744</u>	<u>3,937,624</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>661,198</u>	<u>(360,743)</u>	<u>(374,420)</u>	<u>0</u>	<u>(294,304)</u>	<u>(368,269)</u>
<b>Other Financing Sources (Uses)</b>						
Transfers In	0	359,300	366,900	0	250,900	977,100
Inception of Capital Leases	10,600	0	0	0	6,500	17,100
Transfers Out	(977,100)	0	0	0	0	(977,100)
<i>Total Other Financing Sources (Uses)</i>	<u>(966,500)</u>	<u>359,300</u>	<u>366,900</u>	<u>0</u>	<u>257,400</u>	<u>17,100</u>
<i>Net Change in Fund Balances</i>	(305,302)	(1,443)	(7,520)	0	(36,904)	(351,169)
<i>Fund Balance (Deficit) Beginning of Year</i>	1,736,530	39,785	(8,230)	0	1,230,500	2,998,585
Increase in Reserve for Inventory	0	6,161	0	0	7,500	13,661
<i>Fund Balance End of Year</i>	<u>\$ 1,431,228</u>	<u>\$ 44,503</u>	<u>\$ (15,750)</u>	<u>\$ 0</u>	<u>\$ 1,201,096</u>	<u>\$ 2,661,077</u>

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

**City of St. Clairsville**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
December 31, 2004*

<b>Net Change in Fund Balances - Total Governmental Funds</b>		\$	(351,169)
<i>Amounts reported for governmental activities in the statement of activities are different because</i>			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.			
Capital Asset Additions		\$ 1,723,169	
Current Year Depreciation		(121,117)	
Total		1,602,052	1,602,052
Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.			
			(1,354)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Delinquent Property Taxes		(16,588)	
Special Assessments		(24,005)	
Intergovernmental		(378,087)	
Total		(418,680)	(418,680)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.			
Capital Lease Principal		4,762	
Special Assessment Bond Principal		15,000	
Total		19,762	19,762
Inception of capital lease in the governmental funds that increase long term liability in the statement of net assets are not reported as revenues in the statement of activities.			
			(17,100)
Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
Compensated Absences		(16,526)	
Pension Obligations		2,485	
Change in Inventory		13,661	
Total		(380)	(380)
<i>Change in Net Assets of Governmental Activities</i>		\$	833,131

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

**City of St. Clairsville**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property Taxes	\$ 470,000	\$ 459,000	\$ 479,185	\$ 20,185
Licenses and Permits	36,000	36,600	57,947	21,347
Fines and Forfeitures	13,000	13,000	14,190	1,190
Intergovernmental	210,800	224,501	397,342	172,841
Interest	75,000	63,000	103,968	40,968
Rent	14,000	14,000	14,400	400
Other	7,000	7,000	42,997	35,997
<i>Total Revenues</i>	<u>825,800</u>	<u>817,101</u>	<u>1,110,029</u>	<u>292,928</u>
<b>Expenditures</b>				
Current:				
General Government	249,700	416,367	414,137	2,230
Security of Persons and Property	3,000	3,520	3,459	61
Public Health Services	34,000	34,000	31,285	2,715
Capital Outlay	25,000	35,600	19,097	16,503
Debt Service:				
Principal Retirement	0	3,545	3,545	0
Interest and Fiscal Charges	0	968	968	0
<i>Total Expenditures</i>	<u>311,700</u>	<u>494,000</u>	<u>472,491</u>	<u>21,509</u>
<i>Excess of Revenues Over Expenditures</i>	<u>514,100</u>	<u>323,101</u>	<u>637,538</u>	<u>314,437</u>
<b>Other Financing Sources (Uses)</b>				
Inception of Capital Lease	0	10,600	10,600	0
Advances In	0	50,395	50,395	0
Transfers Out	(1,033,800)	(977,100)	(977,100)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,033,800)</u>	<u>(916,105)</u>	<u>(916,105)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(519,700)	(593,004)	(278,567)	314,437
<i>Fund Balance Beginning of Year</i>	1,626,625	1,626,625	1,626,625	0
Prior Year Encumbrances Appropriated	16,360	16,360	16,360	0
<i>Fund Balance End of Year</i>	<u>\$ 1,123,285</u>	<u>\$ 1,049,981</u>	<u>\$ 1,364,418</u>	<u>\$ 314,437</u>

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

**City of St. Clairsville**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Street Fund*  
*For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property Taxes	\$ 202,000	\$ 202,000	\$ 262,296	\$ 60,296
Interest	200	200	0	(200)
Other	6,000	6,000	18,801	12,801
<i>Total Revenues</i>	<u>208,200</u>	<u>208,200</u>	<u>281,097</u>	<u>72,897</u>
<b>Expenditures</b>				
Current:				
Transportation	482,000	451,700	431,919	19,781
Capital Outlay	100,000	235,300	233,103	2,197
<i>Total Expenditures</i>	<u>582,000</u>	<u>687,000</u>	<u>665,022</u>	<u>21,978</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(373,800)</u>	<u>(478,800)</u>	<u>(383,925)</u>	<u>94,875</u>
<b>Other Financing Source</b>				
Transfers In	373,800	478,800	359,300	(119,500)
<i>Net Change in Fund Balance</i>	0	0	(24,625)	(24,625)
<i>Fund Balance Beginning of Year</i>	13	13	13	0
Prior Year Encumbrances Appropriated	24,646	24,646	24,646	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$ 24,659</u>	<u>\$ 24,659</u>	<u>\$ 34</u>	<u>\$ (24,625)</u>

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



**City of St. Clairsville**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Police Fund*  
*For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property Taxes	\$ 277,000	\$ 272,200	\$ 287,899	\$ 15,699
Intergovernmental	40,000	30,000	36,334	6,334
Other	5,000	5,000	6,448	1,448
<i>Total Revenues</i>	<u>322,000</u>	<u>307,200</u>	<u>330,681</u>	<u>23,481</u>
<b>Expenditures</b>				
Current:				
Security of Persons and Property	721,000	706,200	705,451	749
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(399,000)</u>	<u>(399,000)</u>	<u>(374,770)</u>	<u>24,230</u>
<b>Other Financing Source</b>				
Transfers In	399,000	39,900	366,900	327,000
<i>Net Change in Fund Balance</i>	0	(359,100)	(7,870)	351,230
<i>Fund Balance Beginning of Year</i>	71	71	71	0
Prior Year Encumbrances Appropriated	7,803	7,803	7,803	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$ 7,874</u>	<u>\$ (351,226)</u>	<u>\$ 4</u>	<u>\$ 351,230</u>

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

**City of St. Clairsville**  
*Statement of Fund Net Assets*  
*Proprietary Funds*  
*December 31, 2004*

	Business-Type Activities			
	Water	Sewer	Light	Total
<b>Assets</b>				
<i>Current Assets</i>				
Equity in Pooled Cash and Cash Equivalents	\$ 55,202	\$ 199,871	\$ 2,804,581	\$ 3,059,654
Cash and Cash Equivalents in Segregated Accounts	14,666	0	0	14,666
Taxes Receivable	0	0	20,879	20,879
Accounts Receivable	67,297	66,823	257,462	391,582
Due From Other Funds	0	4,555	0	4,555
Interfund Receivable	0	16,400	0	16,400
Materials and Supplies Inventory	59,450	15,700	168,161	243,311
<i>Total Current Assets</i>	<u>196,615</u>	<u>303,349</u>	<u>3,251,083</u>	<u>3,751,047</u>
<i>Non-Current Assets</i>				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	43,862	33,979	11,765	89,606
Non-Depreciable Capital Assets	21,671	0	30,000	51,671
Depreciable Capital Assets, Net	2,695,118	3,896,560	2,299,354	8,891,032
<i>Total Non-Current Assets</i>	<u>2,760,651</u>	<u>3,930,539</u>	<u>2,341,119</u>	<u>9,032,309</u>
<i>Total Assets</i>	<u>2,957,266</u>	<u>4,233,888</u>	<u>5,592,202</u>	<u>12,783,356</u>
<b>Liabilities</b>				
<i>Current Liabilities</i>				
Accounts Payable	10,025	8,753	158,447	177,225
Accrued Wages	4,719	2,944	2,776	10,439
Contracts Payable	15,308	58,925	0	74,233
Intergovernmental Payable	9,693	10,369	13,918	33,980
Customer Deposits Payable	43,862	33,979	11,765	89,606
Accrued Interest Payable	2,781	5,919	12,594	21,294
Interfund Payable	16,400	0	0	16,400
Due to Other Funds	4,555	0	18,706	23,261
Notes Payable	265,000	564,000	1,200,000	2,029,000
Compensated Absences Payable	6,893	4,892	3,293	15,078
Capital Leases Payable	2,242	2,242	2,242	6,726
Rural Development Loan Payable	0	1,906	0	1,906
OPWC Loans Payable	8,886	37,621	0	46,507
OWDA Loan Payable	92,164	0	0	92,164
<i>Total Current Liabilities</i>	<u>482,528</u>	<u>731,550</u>	<u>1,423,741</u>	<u>2,637,819</u>
<i>Long-Term Liabilities</i>				
Compensated Absences Payable- net of current portion	19,874	14,191	23,232	57,297
Capital Leases Payable- net of current portion	3,110	3,110	3,110	9,330
Rural Development Loan Payable- net of current portion	0	130,034	0	130,034
OPWC Loans Payable- net of current portion	4,510	412,930	0	417,440
OWDA Loan Payable- net of current portion	218,831	0	0	218,831
<i>Total Long-Term Liabilities</i>	<u>246,325</u>	<u>560,265</u>	<u>26,342</u>	<u>832,932</u>
<i>Total Liabilities</i>	<u>728,853</u>	<u>1,291,815</u>	<u>1,450,083</u>	<u>3,470,751</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	2,122,046	2,744,717	1,124,002	5,990,765
Unrestricted	106,367	197,356	3,018,117	3,321,840
<i>Total Net Assets</i>	<u>\$ 2,228,413</u>	<u>\$ 2,942,073</u>	<u>\$ 4,142,119</u>	<u>\$ 9,312,605</u>

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

**City of St. Clairsville**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Funds*  
*For the Year Ended December 31, 2004*

	Business-Type Activities			
	Water	Sewer	Light	Total
<b>Operating Revenues</b>				
Charges for Services	\$ 780,059	\$ 771,988	\$ 2,455,067	\$ 4,007,114
Other	6,923	3,999	3,541	14,463
<i>Total Operating Revenues</i>	<u>786,982</u>	<u>775,987</u>	<u>2,458,608</u>	<u>4,021,577</u>
<b>Operating Expenses</b>				
Personal Services	490,758	305,404	389,960	1,186,122
Contractual Services	109,679	112,408	1,697,896	1,919,983
Materials and Supplies	93,297	40,877	160,019	294,193
Depreciation	236,824	353,629	120,445	710,898
<i>Total Operating Expenses</i>	<u>930,558</u>	<u>812,318</u>	<u>2,368,320</u>	<u>4,111,196</u>
<i>Operating Income (Loss)</i>	<u>(143,576)</u>	<u>(36,331)</u>	<u>90,288</u>	<u>(89,619)</u>
<b>Non-Operating Revenues (Expenses)</b>				
Intergovernmental	84,374	471	4,013	88,858
Other Local Taxes	0	0	23,884	23,884
Interest and Fiscal Charges	(32,133)	(28,781)	(19,447)	(80,361)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>52,241</u>	<u>(28,310)</u>	<u>8,450</u>	<u>32,381</u>
<i>Change in Net Assets</i>	(91,335)	(64,641)	98,738	(57,238)
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>	<u>2,319,748</u>	<u>3,006,714</u>	<u>4,043,381</u>	<u>9,369,843</u>
<i>Net Assets End of Year</i>	<u>\$ 2,228,413</u>	<u>\$ 2,942,073</u>	<u>\$ 4,142,119</u>	<u>\$ 9,312,605</u>

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

**City of St. Clairsville**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2004

	Business-Type Activities			
	Water	Sewer	Light	Total
<b>Increase (Decrease) in Cash and Cash Equivalents</b>				
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$ 787,517	\$ 777,331	\$ 2,439,554	\$ 4,004,402
Other Operating Receipts	6,923	3,999	3,541	14,463
Cash Payments for Goods and Services	(91,984)	(49,183)	(61,790)	(202,957)
Cash Payments to Employees	(487,793)	(298,692)	(390,027)	(1,176,512)
Cash Payments for Contractual Services	(132,849)	(46,433)	(1,691,626)	(1,870,908)
<i>Net Cash Provided by Operating Activities</i>	<u>81,814</u>	<u>387,022</u>	<u>299,652</u>	<u>768,488</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Tax Receipts	0	0	23,812	23,812
Intergovernmental Receipts	84,374	471	4,013	88,858
Advances In	16,400	0	0	16,400
Advance Out	0	(16,400)	0	(16,400)
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>100,774</u>	<u>(15,929)</u>	<u>27,825</u>	<u>112,670</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Proceeds from Notes	265,000	564,000	1,200,000	2,029,000
Proceeds from Capital Lease	2,300	2,300	2,300	6,900
Proceeds from OPWC Loans	969	28,884	0	29,853
Acquisition of Capital Assets	(177,010)	(150,021)	(50,557)	(377,588)
Principal Payments on Debt	(374,417)	(710,078)	(1,302,127)	(2,386,622)
Interest Payments	(32,082)	(29,768)	(19,889)	(81,739)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(315,240)</u>	<u>(294,683)</u>	<u>(170,273)</u>	<u>(780,196)</u>
<b>Cash Flows from Investing Activities</b>				
Interest	1,129	875	302	2,306
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<u>(131,523)</u>	<u>77,285</u>	<u>157,506</u>	<u>103,268</u>
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>245,253</u>	<u>156,565</u>	<u>2,658,840</u>	<u>3,060,658</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 113,730</u>	<u>\$ 233,850</u>	<u>\$ 2,816,346</u>	<u>\$ 3,163,926</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>				
Operating Income (Loss)	\$ (143,576)	\$ (36,331)	\$ 90,288	\$ (89,619)
Adjustments:				
Depreciation	236,824	353,629	120,445	710,898
(Increase) Decrease in Assets:				
Accounts Receivable	(1,719)	(1,767)	(17,976)	(21,462)
Materials and Supplies Inventory	(5,900)	0	88,926	83,026
Increase (Decrease) in Liabilities:				
Accounts Payable	8,371	5,581	17,869	31,821
Contracts Payable	6,167	58,925	0	65,092
Accrued Wages	(20,575)	1,050	(31)	(19,556)
Customer Deposits Payable	353	273	95	721
Compensated Absences Payable	(344)	1,397	(3,168)	(2,115)
Intergovernmental Payable	2,213	4,265	3,204	9,682
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 81,814</u>	<u>\$ 387,022</u>	<u>\$ 299,652</u>	<u>\$ 768,488</u>

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

**City of St. Clairsville**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Funds*  
*December 31, 2004*

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	<u>Agency</u>
<b>Assets</b>	
Accounts Receivable	<u>\$ 1,790</u>
<b>Liabilities</b>	
Undistributed Monies	<u>\$ 1,790</u>

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

## ***CITY OF ST. CLAIRSVILLE, OHIO***

### **Notes to the Basic Financial Statements December 31, 2004**

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

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

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

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

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

#### **Reporting Entity**

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

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

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the Basic Financial Statements  
December 31, 2004**

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

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

The City is involved with the Ohio Mid-Eastern Governments Association, Jefferson-Belmont Joint Solid Waste Authority, Southeastern Ohio Narcotics Task Force, Bel-O-Mar Regional Council, and Belmont County Board of Health which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 19.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

***A. Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the Basic Financial Statements  
December 31, 2004**

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

**B. Fund Accounting**

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

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

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

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

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



**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the Basic Financial Statements  
December 31, 2004**

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

***Federal Highway Administration*** The Federal Highway Administration capital project fund is used to account for the costs associated with maintaining the federal highways.

***Housing and Urban Development*** The Housing and Urban Development capital project fund provides interest-free capital advances for the development of supportive housing.

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

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

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

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

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

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

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

***C. Measurement Focus***

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

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the Basic Financial Statements  
December 31, 2004**

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

***D. Basis of Accounting***

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

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

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

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

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the Basic Financial Statements  
December 31, 2004**

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Property taxes for which there is an enforceable legal claim as of December 31, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

***E. Pooled Cash and Cash Equivalents***

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

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

During fiscal year 2004, the City's investments were limited to certificates of deposit, money market funds, STAR Ohio, and overnight sweep accounts.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2004. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price for which the investment could be sold on December 31, 2004.

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 2004 amounted to \$109,429, which includes \$79,914 assigned from other City funds.

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

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the Basic Financial Statements  
December 31, 2004**

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City utilizes a trustee bank to hold monies set aside for current and future debt service payments and asset replacement. The balances in these accounts are presented on the Combined Balance Sheet as “Restricted Assets: Investments with Trustees” for investments in money market accounts. See Note 6, Deposits and Investments.

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2004 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the payment and an expenditure/expense is reported in the year in which services are consumed.

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

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost, while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory consists of expendable supplies.

***H. Restricted Assets***

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

***I. Capital Assets***

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

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

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the Basic Financial Statements  
December 31, 2004**

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

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

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

The City's infrastructure consists of streets, sidewalks and storm sewers. For 2004, the City reported governmental activities infrastructure for the first time. The City only reports the amounts acquired after 2003.

**J. Interfund Balances**

During the course of operations, transactions occur between individual funds for goods provided or services rendered. In the fund financial statements, these receivables and payables are reported as "due from other funds" or "due to other funds" on the balance sheet, and are normally expected to be liquidated in a year or less.

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables."

These amounts are eliminated in the governmental columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**K. Compensated Absences**

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

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

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the Basic Financial Statements  
December 31, 2004**

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

***M. Fund Balance Reserves***

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

***N. Net Assets***

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

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

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

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

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

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the Basic Financial Statements  
December 31, 2004**

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***P. Interfund Activity***

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

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

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

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

***Q. Estimates***

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

***R. Budgetary Data***

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

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

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the Basic Financial Statements  
December 31, 2004**

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCES/NET  
ASSETS

**Changes in Accounting Principles** For 2004, the City has implemented GASB Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”; GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements”. At December 31, 2004, there was no effect on fund balance as a result of implementing GASB Statements No. 37 or No. 38.

GASB Statement No. 34 creates new basic financial statements for reporting on the City’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the City’s programs for governmental activities and business-type activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at December 31, 2003, caused by the conversion to the accrual basis of accounting and the reclassification of funds based on the guidance provided in GASB Statement No. 34.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice. The City restated the fund liability of compensated absences, reported as “compensated absences”, which had not matured during fiscal year 2004 and has reported prepaid amounts for services not yet consumed.

**Restatement of Fund Balance** The restatements for GASB Statement No. 34 and GASB Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the City as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

The City increased its capitalization threshold for capital assets from \$500 to \$2,000. The December 31, 2003 capital asset balances have been adjusted for this change and accumulated depreciation as required by GASB 34.



**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the Basic Financial Statements  
December 31, 2004**

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCES/NET ASSETS (Continued)**

	<u>General</u>	<u>Street</u>	<u>Police</u>	<u>Housing and Urban Development</u>	<u>Federal Highway Administration</u>	<u>Aggregate Nonmajor</u>	<u>Total</u>
Fund Balances, 12/31/03	\$ 1,736,530	\$ 39,785	\$ (8,230)	\$ 0	\$ 0	\$ 1,230,500	\$ 2,998,585
Capital Assets, 12/31/03							3,186,966
Change in Capitalization Threshold							
Change in Value of Capital Assets: Cost							(109,599)
GASB 34 Adjustments:							
Change in Value of Capital Assets:							
Accumulated Depreciation							<u>(1,954,883)</u>
<i>Adjusted Capital Assets, 1/1/04</i>							1,122,484
Correction of Error							(60,429)
Compensated Absences							(75,419)
Pension Obligations							(25,994)
Long-Term (Deferred) Assets							1,891,288
Long-Term Liabilities							<u>(74,618)</u>
Governmental Activities Net Assets, 1/1/04							<u>\$ 5,775,897</u>

In the business-type activities, the change in capitalization threshold resulted in a decrease in capital assets of \$75,061. In addition, in 2003 certain capital assets of the sewer and light funds were incorrectly reported in the water fund.

To correct these, the beginning net asset balances have been restated as follows:

	<u>Previously Stated Balance 12/31/2003</u>	<u>Capitalization Threshold</u>	<u>Correction of Error</u>	<u>Restated Balance 1/1/2004</u>
Business-Type Activities:				
Water Fund	\$ 2,407,635	\$ (24,285)	\$ (63,602)	\$ 2,319,748
Sewer Fund	3,006,973	(38,301)	38,042	3,006,714
Light Fund	<u>4,030,295</u>	<u>(12,474)</u>	<u>25,560</u>	<u>4,043,381</u>
Total Business-Type Activities	<u>\$ 9,444,903</u>	<u>\$ (75,060)</u>	<u>\$ 0</u>	<u>\$ 9,369,843</u>

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the Basic Financial Statements  
December 31, 2004**

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**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 Budgetary Basis), and Actual presented for the general fund and the Street and Police major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between budget basis and GAAP basis are:

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

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

	<b>Net Change in Fund Balance</b>		
	<u>General</u>	<u>Street</u>	<u>Police</u>
GAAP Basis	\$ (305,302)	\$ (1,443)	\$ (7,520)
Revenue accruals	58,736	(5,785)	0
Expenditure accruals	(8,150)	(10,045)	(350)
Encumbrances	<u>(23,851)</u>	<u>(7,352)</u>	<u>0</u>
Budget Basis	<u>\$ (278,567)</u>	<u>\$ (24,625)</u>	<u>\$ (7,870)</u>

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the Basic Financial Statements  
December 31, 2004**

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NOTE 5 – ACCOUNTABILITY

The following funds had a deficit fund balance as of December 31, 2004:

	<u>Deficit Fund Balance</u>
Police Fund	\$ 15,750
Non-Major Funds:	
Bike Trail	237,628
Federal Cops Grant	1,449
Litter	485

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

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the Basic Financial Statements  
December 31, 2004**

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NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

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

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

Deposits: At year-end, the carrying amount of the City's deposits was \$5,271,764, which includes \$2,111 cash on hand, and the bank balance was \$5,340,235. Of the bank balance:

1. \$463,183 was covered by federal depository insurance.
2. \$4,877,052 was uninsured and uncollateralized. Although the collateral for the securities was held by the pledging financial institution's trust department in the City's name and all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the City to a successful claim by the FDIC.

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the Basic Financial Statements  
December 31, 2004**

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

Investments: GASB Statement No. 3, “Deposits with Financial Institutions (including Repurchase Agreements), and Revenue Repurchase Agreements,” requires the City to categorize investments to give an indication of the level of custodial credit risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or are held by the City or its agent in the City’s name. Category 2 includes uninsured and unregistered investments which are held by the counterparty’s trust department or agent in the City’s name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the City’s name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value	Fair Value
	<u>          </u>	<u>          </u>	<u>          </u>
Repurchase Agreement	\$ 236,372	\$ 236,372	\$ 236,372
STAROhio	0	14,681	14,681
Federal Agency Securities	132	132	132
	<u>          </u>	<u>          </u>	<u>          </u>
Total investments	<u>\$ 236,504</u>	<u>\$ 251,185</u>	<u>\$ 251,185</u>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Cash and cash equivalents are defined to include investments with original maturities of three months or less.

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
	<u>          </u>	<u>          </u>
GASB Statement No. 9	\$ 5,522,817	\$ 132
Investments which are part of a cash management pool:		
Repurchase Agreement	(236,372)	236,372
STAR Ohio	<u>(14,681)</u>	<u>14,681</u>
GASB Statement No. 3	<u>\$ 5,271,764</u>	<u>\$ 251,185</u>

As a result of Bond Indenture covenants, the City has reported “Restricted Assets: Investments with Trustees” in the amount of \$132 which is included in the investments above. These restricted assets reflect the amount of accumulated resources for principal and interest payments for street improvements.

The City is reporting “Restricted Assets: Customer Deposits” in the amount of \$89,606 for utility customer deposits. This is comprised of a certificate of deposit at Sky Bank.

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the Basic Financial Statements  
December 31, 2004**

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NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2004 for real and public utility property taxes represents collections of the 2003 taxes. Property tax payments received during 2004 for tangible personal property (other than public utility property) are for 2004 taxes.

2004 real property taxes are levied after October 1, 2004, on the assessed value as of January 1, 2004, the lien date. Assessed values are established by the State law at 35% of appraised market value. 2004 real property taxes are collected in and intended to finance 2005.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35% of true value. 2004 public utility property taxes which became a lien on December 31, 2003, are levied after October 1, 2004, and are collected in 2005 with real property taxes.

2004 tangible personal property taxes are levied after October 1, 2003, on the values as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are 25% of true value for capital assets and 23% for inventory.

The full tax rate for all City operations for the year ended December 31, 2004, was \$12.35 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property	\$ 86,886,550
Tangible Personal Property	3,427,660
Public Utility Property	<u>1,290,030</u>
Total	<u>\$ 91,604,240</u>

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

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

The County Treasurer collects property tax on behalf of all taxing districts in the County, including the City of St. Clairsville. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represent real and tangible personal property, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2004 and for which there is an enforceable legal claim. In the general fund, and the police levy and police pension special revenue funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2004 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the Basic Financial Statements  
December 31, 2004**

NOTE 8 - RECEIVABLES

Receivables at December 31, 2004 consisted of taxes, accounts (billings for user charged services including unbilled utility services), special assessments, loans, and intergovernmental receivables arising from grants and shared revenues. All receivables are deemed collectible in full.

NOTE 9 - CAPITAL ASSETS

A summary of changes in capital assets during 2004 follows:

	Restated Balance 1/1/2004	Additions	Deletions	Balance 12/31/2004
<b>Governmental Activities</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 233,028	\$ 52,678	\$ 0	\$ 285,706
<i>Capital Assets, Being Depreciated:</i>				
Buildings	2,216,687	8,497	0	2,225,184
Improvements Other Than Buildings	40,154	50,000	0	90,154
Machinery and Equipment	317,833	50,911	(4,738)	364,006
Vehicles	269,665	0	(36,770)	232,895
Infrastructure	0	1,561,083	0	1,561,083
<i>Total Capital Assets, Being Depreciated</i>	<u>2,844,339</u>	<u>1,670,491</u>	<u>(41,508)</u>	<u>4,473,322</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	1,572,356	48,075	0	1,620,431
Improvements Other Than Buildings	37,778	1,080	0	38,858
Machinery and Equipment	178,502	25,805	(3,384)	200,923
Vehicles	166,247	22,705	(36,770)	152,182
Infrastructure	0	23,452	0	23,452
<i>Total Accumulated Depreciation</i>	<u>1,954,883</u>	<u>121,117</u>	<u>(40,154)</u>	<u>2,035,846</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>889,456</u>	<u>1,549,374</u>	<u>(1,354)</u>	<u>2,437,476</u>
<i>Total Governmental Capital Assets, Net</i>	<u>\$ 1,122,484</u>	<u>\$ 1,602,052</u>	<u>\$ (1,354)</u>	<u>\$ 2,723,182</u>

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

General Government	\$ 42,752
Leisure Time Services	50,204
Security of Persons and Property	13,533
Transportation	7,557
Community and Economic Development	<u>7,071</u>
Total	<u>\$ 121,117</u>

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the Basic Financial Statements  
December 31, 2004**

**NOTE 9 - CAPITAL ASSETS (Continued)**

	Restated Balance 12/31/03	Additions	Deletions	Balance 12/31/04
<b>Business-Type Activities</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 30,000	\$ 0	\$ 0	\$ 30,000
Construction in Progress	0	21,671	0	21,671
<i>Total Capital Assets Not Being Depreciated</i>	<u>30,000</u>	<u>21,671</u>	<u>0</u>	<u>51,671</u>
 <i>Capital Assets, Being Depreciated:</i>				
Buildings	2,427,815	8,550	0	2,436,365
Machinery and Equipment	558,803	37,690	(16,040)	580,453
Vehicles	270,530	438	0	270,968
Infrastructure	18,111,111	330,910	(3,143)	18,438,878
<i>Total Capital Assets, Being Depreciated</i>	<u>21,368,259</u>	<u>377,588</u>	<u>(19,183)</u>	<u>21,726,664</u>
 <i>Less Accumulated Depreciation:</i>				
Buildings	408,636	68,224	0	476,860
Machinery and Equipment	254,939	38,935	(16,040)	277,834
Vehicles	192,842	7,395	0	200,237
Infrastructure	11,287,500	596,344	(3,143)	11,880,701
<i>Total Accumulated Depreciation</i>	<u>12,143,917</u>	<u>710,898</u>	<u>(19,183)</u>	<u>12,835,632</u>
 <i>Total Capital Assets Being Depreciated, Net</i>	 <u>9,224,342</u>	 <u>(333,310)</u>	 <u>0</u>	 <u>8,891,032</u>
 <i>Total Business-Type Activities Capital Assets, Net</i>	 <u>\$ 9,254,342</u>	 <u>\$ (311,639)</u>	 <u>\$ 0</u>	 <u>\$ 8,942,703</u>

**NOTE 10 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City of St. Clairsville has a public employee dishonesty policy with a \$50,000 bond with Ohio Casualty, through Pilney Insurance Agency. The City's public official's liability policy has a \$1,000,000 liability with a \$3,000 deductible with Monticello, through Pilney Insurance Agency. The City's comprehensive package is with Indiana Insurance, also through Pilney Insurance Agency. The liability limits are; general aggregate limit of \$2,000,000; products aggregate limit of \$2,000,000; personal and advertising injury limit of \$1,000,000; each occurrence limit of \$1,000,000; fire damage limit (any one fire) of \$50,000; and medical expense limit (any one person) of \$5,000. The City's law enforcement liability is with National Casualty Co., through Andrew Yanok Insurance Agency. The liability limit is \$5,000,000 with a \$2,500 deductible. The City's vehicle insurance is with Grange Mutual Casualty Company. The liability limits are; bodily injury of \$1,000,000 per person per accident; property damage of \$1,000,000 per accident; medical payments of \$5,000; uninsured motorist's bodily injury of \$25,000 per person, \$50,000 per accident. The vehicle insurance deductible is \$500.



**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the Basic Financial Statements  
December 31, 2004**

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NOTE 10 - RISK MANAGEMENT (Continued)

The City pays the Ohio Bureau of Workers' Compensation a premium based on the Ohio Rural Water Association through Comp Management group rate of .023707 of salaries and service contractor rates. This rate is calculated based on accident history and administrative costs to provide coverage to employees and service contractors for job related injuries.

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System:

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

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

For the year ended December 31, 2004, the members of all three plans were required to contribute 8.5% of their annual covered salaries. The City's contribution rate for pension benefits for 2004 was 9.55%. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003 and 2002 were \$132,355 \$113,662 and \$103,032. 92% has been contributed for 2004 and 100% for 2003 and 2002.

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the Basic Financial Statements  
December 31, 2004**

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NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

B. Ohio Police and Fire Pension Fund

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

Police and firefighters are required to contribute 10% of their annual covered salary to fund pension obligations while the City is required to contribute 11.75% for police officers. The City has no firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police for the years ended December 31, 2004, 2003 and 2002 were \$46,460, \$42,564 and \$40,529, respectively. The full amount has been contributed for 2003 and 2002. 74% has been contributed for 2004.

C. Medicare System:

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

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System of Ohio (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55% of covered payroll (16.7% for public safety and law enforcement); 4.00% of covered payroll was the portion that was used to fund health care.

Benefits are advanced-funded using the age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase between 1.00% and 6.00% annually for the next eight years and 4% annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the Basic Financial Statements  
December 31, 2004**

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NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

The number of active contributing participants in the traditional and combined plans was 369,885. The City's actual contributions for 2004 which were used to fund postemployment benefits were \$55,437. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2003 (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

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

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB *Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5% of covered payroll, of which 7.75% of covered payroll was applied to the postemployment health care program during 2004. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2004 that were used to fund postemployment benefits were \$30,643 for police. The City has no firefighters. The OP&F's total health care expenses for the year ended December 31, 2003 (the latest information available) was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003 was 13,662 for police and 10,474 for firefighters.

NOTE 13 - OTHER EMPLOYEE BENEFITS

**A. Additional Insurance**

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

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the Basic Financial Statements  
December 31, 2004**

NOTE 13 - OTHER EMPLOYEE BENEFITS (Continued)

The City contracts with Health Plan of the Upper Ohio Valley for hospitalization insurance; Delta Dental for dental insurance; for all employees, excluding part-time elected officials, part-time appointed officials, and part-time employees. The City offers Ohio AFSCME Eye Care and Hearing Care for AFSCME and FOP members. The City contracts with Vision Service Plan for eye care for full-time employees that are not in a union and elected officials who choose to pay for it themselves. The City and employees share the cost of the total monthly premiums of \$872.89 family health care, \$349.16 single health care; \$91.35 family dental care, \$26.39 single dental care, employee and one dependent dental care \$50.19; and \$7.25 family or single eye and hearing care. Health insurance co-payments for doctors' visits are reimbursed by the City. Premiums and co-payments are paid from the same funds that pay the employee's salaries.

**B. Compensated Absences**

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn vacation time based on the length of service. Typically, vacation can not be carried over, however, unforeseen circumstances may come into play and the superintendent may elect to permit an employee to carryover minimal vacation time. Sick leave is accumulated at a rate of 4.6 hours per each 80 hours worked. For employees that work less than a 40 hour work week, the sick leave accumulation is prorated based on 4.6 hours per 80 hours worked. All accumulated, unused vacation time and personal days are paid upon separation if the employee has acquired at least one year of service with the City. Upon separation, AFSCME members and non-union employees other than police, are paid for a maximum of 400 hours of accumulated sick time provided they have ten years of service with PERS. Police are paid a maximum of 400 hours of accumulated sick time provided they have ten years of service with the City. Upon separation, police are paid all accumulated unused comp time up to a maximum of 60 hours. As of December 31, 2004, the liability for unpaid compensated absences was \$164,320.

NOTE 14 - CONTRACTUAL COMMITMENTS

As of December 31, 2004, the City had contractual commitments for the following projects:

	<u>Contractual Commitment</u>	<u>Expended</u>	<u>Balance 12/31/2004</u>
Replace Belmont Drive lift station	\$ 106,027	\$ 47,102	\$ 58,925
Water transmission connection	148,553	133,245	15,308
Water transmission connection	33,000	21,671	11,329
Water transmission connection	300,450	17,213	283,237
Route 9 & Route 40 paving project	1,503,581	1,409,469	94,112
Downtown facades	<u>20,000</u>	<u>0</u>	<u>20,000</u>
	<u>\$ 2,111,611</u>	<u>\$ 1,628,700</u>	<u>\$ 482,911</u>

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the Basic Financial Statements  
December 31, 2004**

**NOTE 15 - LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the City during the year ended December 31, 2004 consisted of the following:

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
<b>Governmental Activities</b>			
Street Improvement Special Revenue Bond	5.50% - 7.00%	\$ 170,000	December 1, 2007
<b>Business-Type Activities</b>			
Belmont Drive Pump Station Replacement OPWC Loan	0.02%	74,000	January 1, 2025
Wastewater Compliance Project OPWC Loan	0.04%	190,000	January 1, 2009
East Main Force Main Liner OPWC Loan	0.02%	214,890	January 1, 2004
Water Storage Tank Repair OPWC Loan	0.02%	17,773	July 1, 2006
Wastewater System Repairs OPWC Loan	0.02%	133,216	July 1, 2024
Joint Sewer Rural Development Loan	6.125%	2,000,000	January 1, 2032
Water Improvements OWDA Loan	12%	1,015,560	November 1, 2008

	<b>Principal Balance 12/31/2003</b>	<b>Additions</b>	<b>Reductions</b>	<b>Principal Balance 12/31/2004</b>	<b>Due in One Year</b>
<b>Governmental Activities</b>					
Special Assessment Bonds	\$ 70,000	\$ 0	\$ (15,000)	\$ 55,000	\$ 15,000
Compensated absences	75,419	16,526	0	91,945	15,317
Capital Leases	4,618	17,100	(4,762)	16,956	5,297
<b>Total Governmental Activities</b>	<b>\$ 150,037</b>	<b>\$ 33,626</b>	<b>\$ (19,762)</b>	<b>\$ 163,901</b>	<b>\$ 35,614</b>
<b>Business-Type Activities</b>					
<u>OPWC Loans</u>					
Belmont Drive Pump Station Replacement	\$ 0	\$ 28,884	\$ 0	\$ 28,884	\$ 3,043
Wastewater Compliance Project	104,376	0	(19,255)	85,121	20,033
East Main Force Main Liner	214,890	0	(8,835)	206,055	9,013
Water Storage Tank Repair	16,804	969	(4,377)	13,396	8,886
Wastewater System Repairs	133,216	0	(2,725)	130,491	5,532
<b>Total OPWC Loans</b>	<b>469,286</b>	<b>29,853</b>	<b>(35,192)</b>	<b>463,947</b>	<b>46,507</b>
OWDA Loan	393,285	0	(82,290)	310,995	92,164
Joint Sewer Rural Development	133,699	0	(1,759)	131,940	1,906
Compensated Absences	74,490	0	(2,115)	72,375	15,078
Capital leases	15,538	6,900	(6,382)	16,056	6,726
<b>Total Business-Type Activities</b>	<b>\$ 1,086,298</b>	<b>\$ 36,753</b>	<b>\$ (127,738)</b>	<b>\$ 995,313</b>	<b>\$ 162,381</b>

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

**Notes to the Basic Financial Statements  
December 31, 2004**

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NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

General obligation bonds, mortgage revenue bonds, the OPWC loan, the OWDA loan, and the Enterprise Fund capital lease will be paid from revenues derived from charges for services in the Enterprise funds. The City and Belmont County are jointly obligated for the Rural Development Loan for Water Works System #3, Phase I Project. At December 31, 2004, the total debt was \$1,800,000 with the City's share being 7.34% or \$131,940. Compensated absences will be paid from the fund from which the employees' salaries are paid. The Business-Type capital lease will be paid from user charges and the Governmental Activities lease will be paid from the General Fund revenues. The special assessment bonds will be paid from revenues assessed to property owners. Any shortage between special assessments collected and the required bond payments will be covered by General Fund revenues.

The City has been awarded a \$356,000 Ohio Public Works Commission Loan in 2003 to pay for the costs of an East Main Force Main Project. The City has drawn down \$214,890 as of December 31, 2004.

The City has been awarded a \$168,428 Ohio Public Works Commission loan in 2003 to pay for the costs associated with the Waste Water System Repairs Project. The City has drawn down \$133,216 as of December 31, 2004.

The City has been awarded a \$17,773 Ohio Public Works Commission loan in 2003 for the costs associated with the Water Storage Tank Repairs Project. The City has fully drawn down this loan as of December 31, 2004.

The City has been awarded a \$74,000 Ohio Public Works Commission loan in 2004 to pay for the costs associated with the Pump Station Replacement Project. The City has drawn down \$28,884 in 2004.

Special assessment bonds are payable from the proceeds of assessments against the specific property owners who primarily benefited from the project. Special assessment monies will be received in and the debt will be retired from the special assessment payments, the City is responsible for providing the resources to meet the annual principal and interest payments.

The City's overall legal debt margin was \$7,282,500 at December 31, 2004.

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the Basic Financial Statements  
December 31, 2004**

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2004 are as follows:

Year	OPWC Loans		OWDA Loans		Rural Development Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 45,390	\$ 10,089	\$ 92,164	\$ 37,320	\$ 1,906	\$ 8,081
2006	42,116	8,809	103,224	26,260	1,979	7,965
2007	38,747	7,323	115,607	13,877	2,126	7,843
2008	39,928	6,443	0	0	2,272	7,713
2009	17,677	5,453	0	0	2,419	7,574
2010-2014	93,259	23,158	0	0	14,367	35,468
2015-2019	102,006	13,642	0	0	19,279	30,507
2020-2024	84,824	4,304	0	0	26,021	23,817
2025-2029	0	0	0	0	34,964	14,829
2030-2034	0	0	0	0	26,607	3,323
	<u>\$ 463,947</u>	<u>\$ 79,221</u>	<u>\$ 310,995</u>	<u>\$ 77,457</u>	<u>\$ 131,940</u>	<u>\$ 147,120</u>

Year	Special Assessment Bonds		Total	
	Principal	Interest	Principal	Interest
2005	\$ 15,000	\$ 3,850	\$ 154,460	\$ 59,340
2006	20,000	2,800	167,319	45,834
2007	20,000	700	176,480	29,743
2008	0	0	42,200	14,156
2009	0	0	20,096	13,027
2010-2014	0	0	107,626	58,626
2015-2019	0	0	121,285	44,149
2020-2024	0	0	110,845	28,121
2025-2029	0	0	34,964	14,829
2030-2034	0	0	26,607	3,323
	<u>\$ 55,000</u>	<u>\$ 7,350</u>	<u>\$ 961,882</u>	<u>\$ 311,148</u>

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the Basic Financial Statements  
December 31, 2004**

NOTE 16 - NOTE DEBT

The City's note activity for 2004, including amounts outstanding, interest rates, and the purpose for which the note was issued, is as follows:

	<u>Outstanding 12/31/2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12/31/2004</u>
<b>Governmental Activities</b>				
Bike Trail Fund:				
Construction - 1.57%	\$ 261,500	\$ 242,500	\$ (261,500)	\$ 242,500
<b>Business-Type Activities</b>				
Water Fund:				
Vehicles and Reservoir Improvements - 1.57%	290,000	265,000	(290,000)	265,000
Sewer Fund:				
Vehicles, Chlorine Removal and West End Improvements - 1.57%	671,000	564,000	(671,000)	564,000
Light Fund:				
Light Garage Construction- 1.57%	<u>1,300,000</u>	<u>1,200,000</u>	<u>(1,300,000)</u>	<u>1,200,000</u>
Total Business-Type Activities	<u>\$ 2,261,000</u>	<u>\$ 2,029,000</u>	<u>\$ (2,261,000)</u>	<u>\$ 2,029,000</u>

All of the notes are backed by the full faith and credit of the City of St. Clairsville and mature within one year. The note liability is reflected in the fund which receives the proceeds and which will repay the debt.

NOTE 17 – CAPITALIZED LEASES

During 2004, the City entered into two new leases for new Xerox copiers. In prior years the City entered into two leases for the acquisition of a copier in the finance department and a mailing system. All leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The capital assets acquired by the leases have been capitalized in the governmental activities and business-type activities in the amounts of \$35,925 and \$46,275, respectively, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded and is reduced for each required principal payment.



**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the Basic Financial Statements  
December 31, 2004**

NOTE 17 – CAPITALIZED LEASES (Continued)

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

Year Ending December 31:	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
2005	\$ 6,802	\$ 7,689	\$ 14,491
2006	7,678	4,909	12,587
2007	4,193	2,680	6,873
2008	1,922	1,228	3,150
2009	605	387	992
Minimum lease payments	<u>21,200</u>	<u>16,893</u>	<u>38,093</u>
Less: amount representing interest at the City's incremental borrowing rate of interest	<u>(4,244)</u>	<u>(837)</u>	<u>(5,081)</u>
Present value of minimum lease payments	<u>\$ 16,956</u>	<u>\$ 16,056</u>	<u>\$ 33,012</u>

NOTE 18 – INTERFUND TRANSFERS AND BALANCES

	<u>Transfer In</u>	<u>Transfer Out</u>
<b>Governmental Activities</b>		
General	\$ 0	\$ 977,100
Street	359,300	0
Recreation	161,700	0
Police	366,900	0
Litter	8,900	0
Police Pension	38,150	0
Bike Trail	23,350	0
Special Assessment	4,100	0
Bike Trail Maintenance	<u>14,700</u>	<u>0</u>
<i>Totals</i>	<u>\$ 977,100</u>	<u>\$ 977,100</u>

The general fund transfer to the special assessment fund was due to special assessment collections not being sufficient to meet the annual principal and interest payments. The general fund transfers to the other funds were made to provide additional resources for current operations and capital improvements.

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the Basic Financial Statements  
December 31, 2004**

NOTE 18 – INTERFUND TRANSFERS AND BALANCES (Continued)

As of December 31, 2004, receivables and payables that resulted from interfund transactions were as follows:

	Receivable		Payable	
	Interfund	Due from Other Funds	Interfund	Due to Other Funds
<b>Governmental Activities</b>				
General	\$ 0	\$ 18,706	\$ 0	\$ 0
<b>Business-Type Activities</b>				
Water	0	0	16,400	4,555
Sewer	16,400	4,555	0	0
Light Fund	0	0	0	18,706
<i>Total Business-Type Activities</i>	<u>16,400</u>	<u>4,555</u>	<u>16,400</u>	<u>23,261</u>
<i>Totals</i>	<u>\$ 16,400</u>	<u>\$ 23,261</u>	<u>\$ 16,400</u>	<u>\$ 23,261</u>

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

- A. Ohio Mid-Eastern Governments Association (OMEGA) is a ten county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum, and Tuscarawas counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a sixteen member executive board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. The Mayor of the City of St. Clairsville serves as the City’s representative on the board, however the City is not active. Each member currently pays a per capita membership fee based upon the most recent United States census. During 2004, no fees were paid to OMEGA. The continued existence of OMEGA is not dependent on the City’s continued participation and no equity interest exists. OMEGA has no outstanding debt.
  
- B. Jefferson-Belmont Joint Solid Waste Authority is established by State statutes and is operated to provide solid waste services to Jefferson and Belmont counties. The Authority is governed by a fourteen member board of directors of which the Mayor of the City of St. Clairsville is a member. The Authority is not dependent on the City of St. Clairsville for its continued existence, no debt exists, and the City does not maintain an equity interest. The City does not make any monetary contributions to the Authority.

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the Basic Financial Statements  
December 31, 2004**

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NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

- C. Bel-O-Mar Regional Council is operated as a non-profit organization formed to provide planning and administrative services to all local governments in a four county region comprised of Belmont County, Ohio and three counties in West Virginia. The governing board is comprised of 58 officials from the four county service area of which three members and one alternate member are appointed by Belmont County and one member is appointed by each local government within Belmont County. The Mayor of the City of St. Clairsville serves as the City's representative on the board. The Council is not dependent upon the City of St. Clairsville for its continued existence, no debt exists, and the City does not maintain an equity interest. During 2004, the City made no contribution to Bel-O-Mar Regional Council.
- D. Southeastern Ohio Narcotics Task Force (SENT) is a multi jurisdictional drug task force with the primary goal of combating major narcotic traffickers in Belmont, Carroll, Guernsey, Harrison, Monroe, and Tuscarawas counties. The Task Force is jointly governed among the participating counties and cities. A grant is received from the State of Ohio of which the participating entities must match 25%. Of the 14 members of the board, the Police Chief of the City of St. Clairsville acts as the City's representative on the board. Each member's control over the operation of SENT is limited to its representation on the board, and the City does not maintain an equity interest. During 2004, the City made no contribution to the Task Force.
- E. Belmont County Board of Health is operated as a non-profit organization formed to provide health care services to all areas within Belmont County. The governing board is comprised of officials from Belmont County. The City of St. Clairsville has a contract with the Board of Health. The Board is not dependent upon the City of St. Clairsville for its continued existence, no debt exists, and the City does not maintain an equity interest. During 2004, Belmont County Board of Health received \$31,285 from the City of St. Clairsville for annual fees, which are deducted from the property tax collections and distributed to the Board by the County Auditor.

NOTE 20 - CONTINGENCIES

- A. Grants:  
The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2004.
- B. Litigation:  
The City of St. Clairsville is not party to any litigation.

# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

August 19, 2005

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Clairsville (the "City") as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 19, 2005, which includes the implementation of a new reporting model described in Note 3. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

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

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

*Rea & Associates, Inc.*

# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

August 19, 2005

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

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

### Compliance

We have audited the compliance of the City of St. Clairsville (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of St. Clairsville complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

### Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

City of St. Clairsville, Ohio  
Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and Internal Control over  
Compliance in Accordance with OMB Circular A-133  
August 19, 2005  
Page 2

Schedule of Expenditures of Federal Awards

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund and the aggregate remaining fund information of the City of St. Clairsville, Ohio as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 19, 2005, which includes the implementation of a new reporting model as described in Note 3. Our audit was performed for the purpose of forming opinions on the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*Hea & Associates, Inc.*

**CITY OF ST CLAIRSVILLE  
BELMONT COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	<u>Federal CFDA #</u>	<u>Pass-Through Grantor's Number</u>	<u>Program Award Amount</u>	<u>2004 Expenditures</u>
US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD):				
(Passed through Ohio Department of Development): Community Development Block Grant	14.228	A-C-03-178-1	\$ 117,000	\$ 78,526
(Passed through Belmont County): Community Development Block Grant	14.228	B-C-03-007-1	14,500	<u>14,500</u>
Total CFDA #14.228				93,026
(Passed through Ohio Department of Development): Home Investment Partnerships Program	14.239	A-C-03-178-2	383,000	<u>177,751</u>
Total Housing and Urban Development Programs				<u>270,777</u>
U.S. DEPARTMENT OF JUSTICE -OFFICE OF JUSTICE PROGRAMS Community Oriented Policing Services -Cops Fast Grant				
	16.710	2004SHWX0101	125,000	<u>42,017</u>
US DEPARTMENT OF TRANSPORTATION FEDERAL HIGHWAY ADMINISTRATION:				
(Passed through Ohio Department of Transportation): Highway Planning and Construction Grant	20.205	PID-24770	1,126,789	<u>1,049,449</u>
US DEPARTMENT OF HOMELAND SECURITY Federal Emergency Management Agency (FEMA)	97.036	FEMA-OH-DR1556	5,246	<u>5,246</u>
Total Expenditures of Federal Awards				<u><u>\$ 1,367,489</u></u>

Note A - Significant Accounting Policies

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

**CITY OF ST. CLAIRSVILLE  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2004**

**1. SUMMARY OF AUDITOR'S RESULTS**

A-133 Ref.  
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any reportable conditions reported for major programs which were not considered to be material?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section 510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list):	Highway Planning and Construction Program – CFDA #20.205
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No

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

<b>NONE</b>	
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**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

<b>NONE</b>	
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**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**CITY OF ST. CLAIRSVILLE**

**BELMONT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 17, 2005**