



Dave Yost • Auditor of State

**CITY OF ST. CLAIRSVILLE
BELMONT COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Clairsville, Belmont County, Ohio (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinions on the Major Governmental Street Fund and Major Proprietary Water Fund

Material and Supplies Inventory are reported at \$42,058 in the Street Fund and \$61,171 in the Water Fund for the year ended December 31, 2014, which is 13 percent of Street Fund assets and 1 percent of Water Fund assets for the year ended December 31, 2014. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as Material and Supplies Inventory in the Street Fund and the Water Fund. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinions on the Major Governmental Street Fund and Major Proprietary Water Fund

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinions on the Major Governmental Street Fund and Major Proprietary Water Fund* paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Street and Water Funds of the City of St. Clairsville, Belmont County, Ohio, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the Street Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the General, Police, Permanent Improvement, Sewer, and Light major funds, and the aggregate remaining fund information of the City of St. Clairsville, Belmont County, Ohio, as of December 31, 2014, and the respective changes in its financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the General and Police Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3B to the financial statements, during the year ended December 31, 2013, the City revised its capital assets policy and underwent a revaluation of its capital assets. Also, in a prior year, the Water Fund was awarded a grant, which had been unrecorded and was not received as of December 31, 2013. The changes to the capital asset values and the intergovernmental receivable resulted in the restatement of net position at December 31, 2013. We did not modify our opinion regarding these matters.

Other Matter

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2016, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

April 6, 2016

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City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

The discussion and analysis of the City of St. Clairsville's (the City) financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2014. 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 2014 are as follows:

- In total, net position increased \$1,300,793.
- General revenues for governmental activities accounted for \$2,830,655 or approximately 76 percent of total revenues. Program specific revenues in the form of charges for services, operating grants, contributions and interest, and capital grants and contributions accounted for \$875,899 or approximately 24 percent of total revenues in the amount of \$3,706,554.
- Total assets of governmental activities decreased \$1,109,043 primarily due to decreases in cash and cash equivalents, intergovernmental receivables and annual depreciation on capital assets. Total liabilities of governmental activities decreased \$673,225 primarily due to decreases in accounts payable and contracts payable, and payments on long-term liabilities.
- The City had \$3,109,294 in expenses related to governmental activities; only \$875,899 of which was offset by program specific charges for services, operating grants, contributions and interest, and capital grants and contributions. General revenues in the amount of \$2,830,655 were not adequate to provide for these programs.
- Total governmental funds had \$3,793,394 in revenues and \$3,399,072 in expenses. Overall, including other financing sources and uses, total governmental fund balance increased \$282,625.

Using this Annual Financial Report

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

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

Reporting the City of St. Clairsville as a Whole

Statement of Net Position and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

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

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

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

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

Fund Financial Statements

Fund financial statements begin on page 16. Fund financial reports provide detailed information about the City's major funds. Based upon restrictions on the use of monies, the City has established many funds which account for the multitude of services provided to our residents. However, these fund financial statements focus on the City's most significant funds. The City of St Clairsville's major funds are the General Fund, Police, and Street Special Revenue Funds, Permanent Improvement Capital Projects Fund, and the Water, Sewer, and Light Proprietary Funds.

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

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

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

The City of St. Clairsville as a Whole

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2014 compared to 2013:

Table 1
Net Position

	Governmental Activities		Business Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Current and Other Assets	\$3,801,095	\$4,334,352	\$3,944,658	\$3,762,181	\$7,745,753	\$8,096,533
Capital Assets	9,227,609	9,803,395	16,881,784	16,038,042	26,109,393	25,841,437
Total Assets	<u>13,028,704</u>	<u>14,137,747</u>	<u>20,826,442</u>	<u>19,800,223</u>	<u>33,855,146</u>	<u>33,937,970</u>
Liabilities						
Long-Term Liabilities	1,243,403	1,230,124	5,863,761	6,209,155	7,107,164	7,439,279
Other Liabilities	55,019	741,523	552,918	876,109	607,937	1,617,632
Total Liabilities	<u>1,298,422</u>	<u>1,971,647</u>	<u>6,416,679</u>	<u>7,085,264</u>	<u>7,715,101</u>	<u>9,056,911</u>
Deferred Inflows of Resources						
Property Taxes	<u>919,213</u>	<u>961,020</u>	<u>0</u>	<u>0</u>	<u>919,213</u>	<u>961,020</u>
Net Position						
Net Investment in						
Capital Assets	8,166,452	8,766,781	12,207,009	11,132,965	20,373,461	19,899,746
Restricted	1,814,871	1,552,743	0	0	1,814,871	1,552,743
Unrestricted	829,746	885,556	2,202,754	1,581,994	3,032,500	2,467,550
	<u>\$10,811,069</u>	<u>\$11,205,080</u>	<u>\$14,409,763</u>	<u>\$12,714,959</u>	<u>\$25,220,832</u>	<u>\$23,920,039</u>

Total assets of governmental activities decreased \$1,109,043. Current and other assets decreased \$533,257 primarily due to decreases in cash and cash equivalents, as various projects were completed during the year, and intergovernmental receivables, as OPWC grant funding was fully received during the year. Capital assets decreased \$575,786 primarily due to annual depreciation of capital assets.

Overall, total liabilities of governmental activities decreased \$673,225. Other liabilities decreased \$686,504 primarily due to the decrease in accounts payable and contracts payable related to the various projects that began in 2013 and were completed during the year. Long-term liabilities reflected a slight increase in the amount of \$13,279, primarily due to increases in OPWC loans and the inception of a capital lease, which were offset by annual debt service payments.

Total assets of business-type activities increased \$1,026,219. Current and other assets increased \$182,477 primarily due to increases in cash and cash equivalents that were the result of increases in charges for services revenue. Capital assets increased \$843,742, primarily due to capital asset additions for infrastructure, including the City's installation of an advanced metering system for all utility customers, which were offset by annual depreciation of capital assets.

Total liabilities of business-type activities decreased \$668,585. Other liabilities decreased \$323,191 primarily due to decreases in accounts payable for projects completed in 2014. Long-term liabilities decreased \$345,394 primarily due to annual debt service payments on long-term obligations as well as a decrease in compensated absences.

Table 2 shows the changes in net position for fiscal year 2014 compared to 2013.

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

Table 2
Changes in Net Position

	Governmental Activities		Business Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
<i>Program Revenue</i>						
Charges for Services	\$324,883	\$276,117	\$7,254,506	\$6,184,599	\$7,579,389	\$6,460,716
Operating Grants	428,537	330,686	0	0	428,537	330,686
Capital Grants and Contributions	122,479	245,800	0	0	122,479	245,800
Total Program Revenue	875,899	852,603	7,254,506	6,184,599	8,130,405	7,037,202
<i>General Revenue</i>						
Property Taxes	931,413	800,432	0	0	931,413	800,432
Income Taxes	1,476,382	1,264,109	0	0	1,476,382	1,264,109
Kilowatt per Hour Taxes	204,730	199,743	0	0	204,730	199,743
Grants and Entitlements	150,813	161,754	0	0	150,813	161,754
Investments	31,403	28,399	0	0	31,403	28,399
Other	35,914	30,986	54,574	30,712	90,488	61,698
Total General Revenue	2,830,655	2,485,423	54,574	30,712	2,885,229	2,516,135
Total Revenues	3,706,554	3,338,026	7,309,080	6,215,311	11,015,634	9,553,337
Program Expenses						
General Government						
Legislative and Executive	382,046	640,909	0	0	382,046	640,909
Judicial	3,271	265	0	0	3,271	265
Security of Persons and Property						
Police	1,025,471	989,055	0	0	1,025,471	989,055
Public Health Services	29,724	29,784	0	0	29,724	29,784
Leisure Time Services	483,094	409,937	0	0	483,094	409,937
Community and						
Economic Development	104,488	1,096,555	0	0	104,488	1,096,555
Transportation	1,046,326	593,855	0	0	1,046,326	593,855
Interest and Fiscal Charges	34,874	37,066	0	0	34,874	37,066
Water	0	0	1,001,507	1,095,387	1,001,507	1,095,387
Sewer	0	0	937,645	1,142,648	937,645	1,142,648
Light	0	0	4,666,395	5,406,743	4,666,395	5,406,743
Total Program Expenses	3,109,294	3,797,426	6,605,547	7,644,778	9,714,841	11,442,204
Increase (Decrease)						
Before Transfers	597,260	(459,400)	703,533	(1,429,467)	1,300,793	(1,888,867)
Transfers	(991,271)	(114,737)	991,271	114,737	0	0
Change in Net Position	(394,011)	(574,137)	1,694,804	(1,314,730)	1,300,793	(1,888,867)
Net Position Beginning						
of the Year (Restated - Note 3)	11,205,080	N/A	12,714,959	N/A	23,920,039	N/A
Net Position End of the Year	\$10,811,069	\$11,205,080	\$14,409,763	\$12,714,959	\$25,220,832	\$23,920,039

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

Governmental Activities

Several revenue sources fund governmental activities, with the City income tax being the largest source. The income tax rate is 0.75 percent. Property taxes are the second largest revenue source for the City. Income taxes and property taxes represent approximately 65 percent of total revenue.

Charges for services and operating grants and contributions for governmental activities increased from 2013. The decrease in capital grants and contributions is due to the City receiving the majority of Ohio Public Works Commission capital contributions in the prior year.

Transportation accounted for 34 percent of governmental expenses for 2014. Transportation program expenses increased from the prior year primarily due to road maintenance and depreciation expense.

Security of persons and property – police accounted for approximately 33 percent of governmental expenses for the City in 2014, and reflected a slight increase from the prior year.

General government – legislative and executive accounted for approximately 12 percent of expenses for the City in 2014. General government – legislative and executive decreased from the prior year due to a decrease in legislative and executive capital asset additions from the prior year.

Leisure time services accounted for 16 percent of governmental expenses in 2014, which represents an increase from the prior year primarily due to an increase in depreciation expense.

Community and economic development accounted for approximately 3 percent of governmental expenses for the City in 2014. The decrease from the prior year is primarily due to the transfer of ownership of the Clarendon Hotel property by the Community Improvement Corporation, as well as the expensing of previously recognized CDBG grant funding, which was subject to the subsequent contravention of the grant guidelines, both of which occurred in 2013.

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

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
General Government				
Legislative and Executive	\$382,046	\$640,909	\$232,772	\$501,135
Judicial	3,271	265	1,671	(3,120)
Security of Persons and Property				
Police	1,025,471	989,055	880,380	859,367
Public Health Services	29,724	29,784	29,724	29,784
Leisure Time Services	483,094	409,937	374,490	319,535
Community and				
Economic Development	104,488	1,096,555	24,685	836,776
Transportation	1,046,326	593,855	654,799	364,280
Interest and Fiscal Charges	34,874	37,066	34,874	37,066
Total Expenses	<u>\$3,109,294</u>	<u>\$3,797,426</u>	<u>\$2,233,395</u>	<u>\$2,944,823</u>

The dependence upon property tax and income tax revenues is apparent. Approximately 72 percent of expenses are supported through taxes and other general revenues.

Business-Type Activities

Business-type activities include water, sewer and light operations. The major source of revenue for these funds is charges for services, accounting for \$7,254,506 or approximately 99 percent of total business-type revenues. In 2014 the City fully implemented an automated meter system for its water, sewer, and light operations. The project was funded by the Water, Sewer, and Light Funds, with capital contributions from the Permanent Improvement Capital Projects Fund.

The City's Funds

Information about the City's governmental funds begins on page 16. The City has four major governmental funds, the General Fund, the Police and the Street Special Revenue Funds, and the Permanent Improvement Capital Projects Fund. These funds are accounted for using the modified accrual method of accounting. The General Fund had \$1,656,323 in revenues and \$498,905 in expenses. Overall, including other financing uses, the General Fund's balance decreased \$139,286. The Police Fund had \$663,899 in revenues and \$1,063,309 in expenses. Overall, including other financing sources, the Police Fund's balance increased \$13,291. The Street Fund had \$374,072 in revenues and \$539,101 in expenses. Overall, including other financing sources and uses, the Street Fund's balance increased \$108,348. The Permanent Improvement Fund had \$963,351 in revenues and \$902,587 in expenses. Overall, including other financing sources, the Permanent Improvement Fund's balance increased \$125,558.

Information about the proprietary funds starts on page 23. The City has three major proprietary funds, the Water, Sewer, and Light Funds. These funds are accounted for on an accrual basis. The Water Fund had operating revenues in the amount of \$973,305 and operating expenses in the amount of \$990,707. Overall, including non-operating expenses, contributions, and transfers, the Water Fund's net position increased \$559,052. The Sewer Fund had operating revenues in the amount of \$831,727 and operating expenses in the amount of \$923,613. Overall, including non-operating expenses, and contributions, the Sewer Fund's net position increased \$266,255. The Light Fund had operating revenues in the amount of \$5,504,048 and operating expenses in the amount of \$4,445,410. Overall, including non-operating expenses, and contributions, the Light Fund's net position increased \$869,497.

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

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 2014, the City amended its General Fund budget and the budgetary statement reflects original and final budgeted amounts. The changes between original and final budget reflected no change in estimated revenues; original and final budgeted appropriations varied only slightly as budgeted transfers out increased. The variance between final budget and actual operations reflected more revenue than estimated, coupled with actual spending in all programs being less than appropriated.

Capital Assets and Debt Administration

Capital Assets

At the end of year 2014, the City's governmental and business-type activities had \$26,109,393 in land, construction in progress, land improvements, buildings and improvements, machinery and equipment, infrastructure, and vehicles, net of depreciation. Table 4 shows 2014 balances compared with 2013. For 2014, the City underwent an asset revaluation. The amounts presented in the table represent the values after the revaluation. For the net effect the revaluation had on net position, see Note 3.

Table 4
Capital Assets Net of Depreciation

	Governmental Activities		Business Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$1,360,478	\$1,360,478	\$305,596	\$305,596	\$1,666,074	\$1,666,074
Construction in Progress	0	384,206	0	874,605	0	1,258,811
Land Improvements	2,511,000	2,679,840	44,218	46,177	2,555,218	2,726,017
Buildings and Improvements	348,605	320,131	1,234,588	1,305,429	1,583,193	1,625,560
Machinery and Equipment	37,261	45,588	354,836	392,883	392,097	438,471
Infrastructure	4,816,640	4,849,357	14,611,827	12,880,205	19,428,467	17,729,562
Vehicles	153,625	163,795	330,719	233,147	484,344	396,942
Total	\$9,227,609	\$9,803,395	\$16,881,784	\$16,038,042	\$26,109,393	\$25,841,437

See Note 9 for more information on capital assets.

Debt

The outstanding debt for the governmental and business-type activities of the City of St. Clairsville as of December 31, 2014 was \$6,794,454 with \$344,907 due within one year. Table 5 summarizes outstanding debt.

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

Table 5
Outstanding Debt at Year End

	Governmental Activities		Business Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$90,000	\$95,000	\$5,464,922	\$5,707,969	\$5,554,922	\$5,802,969
Long-Term Notes	653,357	698,953	0	0	653,357	698,953
OPWC Loans	292,891	242,661	268,375	291,577	561,266	534,238
Capital Leases	24,909	0	0	0	24,909	0
Total	\$1,061,157	\$1,036,614	\$5,733,297	\$5,999,546	\$6,794,454	\$7,036,160

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

Current Finance Related Issues

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

Contacting the City's Finance Department

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

**City of St. Clairsville
Statement of Net Position
December 31, 2014**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$1,428,237	\$2,608,459	\$4,036,696
Accounts Receivable	28,625	747,112	775,737
Internal Balances	(250,000)	250,000	0
Income Taxes Receivable	679,282	0	679,282
Intergovernmental Receivable	272,526	200,000	472,526
Property Taxes Receivable	939,690	0	939,690
Materials and Supplies Inventory	44,396	139,087	183,483
Loans Receivable	625,384	0	625,384
Assets Held for Resale	32,955	0	32,955
Nondepreciable Capital Assets	1,360,478	305,596	1,666,074
Depreciable Capital Assets, Net	7,867,131	16,576,188	24,443,319
<i>Total Assets</i>	13,028,704	20,826,442	33,855,146
<u>Liabilities</u>			
Accounts Payable	4,672	343,446	348,118
Accrued Wages and Benefits Payable	8,912	8,336	17,248
Matured Severance Payable	16,281	0	16,281
Intergovernmental Payable	19,027	24,696	43,723
Accrued Interest Payable	6,127	17,850	23,977
Refundable Deposits	0	158,590	158,590
Long-Term Liabilities:			
Due Within One Year	92,767	274,745	367,512
Due in More Than One Year	1,150,636	5,589,016	6,739,652
<i>Total Liabilities</i>	1,298,422	6,416,679	7,715,101
<u>Deferred Inflows of Resources</u>			
Property Taxes	919,213	0	919,213
<u>Net Position</u>			
Net Investment in Capital Assets	8,166,452	12,207,009	20,373,461
Restricted for:			
Capital Outlay	521,962	0	521,962
Community Development	843,956	0	843,956
Street	288,754	0	288,754
Recreation	151,473	0	151,473
Other Purposes	8,726	0	8,726
Unrestricted	829,746	2,202,754	3,032,500
<i>Total Net Position</i>	\$10,811,069	\$14,409,763	\$25,220,832

See accompanying notes to the basic financial statements

**City of St. Clairsville
Statement of Activities
For the Year Ended December 31, 2014**

	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest
<u>Governmental Activities</u>			
General Government			
Legislative and Executive	\$382,046	\$149,274	\$0
Judicial	3,271	1,600	0
Security of Persons and Property - Police	1,025,471	67,905	77,186
Public Health Services	29,724	0	0
Leisure Time Services	483,094	106,104	2,500
Community and Economic Development	104,488	0	11,456
Transportation	1,046,326	0	337,395
Interest and Fiscal Charges	34,874	0	0
<i>Total Governmental Activities</i>	3,109,294	324,883	428,537
<u>Business-Type Activities</u>			
Water	1,001,507	954,123	0
Sewer	937,645	823,084	0
Light	4,666,395	5,477,299	0
<i>Total Business-Type Activities</i>	6,605,547	7,254,506	0
<i>Total Primary Government</i>	\$9,714,841	\$7,579,389	\$428,537

General Revenues

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

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year (Restated - Note 3)

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position Primary Government			
Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$0	(\$232,772)	\$0	(\$232,772)
0	(1,671)	0	(1,671)
0	(880,380)	0	(880,380)
0	(29,724)	0	(29,724)
0	(374,490)	0	(374,490)
68,347	(24,685)	0	(24,685)
54,132	(654,799)	0	(654,799)
0	(34,874)	0	(34,874)
122,479	(2,233,395)	0	(2,233,395)
0	0	(47,384)	(47,384)
0	0	(114,561)	(114,561)
0	0	810,904	810,904
0	0	648,959	648,959
\$122,479	(2,233,395)	648,959	(1,584,436)
	424,568	0	424,568
	506,845	0	506,845
	738,191	0	738,191
	738,191	0	738,191
	204,730	0	204,730
	150,813	0	150,813
	17,100	0	17,100
	31,403	0	31,403
	18,814	54,574	73,388
	2,830,655	54,574	2,885,229
	(991,271)	991,271	0
	1,839,384	1,045,845	2,885,229
	(394,011)	1,694,804	1,300,793
	11,205,080	12,714,959	23,920,039
	\$10,811,069	\$14,409,763	\$25,220,832

**City of St. Clairsville
Balance Sheet
Governmental Funds
December 31, 2014**

	General	Police	Street	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>						
Equity in Pooled Cash and Cash Equivalents	\$662,761	\$0	\$114,531	\$241,092	\$406,429	\$1,424,813
Accounts Receivable	28,625	0	0	0	0	28,625
Intergovernmental Receivable	78,532	38,697	155,297	0	0	272,526
Income Taxes Receivable	339,641	0	0	339,641	0	679,282
Materials and Supplies Inventory	0	2,338	42,058	0	0	44,396
Interfund Receivable	90,561	0	0	113,229	0	203,790
Property Taxes Receivable	434,519	505,171	0	0	0	939,690
Loans Receivable	0	0	0	0	625,384	625,384
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	3,424	0	0	0	0	3,424
Assets Held for Resale	0	0	0	0	32,955	32,955
Total Assets	\$1,638,063	\$546,206	\$311,886	\$693,962	\$1,064,768	\$4,254,885
<u>Liabilities</u>						
Accounts Payable	\$1,698	\$1,063	\$0	\$0	\$1,911	\$4,672
Accrued Wages and Benefits Payable	837	5,104	1,698	0	1,273	8,912
Matured Severance Payable	0	0	0	0	16,281	16,281
Intergovernmental Payable	6,020	9,200	2,855	0	952	19,027
Interfund Payable	213,229	0	0	172,000	68,561	453,790
Total Liabilities	221,784	15,367	4,553	172,000	88,978	502,682
<u>Deferred Inflows of Resources</u>						
Property Taxes	429,300	489,913	0	0	0	919,213
Unavailable Revenue	309,620	53,955	89,105	246,541	0	699,221
Total Deferred Inflows of Resources	738,920	543,868	89,105	246,541	0	1,618,434
<u>Fund Balances</u>						
Nonspendable:						
Materials and Supplies Inventory	0	2,338	42,058	0	0	44,396
Unclaimed Monies	3,424	0	0	0	0	3,424
Restricted for:						
Capital Outlay	0	0	0	275,421	0	275,421
Community Development	0	0	0	0	843,956	843,956
Street	0	0	176,170	0	0	176,170
Recreation	0	0	0	0	162,138	162,138
Other Purposes	0	0	0	0	5,302	5,302
Unassigned	673,935	(15,367)	0	0	(35,606)	622,962
Total Fund Balances	677,359	(13,029)	218,228	275,421	975,790	2,133,769
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$1,638,063	\$546,206	\$311,886	\$693,962	\$1,064,768	\$4,254,885

See accompanying notes to the basic financial statements

City of St. Clairsville
Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
December 31, 2014

Total Governmental Fund Balances \$2,133,769

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 9,227,609

Other long-term assets are not available to pay for current period expenditures and therefore are reported as deferred inflows of resources in the funds:

Property Taxes	20,477
Income Taxes	493,082
Intergovernmental	185,662
	699,221

Total 699,221

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (6,127)

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

General Obligation Bonds	90,000
Long-Term Notes Payable	653,357
OPWC Loans Payable	292,891
Capital Leases	24,909
Compensated Absences	182,246
	(1,243,403)

Total (1,243,403)

Net Position of Governmental Activities \$10,811,069

See accompanying notes to the basic financial statements

City of St. Clairsville
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2014

	General	Police	Street	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>						
Property Taxes	\$436,380	\$512,092	\$0	\$0	\$0	\$948,472
Income Taxes	649,204	0	0	649,204	0	1,298,408
Kilowatt per Hour Taxes	204,730	0	0	0	0	204,730
Charges for Services	0	67,905	0	0	106,104	174,009
Licenses and Permits	122,812	0	0	0	0	122,812
Fines and Forfeitures	26,462	0	0	0	1,600	28,062
Intergovernmental	168,980	82,492	370,009	314,147	13,956	949,584
Interest	30,147	0	668	0	588	31,403
Contributions and Donations	2,189	1,410	0	0	13,501	17,100
Other	15,419	0	3,395	0	0	18,814
<i>Total Revenues</i>	<u>1,656,323</u>	<u>663,899</u>	<u>374,072</u>	<u>963,351</u>	<u>135,749</u>	<u>3,793,394</u>
<u>Expenditures</u>						
Current:						
General Government:						
Legislative and Executive	365,338	0	0	0	0	365,338
Judicial	0	0	0	0	3,271	3,271
Security of Persons and Property - Police	0	1,011,038	0	0	0	1,011,038
Public Health Services	29,724	0	0	0	0	29,724
Leisure Time Services	12,492	0	0	0	284,591	297,083
Community and Economic Development	91,351	0	0	0	8,005	99,356
Transportation	0	0	539,101	0	0	539,101
Capital Outlay	0	38,590	0	902,587	0	941,177
Debt Service:						
Principal Retirement	0	13,681	0	0	65,160	78,841
Interest and Fiscal Charges	0	0	0	0	34,143	34,143
<i>Total Expenditures</i>	<u>498,905</u>	<u>1,063,309</u>	<u>539,101</u>	<u>902,587</u>	<u>395,170</u>	<u>3,399,072</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,157,418</u>	<u>(399,410)</u>	<u>(165,029)</u>	<u>60,764</u>	<u>(259,421)</u>	<u>394,322</u>
<u>Other Financing Sources (Uses)</u>						
Proceeds of OPWC Loans	0	0	0	64,794	0	64,794
Inception of Capital Lease	0	38,590	0	0	0	38,590
Transfers In	0	374,111	293,966	0	512,849	1,180,926
Transfers Out	(1,296,704)	0	(20,589)	0	(78,714)	(1,396,007)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,296,704)</u>	<u>412,701</u>	<u>273,377</u>	<u>64,794</u>	<u>434,135</u>	<u>(111,697)</u>
Net Change in Fund Balances	(139,286)	13,291	108,348	125,558	174,714	282,625
<i>Fund Balances (Deficit) at Beginning of Year - Restated (Note 3)</i>	<u>816,645</u>	<u>(26,320)</u>	<u>109,880</u>	<u>149,863</u>	<u>801,076</u>	<u>1,851,144</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u>\$677,359</u>	<u>(\$13,029)</u>	<u>\$218,228</u>	<u>\$275,421</u>	<u>\$975,790</u>	<u>\$2,133,769</u>

See accompanying notes to the basic financial statements

City of St. Clairsville
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2014

Net Change in Fund Balances - Total Governmental Funds		\$282,625
 <i>Amounts reported for governmental activities on the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year		
Capital Asset Additions	246,758	
Depreciation	<u>(822,544)</u>	
Total		(575,786)
 Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds		
Property Taxes	(17,059)	
Income Taxes	177,974	
Intergovernmental	<u>(247,755)</u>	
Total		(86,840)
 Repayments of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position		
General Obligation Bonds	5,000	
Long-Term Note	45,596	
OPWC Loans	14,564	
Capital Leases	<u>13,681</u>	
Total		78,841
 Some expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in the governmental funds		
Accrued Interest		(731)
 Inception of capital leases are reported as other financing sources in the governmental funds, but the inception increases long term liabilities on the statement of activities		
		(38,590)
 Long-term debt proceeds are other financing sources in governmental funds, but the issuance increases long-term liabilities on the statement of net position		
Proceeds of OPWC Loans		(64,794)
 Some expenses reported on the statement of activities such as compensated absence do not require the use of current financial resources, therefore are not reported as expenditures in governmental funds.		
		<u>11,264</u>
Change in Net Position of Governmental Activities		<u><u>(\$394,011)</u></u>

See accompanying notes to the basic financial statements

City of St. Clairsville
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<u>Revenues</u>				
Property Taxes	\$476,300	\$476,300	\$436,380	(\$39,920)
Income Taxes	588,305	588,305	629,624	41,319
Kilowatt per Hour Taxes	191,294	191,294	204,730	13,436
Licenses and Permits	114,584	114,584	122,632	8,048
Fines and Forfeitures	24,725	24,725	26,462	1,737
Intergovernmental	157,834	157,834	165,883	8,049
Interest	28,169	28,169	30,147	1,978
Contributions and Donations	2,045	2,045	2,189	144
Other	14,379	14,379	15,419	1,040
Total Revenues	<u>1,597,635</u>	<u>1,597,635</u>	<u>1,633,466</u>	<u>35,831</u>
<u>Expenditures</u>				
Current:				
General Government:				
Legislative and Executive	450,722	450,722	372,215	78,507
Public Health Services	32,500	32,500	29,724	2,776
Leisure Time Services	16,000	16,000	12,492	3,508
Community and Economic Development	161,898	161,898	94,727	67,171
Total Expenditures	<u>661,120</u>	<u>661,120</u>	<u>509,158</u>	<u>151,962</u>
Excess of Revenues Over Expenditures	936,515	936,515	1,124,308	187,793
<u>Other Financing Uses</u>				
Transfers Out	<u>(1,622,353)</u>	<u>(1,622,353)</u>	<u>(1,296,704)</u>	<u>325,649</u>
Net Change in Fund Balance	(685,838)	(685,838)	(172,396)	513,442
Fund Balance at Beginning of Year	<u>838,581</u>	<u>838,581</u>	<u>838,581</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$152,743</u></u>	<u><u>\$152,743</u></u>	<u><u>\$666,185</u></u>	<u><u>\$513,442</u></u>

See accompanying notes to the basic financial statements

City of St. Clairsville
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
Police Fund
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<u>Revenues</u>				
Property Taxes	\$560,000	\$560,000	\$512,092	(\$47,908)
Charges for Services	73,524	73,524	67,905	(5,619)
Intergovernmental	86,030	86,030	82,492	(3,538)
Contributions and Donations	1,527	1,527	1,410	(117)
Total Revenues	<u>721,081</u>	<u>721,081</u>	<u>663,899</u>	<u>(57,182)</u>
<u>Expenditures</u>				
Current:				
Security of Persons and Property - Police	1,113,450	1,154,494	1,040,317	114,177
Debt Service:				
Principal Retirement	<u>0</u>	<u>0</u>	<u>13,681</u>	<u>(13,681)</u>
Total Expenditures	<u>1,113,450</u>	<u>1,154,494</u>	<u>1,053,998</u>	<u>100,496</u>
Excess of Revenues Over (Under) Expenditures	(392,369)	(433,413)	(390,099)	43,314
<u>Other Financing Sources</u>				
Transfers In	<u>405,069</u>	<u>405,069</u>	<u>374,111</u>	<u>(30,958)</u>
Net Change in Fund Balance	12,700	(28,344)	(15,988)	12,356
Fund Balance (Deficit) at Beginning of Year	<u>15,988</u>	<u>15,988</u>	<u>15,988</u>	<u>0</u>
Fund Balance (Deficit) at End of Year	<u>\$28,688</u>	<u>(\$12,356)</u>	<u>\$0</u>	<u>\$12,356</u>

See accompanying notes to the basic financial statements

City of St. Clairsville
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
Street Fund
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<u>Revenues</u>				
Intergovernmental	\$302,314	\$302,314	\$346,174	\$43,860
Interest	583	583	668	85
Other	2,965	2,965	3,395	430
Total Revenues	305,862	305,862	350,237	44,375
<u>Expenditures</u>				
Current:				
Transportation	640,946	695,078	607,477	87,601
Excess of Revenues Over (Under) Expenditures	(335,084)	(389,216)	(257,240)	131,976
<u>Other Financing Sources (Uses)</u>				
Transfers In	256,720	256,720	293,966	37,246
Transfers Out	(20,589)	(20,589)	(20,589)	0
Total Other Financing Sources (Uses)	236,131	236,131	273,377	37,246
Net Change in Fund Balance	(98,953)	(153,085)	16,137	169,222
Fund Balance at Beginning of Year	98,394	98,394	98,394	0
Fund Balance at End of Year	(559)	(\$54,691)	\$114,531	\$169,222

See accompanying notes to the basic financial statements

City of St. Clairsville
Statement of Fund Net Position
Proprietary Funds
December 31, 2014

	Water	Sewer	Light	Total Enterprise
<u>Assets</u>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$401,463	\$346,015	\$1,702,391	\$2,449,869
Accounts Receivable	88,615	80,540	577,957	747,112
Intergovernmental Receivable	200,000	0	0	200,000
Materials and Supplies Inventory	61,171	10,488	67,428	139,087
Interfund Receivable	0	0	250,000	250,000
<i>Total Current Assets</i>	<u>751,249</u>	<u>437,043</u>	<u>2,597,776</u>	<u>3,786,068</u>
Non-Current Assets:				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	74,597	57,825	26,168	158,590
Nondepreciable Capital Assets	0	0	305,596	305,596
Depreciable Capital Assets, Net	3,945,312	7,576,243	5,054,633	16,576,188
<i>Total Non-Current Assets</i>	<u>4,019,909</u>	<u>7,634,068</u>	<u>5,386,397</u>	<u>17,040,374</u>
<i>Total Assets</i>	<u>4,771,158</u>	<u>8,071,111</u>	<u>7,984,173</u>	<u>20,826,442</u>
<u>Liabilities</u>				
Current Liabilities:				
Accounts Payable	10,871	1,099	331,476	343,446
Accrued Wages and Benefits Payable	3,265	2,247	2,824	8,336
Intergovernmental Payable	12,958	11,941	6,028	30,927
Accrued Interest Payable	733	700	16,417	17,850
Current Portion Compensated Absences Payable	909	1,411	2,525	4,845
Current Portion OPWC Loan Payable	2,575	21,094	0	23,669
Current Portion General Obligation Bonds Payable	10,000	25,000	205,000	240,000
<i>Total Current Liabilities</i>	<u>41,311</u>	<u>63,492</u>	<u>564,270</u>	<u>669,073</u>
Long-Term Liabilities (Net of Current Portion):				
Refundable Deposits Payable from Restricted Assets	74,597	57,825	26,168	158,590
Compensated Absences Payable	13,455	20,898	37,391	71,744
OPWC Loans Payable	30,365	214,341	0	244,706
Intergovernmental Payable	0	47,644	0	47,644
General Obligation Bonds Payable	215,848	189,250	4,819,824	5,224,922
<i>Total Long-Term Liabilities</i>	<u>334,265</u>	<u>529,958</u>	<u>4,883,383</u>	<u>5,747,606</u>
<i>Total Liabilities</i>	<u>375,576</u>	<u>593,450</u>	<u>5,447,653</u>	<u>6,416,679</u>
<u>Net Position</u>				
Net Investment in Capital Assets	3,692,372	7,130,808	1,383,829	12,207,009
Unrestricted	703,210	346,853	1,152,691	2,202,754
<i>Total Net Position</i>	<u>\$4,395,582</u>	<u>\$7,477,661</u>	<u>\$2,536,520</u>	<u>\$14,409,763</u>

See accompanying notes to the basic financial statements

City of St. Clairsville
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2014

	Water	Sewer	Light	Total Enterprise
<u>Operating Revenues</u>				
Charges for Services	\$954,123	\$823,084	\$5,477,299	\$7,254,506
Other	19,182	8,643	26,749	54,574
<i>Total Operating Revenues</i>	<u>973,305</u>	<u>831,727</u>	<u>5,504,048</u>	<u>7,309,080</u>
<u>Operating Expenses</u>				
Personal Services	524,792	509,580	589,198	1,623,570
Contractual Services	167,445	73,578	192,979	434,002
Purchased Power	0	0	3,362,070	3,362,070
Materials and Supplies	160,061	60,842	87,401	308,304
Depreciation	138,409	279,613	213,762	631,784
<i>Total Operating Expenses</i>	<u>990,707</u>	<u>923,613</u>	<u>4,445,410</u>	<u>6,359,730</u>
<i>Operating Income (Loss)</i>	(17,402)	(91,886)	1,058,638	949,350
<u>Non-Operating Expenses</u>				
Interest and Fiscal Charges	(10,800)	(14,032)	(220,985)	(245,817)
<i>Income (Loss) Before Contributions and Transfers</i>	(28,202)	(105,918)	837,653	703,533
Capital Contributions	372,173	372,173	31,844	776,190
<i>Income Before Transfers</i>	343,971	266,255	869,497	1,479,723
Transfers In	215,081	0	0	215,081
<i>Change in Net Position</i>	559,052	266,255	869,497	1,694,804
<i>Net Position Beginning of Year (Restated - Note 3)</i>	<u>3,836,530</u>	<u>7,211,406</u>	<u>1,667,023</u>	<u>12,714,959</u>
<i>Net Position End of Year</i>	<u><u>\$4,395,582</u></u>	<u><u>\$7,477,661</u></u>	<u><u>\$2,536,520</u></u>	<u><u>\$14,409,763</u></u>

See accompanying notes to the basic financial statements

City of St. Clairsville
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2014

	Water	Sewer	Light	Total Enterprise
Increase (Decrease) in Cash and Cash Equivalents				
<u>Cash Flows from Operating Activities</u>				
Cash Received from Customers	\$964,888	\$827,667	\$5,425,688	\$7,218,243
Cash Payments for Employee Services and Benefits	(548,092)	(533,061)	(621,546)	(1,702,699)
Cash Payments for Goods and Services	(313,696)	(190,153)	(304,769)	(808,618)
Cash Payments for Purchased Power	0	0	(3,546,516)	(3,546,516)
Utility Deposits Received	4,775	4,095	26,846	35,716
Utility Deposits Paid	(4,394)	(3,768)	(24,704)	(32,866)
Other Operating Revenues	19,182	8,643	26,749	54,574
<i>Net Cash Provided by Operating Activities</i>	<u>122,663</u>	<u>113,423</u>	<u>981,748</u>	<u>1,217,834</u>
<u>Cash Flows from Noncapital Financing Activities</u>				
Transfers In	215,081	0	0	215,081
Cash Received for Other Local Taxes	0	0	23,085	23,085
Cash Payments of Other Local Taxes	0	0	(23,085)	(23,085)
<i>Net Cash Provided by Noncapital Activities</i>	<u>215,081</u>	<u>0</u>	<u>0</u>	<u>215,081</u>
<u>Cash Flows from Capital and Related Financing Activities</u>				
Payments for Capital Acquisitions	(214,547)	0	(484,789)	(699,336)
Principal Paid on General Obligation Bonds	(10,000)	(25,000)	(200,000)	(235,000)
Principal Paid on OPWC Loans	(2,524)	(20,678)	0	(23,202)
Interest Paid on Debt	(11,159)	(16,095)	(227,955)	(255,209)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(238,230)</u>	<u>(61,773)</u>	<u>(912,744)</u>	<u>(1,212,747)</u>
<i>Net Increase in Cash and Cash Equivalents</i>	99,514	51,650	69,004	220,168
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>376,546</u>	<u>352,190</u>	<u>1,659,555</u>	<u>2,388,291</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$476,060</u>	<u>\$403,840</u>	<u>\$1,728,559</u>	<u>\$2,608,459</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</u>				
Operating Income (Loss)	<u>(\$17,402)</u>	<u>(\$91,886)</u>	<u>\$1,058,638</u>	<u>\$949,350</u>
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities</u>				
Depreciation	138,409	279,613	213,762	631,784
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	10,765	4,583	(51,611)	(36,263)
Decrease in Materials and Supplies Inventory	0	0	73,954	73,954
Decrease in Accrued Wages and Benefits Payable	(11,677)	(13,853)	(14,970)	(40,500)
Increase (Decrease) in Accounts Payable	7,173	1,099	(282,178)	(273,906)
Decrease in Compensated Absences Payable	(8,093)	(4,610)	(10,221)	(22,924)
Increase (Decrease) in Intergovernmental Payable	3,107	(61,850)	(7,768)	(66,511)
Increase in Refundable Deposits Payable	381	327	2,142	2,850
Total Adjustments	<u>140,065</u>	<u>205,309</u>	<u>(76,890)</u>	<u>268,484</u>
<i>Net Cash Provided by Operating Activities</i>	<u>\$122,663</u>	<u>\$113,423</u>	<u>\$981,748</u>	<u>\$1,217,834</u>

Noncash Activities:

There were \$372,173, \$372,173, and \$31,844 Capital Contributions from Governmental Activities recorded in the Water, Sewer, and Light Funds respectively in 2014.

There was \$139,841, \$451,447, and \$283,317 in construction in progress placed in service in the Water, Sewer, and Light Funds respectively in 2014.

See accompanying notes to the basic financial statements

City of St. Clairsville
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2014

Assets

Equity in Pooled Cash and Cash Equivalents	\$4,146
Cash and Cash Equivalents in Segregated Accounts	<u>12,668</u>
<i>Total Assets</i>	<u><u>\$16,814</u></u>

Liabilities

Undistributed Monies	<u>\$16,814</u>
<i>Total Liabilities</i>	<u><u>\$16,814</u></u>

See accompanying notes to the basic financial statements

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

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

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

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

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

Reporting Entity

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

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization’s governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization’s resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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

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

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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

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

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

B. Fund Accounting

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

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

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

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

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

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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

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

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

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

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

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

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

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

C. Measurement Focus

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

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. 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.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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

D. Basis of Accounting

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

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

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

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance 2015

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, income tax revenue, licenses and permits, state-levied and locally shared taxes, and grants and entitlements. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

E. Budgetary Data

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

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

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

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

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

F. Pooled Cash and Cash Equivalents and Investments

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

During 2014, the City's investments were limited to nonnegotiable certificates of deposit, and STAR Ohio.

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

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share which is the price the investment could be sold at December 31, 2014.

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 2014 amounted to \$30,147, which includes \$23,954 assigned from other City funds.

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

G. Materials and Supplies Inventory

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

H. Restricted Assets

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

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

I. Receivables and Payables

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

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

J. Assets Held for Resale

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

K. Capital Assets

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

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

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

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

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

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

L. Interfund Balances

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

M. Compensated Absences

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

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

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

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

N. Accrued Liabilities and Long-Term Obligations

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

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

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

O. Fund Balance

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

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

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

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

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

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

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

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

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

P. Net Position

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

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

Q. Operating Revenues and Expenses

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

R. Internal Activity

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

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

S. Extraordinary and Special Items

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

T. Estimates

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

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

U. Contributions of Capital

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

NOTE 3 - RESTATEMENT OF FUND BALANCE AND NET POSITION

A. Restatement of Fund Balance

In the prior year, the Community Development Block Grant Special Revenue Fund, and the Community Improvement Corporation had been reported as major funds. As of December 31, 2014, they will be presented as non-major funds. In the prior year, the Street Special Revenue Fund had been reported as a non-major fund. As of December 31, 2014, the Street Special Revenue Fund will be presented as a major fund. These restatements had no effect on the total beginning fund balance for governmental funds. The prior year fund balance (deficit) is presented as a reconciling item in the table below for comparability between years.

	Community Development Block Grant	Community Improvement Corporation	Street	Other Governmental Funds
Fund Balances (Deficit), December 31, 2013	\$832,843	(\$28,532)	\$0	\$106,645
Restatement, Major Fund	(832,843)	28,532	109,880	694,431
Restated Fund Balances December 31, 2013	<u>\$0</u>	<u>\$0</u>	<u>\$109,880</u>	<u>\$801,076</u>

B. Restatement of Net Position

The City revised its capital assets policy and underwent a revaluation of its capital assets. The result of the restatement and its effect on net position at December 31, 2013 is presented in the table below. In a prior year, the Water Fund was awarded a grant, which had been unrecorded and was not received as of December 31, 2013. The effect of the restatement to record the intergovernmental receivable and its effect on net position at December 31, 2013 is presented in the table below.

	Governmental Activities	Business-Type Activities			Total
	Water	Sewer	Light		
Total Net Position December 31, 2013	\$9,066,232	\$1,189,132	\$1,038,561	\$604,874	\$2,832,567
Capital Asset Restatement	2,138,848	2,447,398	6,172,845	1,062,149	9,682,392
Intergovernmental Receivable	0	200,000	0	0	200,000
Total Net Position, Restated, December 31, 2013	<u>\$11,205,080</u>	<u>\$3,836,530</u>	<u>\$7,211,406</u>	<u>\$1,667,023</u>	<u>\$12,714,959</u>

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Net Change in Fund Balances			
General and Major Special Revenue Funds			
	General	Police	Street
GAAP Basis	(\$139,286)	\$13,291	\$108,348
Revenue Accruals	(22,857)	0	(23,835)
Expenditure Accruals	(10,253)	9,311	(68,376)
Inception of Capital Lease	0	(38,590)	0
Budget Basis	(\$172,396)	(\$15,988)	\$16,137

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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

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

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

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

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

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

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

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$3,511,864 of the City's bank balance of \$4,126,181 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

Investments

As of December 31, 2014, the City had an investment in STAR Ohio. The fair value of the STAR Ohio investment was \$4,308, and the investment has an average maturity of 50.1 days.

Interest Rate Risk. The City's investment policy limits investment portfolio maturities to five years or less for investments with a fixed interest rate, and two years or less for investments with a variable interest rate. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City, and that an investment must be purchased with the expectation that it will be held to maturity.

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

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

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

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the County. Property tax revenue received during 2014 for real and public utility property taxes represents collections of 2013 taxes.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

2014 real property taxes were levied after October 1, 2014, on the assessed value as of January 1, 2014, the lien date. Assessed values are established by the State Law at 35 percent of appraised market value. 2014 real property taxes are collected in and intended to finance 2015.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 25 percent of true value. 2014 public utility property taxes which became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2014, was \$12.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2014 property tax receipts were based are as follows:

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

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2014, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2014 operations is offset to deferred inflows of resources – property taxes not levied to finance current year operations. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2014 consisted of taxes, accounts (billings for user charged services including unbilled utility services), loans, and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered collectible in full. Delinquent accounts receivable may be certified and collected as a special assessment, subject to foreclosure for nonpayment. Except as noted below, all other receivables are expected to be collected within one year.

Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$20,477 may not be collected within one year.

The other governmental funds reflect loans receivable of \$625,384. These loans receivable are for financing the rehabilitation of downtown local businesses for community and economic development. Of the total loans receivable, \$17,000 is scheduled to be collected within one year.

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

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Governmental Activities:

Local Government Funding	\$55,813
Homestead/Rollback Reimbursement	61,416
Motor Vehicle License and Gasoline Tax	<u>155,297</u>
Total Governmental Activities	<u><u>\$272,526</u></u>

Business-Type Activities:

State Appalachian Grant	<u><u>\$200,000</u></u>
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NOTE 8 - INCOME TAXES

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

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

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

NOTE 9 - CAPITAL ASSETS

A summary of changes in capital assets during 2014 is as follows:

City of St. Clairsville
Notes to the Basic Financial Statements
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	Balance 12/31/2013	Additions	Deletions	Balance 12/31/2014
<u>Governmental Activities:</u>				
Non Depreciable Capital Assets:				
Land	\$1,360,478	\$0	\$0	\$1,360,478
Construction in Progress	384,206	0	384,206	0
Total Non Depreciable Capital Assets	<u>1,744,684</u>	<u>0</u>	<u>384,206</u>	<u>1,360,478</u>
Depreciable Capital Assets:				
Land Improvements	4,261,384	0	0	4,261,384
Buildings and Improvements	1,203,112	56,349	0	1,259,461
Machinery and Equipment	236,769	0	0	236,769
Infrastructure	16,019,030	541,168	0	16,560,198
Vehicles	612,766	33,447	0	646,213
Total Depreciable Capital Assets	<u>22,333,061</u>	<u>630,964</u>	<u>0</u>	<u>22,964,025</u>
Accumulated Depreciation:				
Land Improvements	(1,581,544)	(168,840)	0	(1,750,384)
Buildings and Improvements	(882,981)	(27,875)	0	(910,856)
Machinery and Equipment	(191,181)	(8,327)	0	(199,508)
Infrastructure	(11,169,673)	(573,885)	0	(11,743,558)
Vehicles	(448,971)	(43,617)	0	(492,588)
Total Accumulated Depreciation	<u>(14,274,350)</u>	<u>(822,544)</u>	<u>0</u>	<u>(15,096,894)</u>
Total Depreciable Capital Assets, Net	<u>8,058,711</u>	<u>(191,580)</u>	<u>0</u>	<u>7,867,131</u>
Governmental Capital Assets, Net	<u>\$9,803,395</u>	<u>(\$191,580)</u>	<u>\$384,206</u>	<u>\$9,227,609</u>

*Depreciation expense was charged to governmental functions as follows:

General Government:	
Legislative and Executive	\$17,200
Leisure Time Activities	197,679
Security of Persons and Property:	
Police	10,935
Transportation	591,598
Community and Economic Development	5,132
Total Depreciation Expense	<u>\$822,544</u>

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

	Balance 12/31/2013	Additions	Deletions	Balance 12/31/2014
<u>Business Type Activities:</u>				
Non Depreciable Capital Assets:				
Land	\$305,596	\$0	\$0	\$305,596
Construction in Progress	874,605	0	874,605	0
Total Non Depreciable Capital Assets	<u>1,180,201</u>	<u>0</u>	<u>874,605</u>	<u>305,596</u>
Depreciable Capital Assets:				
Land Improvements	67,975	0	0	67,975
Buildings and Improvements	2,401,487	0	0	2,401,487
Machinery and Equipment	2,654,698	0	0	2,654,698
Infrastructure	20,759,216	2,205,671	0	22,964,887
Vehicles	751,219	144,460	0	895,679
Total Depreciable Capital Assets	<u>26,634,595</u>	<u>2,350,131</u>	<u>0</u>	<u>28,984,726</u>
Accumulated Depreciation:				
Land Improvements	(21,798)	(1,959)	0	(23,757)
Buildings and Improvements	(1,096,058)	(70,841)	0	(1,166,899)
Machinery and Equipment	(2,261,815)	(38,047)	0	(2,299,862)
Infrastructure	(7,879,011)	(474,049)	0	(8,353,060)
Vehicles	(518,072)	(46,888)	0	(564,960)
Total Depreciable Capital Assets	<u>(11,776,754)</u>	<u>(631,784)</u>	<u>0</u>	<u>(12,408,538)</u>
Total Depreciable Capital Assets, Net	<u>14,857,841</u>	<u>1,718,347</u>	<u>0</u>	<u>16,576,188</u>
Business Type Capital Assets, Net	<u>\$16,038,042</u>	<u>\$1,718,347</u>	<u>\$874,605</u>	<u>\$16,881,784</u>

NOTE 10 - RISK MANAGEMENT

A. Property and Liability Insurance

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2014, the City contracted with the Scottsdale Insurance Company, and the Westfield Insurance Company for property and inland marine coverage, for fleet insurance, and liability insurance. The Scottsdale Insurance Coverage and Westfield Insurance Coverage, provided by the Pilney-Foster Insurance Agency of Ohio, are as follows:

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

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

B. Workers' Compensation

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the 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 Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2014, members in state and local classifications contributed 10 percent of covered payroll. For 2014, member and employer contribution rates were consistent across all three plans.

The City's 2014 contribution rate was 14 percent. The portion of the City's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the City's contribution allocated to health care for members in both the Traditional Pension and Combined Plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remained at 2 percent. Employer contribution rates are actuarially determined.

The City's required contribution for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012 was \$210,551, \$176,323, and \$168,280, respectively. The full amount has been contributed for 2014, 2013 and 2012. No contributions were made to the Member-Directed Plan for 2014, by the City or by plan members.

B. Ohio Police and Fire Pension Fund

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

Funding Policy - Employer and employee contribution rates are set by the Ohio Revised Code. From January 1, 2014, through July 1, 2014, plan members were required to contribute 10.75 percent of their annual covered salary. From July 2, 2014, through December 31, 2014, plan members were required to contribute 11.5 percent of their annual covered salary. Throughout 2014, employers were required to contribute 19.5 percent for police officers and 24 percent for firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contribution to retiree health care benefits. For 2014, the portion of the City's contribution used to fund pension benefits was 19 percent of covered payroll for police officers. The City's contribution to OP&F for

City of St. Clairsville
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For the Year Ended December 31, 2014

police pension was \$83,092 for the year ended December 31, 2014, \$64,604 for the year ended December 31, 2013, and \$45,725 for the year ended December 31, 2012. The full amount has been contributed for 2014, 2013 and 2012.

C. Social Security System

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

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

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

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed 14 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The portion of the employer contribution allocated to health care for members in both the Traditional Pension and Combined Plans was 2 percent for

City of St. Clairsville
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2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remained at 2 percent for both plans as recommended by the OPERS actuary.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The City's contribution allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012 was \$35,092, \$70,529, and \$67,312, respectively. The full amount has been contributed for 2014, 2013 and 2012.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 9, 2012, with a transition plan commencing on January 1, 2014. With the passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contribution toward the health care fund after the end of the transition period.

B. Police and Fire Pension Fund

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

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

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

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

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by the Ohio Revised Code to contribute to the pension plan at rates expressed as a percentage of payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and firefighters, respectively. Active members do not make contributions to the OPEB Plan.

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

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The Board of Trustees is authorized to allocate a portion of the total employer contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2014, the employer contribution allocated to the health care plan was 0.5 percent of covered payroll. The amount of employer contribution allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contribution to OP&F which was allocated to fund post-employment health care benefits for police was \$2,131 for the year ended December 31, 2014, \$15,483 for the year ended December 31, 2013, and \$24,208 for the year ended December 31, 2012. The full amount has been contributed for 2014, 2013, and 2012.

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn vacation time based on the length of service. Typically, vacation cannot be carried over; however, unforeseen circumstances may come into play and the supervisor may elect to permit an employee to carryover minimal vacation time. Sick leave is accumulated at a rate of 4.6 hours per each 80 hours worked. For employees that work less than a 40 hour work week, the sick leave accumulation is prorated based on 4.6 hours per 80 hours worked. All accumulated, unused vacation time and personal days are paid upon separation if the employee has acquired at least one year of service with the City. Upon separation, AFSCME members and non-union employees other than police, are paid for a maximum of 480 hours of accumulated sick time provided they have ten years of service with OPERS. Police are paid a maximum of 600 hours of accumulated sick time provided they have ten years of service with the City.

B. Insurances

The City provides medical/surgical and prescription drug insurance coverage for all eligible employees through the Health Plan of the Upper Ohio Valley. The monthly premium for medical/surgical and prescription drug coverage is \$635.11 for single plan and \$1,587.78 for a family plan. The Council pays 90 percent of the premiums. The City provides dental insurance coverage for all eligible employees through Delta Dental. The monthly premium for dental coverage is \$32.16 for a single plan, \$59.86 for a spouse plan, and \$112.08 for a family plan. The Council pays 100 percent of the premiums. The City provides vision insurance coverage for all AFSCME and FOP union employees through Vision Service Plan. The monthly premium for vision coverage is \$7.25; the Council pays 100 percent of the premiums. Elected officials and full time non-union employees may purchase vision insurance from Vision Service Plan at a premium of \$20.00 per month. The City provides a life insurance policy, in the amount of \$25,000, for all eligible employees through Anthem. The monthly premium for life insurance policy is \$9.75; the Council pays 100 percent of the premiums.

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NOTE 14 - CAPITALIZED LEASES - LESSEE DISCLOSURE

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

Vehicles acquired by lease have been capitalized in government wide statements governmental activities in the amount of \$38,590, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the government wide statements governmental activities. Governmental activities capitalized leased assets are reflected net of accumulated depreciation in the amount of \$30,102. Principal payments towards capital leases during 2014 totaled \$13,681 for governmental activities.

NOTE 15 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City during the year ended December 31, 2014 consisted of the following:

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	Balance 12/31/2013	Additions	Reductions	Balance 12/31/2014	Due Within One Year
<u>Governmental Activities:</u>					
<i>General Obligation Bonds</i>					
<i>Various Purpose - 2007 \$6,995,000</i>					
Road Equipment - Serial/Term Bonds					
\$35,000 @ 4.0% to 5.5%	\$20,000	\$0	\$5,000	\$15,000	\$5,000
Recreational Facilities - Serial/Term Bonds					
\$75,000 @ 4.0% to 5.0%	75,000	0	0	75,000	0
Total General Obligation Bonds	<u>95,000</u>	<u>0</u>	<u>5,000</u>	<u>90,000</u>	<u>5,000</u>
<i>Long-Term Notes Payable</i>					
Recreation, 2005 - \$1,000,000 @ 4.36%	698,953	0	45,596	653,357	47,452
<i>OPWC Loans</i>					
Bett-Mar (CR10L)					
2008 - \$116,589 @ 0%	90,357	0	5,829	84,528	5,829
St. Clairsville Road Project (CR25M)					
2010 - \$98,372 @ 0%	83,616	0	4,919	78,697	4,919
Resurfacing 22 Roads (CR03N)					
2011 - \$76,320 @ 0%	68,688	0	3,816	64,872	3,816
Road Resurfacing (CR02Q)					
2014 - \$64,794	0	64,794	0	64,794	2,160
Total OPWC Loans	<u>242,661</u>	<u>64,794</u>	<u>14,564</u>	<u>292,891</u>	<u>16,724</u>
Capital Leases	0	38,590	13,681	24,909	12,062
Compensated Absences	193,510	127,867	139,131	182,246	11,529
Total Governmental Activities	<u>1,230,124</u>	<u>231,251</u>	<u>217,972</u>	<u>1,243,403</u>	<u>92,767</u>

City of St. Clairsville
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For the Year Ended December 31, 2014

	Balance 12/31/2013	Additions	Reductions	Balance 12/31/2014	Due Within One Year
<u>Business-Type Activities:</u>					
<i>General Obligation Bonds</i>					
<i>Various Purpose - 2007 \$6,995,000</i>					
Various Water System Improvements					
\$255,000 @ 4.0% to 5.5%	\$230,000	\$0	\$10,000	\$220,000	\$10,000
Premium - \$8,123	6,173	0	325	5,848	0
Various Sewer System Improvements					
\$410,000 @ 4.0% to 5.5%	235,000	0	25,000	210,000	25,000
Premium - \$14,176	5,668	0	1,418	4,250	0
Various Light System Improvements					
\$6,015,000 @ 4.0% to 5.5%	5,125,000	0	200,000	4,925,000	205,000
Premium - \$143,952	106,128	0	6,304	99,824	0
Total General Obligation Bonds	<u>5,707,969</u>	<u>0</u>	<u>243,047</u>	<u>5,464,922</u>	<u>240,000</u>
<i>OPWC Loans</i>					
Belmont Drive Pump Station					
Replacement (CR20H)					
2007 - \$73,774 @ 0.02%	52,935	0	3,452	49,483	3,522
East Main Force Liner (CR23F)					
2004 - \$214,890 @ 0.02%	123,411	0	10,674	112,737	10,889
Watstewater System Repairs (CR13E)					
2004 - \$133,216 @ 0.02%	79,767	0	6,552	73,215	6,683
Water Transmission System (CR05H)					
2006 - \$52,875 @ 0.02%	35,464	0	2,524	32,940	2,575
Total OPWC Loans	<u>291,577</u>	<u>0</u>	<u>23,202</u>	<u>268,375</u>	<u>23,669</u>
Belmont County					
Intergovernmental Payable	110,096	0	56,221	53,875	6,231
Compensated Absences	99,513	63,827	86,751	76,589	4,845
Total Business-Type Activities	<u>6,209,155</u>	<u>63,827</u>	<u>409,221</u>	<u>5,863,761</u>	<u>274,745</u>

Governmental Activities

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

Principal and interest requirements to retire the governmental activities portion of the 2007 Various Purpose Bonds outstanding at December 31, 2014 are as follows:

City of St. Clairsville
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For the Year Ended December 31, 2014

Year Ending December 31	Serial and Term Bonds		
	Principal	Interest	Total
2015	\$5,000	\$4,050	\$9,050
2016	5,000	3,800	8,800
2017	5,000	3,550	8,550
2018	5,000	3,275	8,275
2019	5,000	3,075	8,075
2020-2024	25,000	12,359	37,359
2025-2029	25,000	7,208	32,208
2030-2032	15,000	1,500	16,500
Total	\$90,000	\$38,817	\$128,817

Long-Term Notes Payable – In 2005 the City issued a long-term note in the amount of \$1,000,000 for the purpose of acquiring property from the Belmont County Agricultural Society. The long-term note will be paid with recreation fees and general revenues. As of December 31, 2014, \$653,357 remains outstanding. The note has a fixed interest rate of 4.36 percent and is backed by the full faith and credit of the City. See Subsequent Event Note 19 for further details.

Principal and interest requirements to retire the Long-Term Note outstanding at December 31, 2014 are as follows:

Year Ending December 31,	Principal	Interest	Total
2015	\$47,452	\$27,987	\$75,439
2016	49,544	25,896	75,440
2017	51,727	23,712	75,439
2018	54,007	21,432	75,439
2019	56,387	19,052	75,439
2020-2024	321,480	55,724	377,204
2025-2027	72,760	2,397	75,157
Total	\$653,357	\$176,200	\$829,557

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

City of St. Clairsville
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The OPWC loan debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>
2015	\$16,724
2016	18,884
2017	18,884
2018	18,884
2019	18,884
2020-2024	94,419
2025-2029	91,508
2030-2031	<u>14,704</u>
	<u>\$292,891</u>

Business Type Activities

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

Principal and interest requirements to retire the business activities portion of the 2007 Various Purpose Bonds outstanding at December 31, 2014 are as follows:

Year Ending December 31	Serial and Term Bonds		
	Principal	Interest	Total
2015	\$240,000	\$237,743	\$477,743
2016	250,000	225,742	475,742
2017	265,000	213,243	478,243
2018	280,000	198,667	478,667
2019	300,000	187,468	487,468
2020-2024	1,700,000	745,820	2,445,820
2025-2029	1,520,000	391,279	1,911,279
2030-2032	800,000	83,000	883,000
Total	\$5,355,000	\$2,282,962	\$7,637,962

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

City of St. Clairsville
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The OPWC loan debt service requirements to maturity are as follows:

Year Ending December 31,	Principal	Interest	Total
2015	\$23,669	\$5,248	\$28,917
2016	24,144	4,773	28,917
2017	24,630	4,287	28,917
2018	25,124	3,793	28,917
2019	25,629	3,288	28,917
2020-2024	129,538	8,503	138,041
2025-2027	15,641	424	16,065
	<u>\$268,375</u>	<u>\$30,316</u>	<u>\$298,691</u>

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

Year Ending December 31,	Principal
2015	\$6,231
2016	6,597
2017	6,597
2018	6,597
2019	6,597
2020-2022	21,256
Total	<u>\$53,875</u>

As of December 31, 2014, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$11,517,792, with an unvoted debt margin of \$6,033,129.

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

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

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

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 16 - INTERFUND ACTIVITY

A. Interfund Balances

Interfund balances at December 31, 2014 consisted of the following individual interfund receivables and payables:

<u>Interfund Payable</u>	<u>Interfund Receivable</u>			<u>Total</u>
	<u>General</u>	<u>Permanent Improvement</u>	<u>Light</u>	
General	\$0	\$113,229	\$100,000	\$213,229
Permanent Improvement	22,000	0	150,000	172,000
Other Non-Major				
Governmental Funds	<u>68,561</u>	<u>0</u>	<u>0</u>	<u>68,561</u>
Total	<u>\$90,561</u>	<u>\$113,229</u>	<u>\$250,000</u>	<u>\$453,790</u>

In a prior year, the General Fund advanced funding to the Permanent Improvement Fund for funding of a capital project. The loan will be repaid upon completion of the project and receipt of the grant revenue. In prior years the Light fund loaned money to the General Fund and Permanent Improvement Fund to eliminate negative cash balances at year end. See Subsequent Event Note 19 for more information regarding the repayment of these loans. The Permanent Improvement Fund is due money from the General Fund for expenses paid out of the Permanent Improvement Fund for the Community Improvement Corporation. The amount due to the General Fund from other non-major governmental funds relates to property tax payments made by the City on behalf of the Community Improvement Corporation, which is reported as a non-major special revenue fund.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2014, consisted of the following:

<u>Transfers Out</u>	<u>Transfers In</u>				<u>Total</u>
	<u>Police</u>	<u>Street</u>	<u>Water</u>	<u>Other Non-Major Governmental Funds</u>	
General	\$374,111	\$293,966	\$215,081	\$413,546	\$1,296,704
Street	0	0	0	20,589	20,589
Other Non-Major					
Governmental Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>78,714</u>	<u>78,714</u>
	<u>\$374,111</u>	<u>\$293,966</u>	<u>\$215,081</u>	<u>\$512,849</u>	<u>\$1,396,007</u>

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

City of St. Clairsville
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For the Year Ended December 31, 2014

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

A. Ohio Mid-Eastern Governments Association (OMEGA)

The Ohio Mid-Eastern Governments Association (OMEGA) is a ten-county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum, and Tuscarawas Counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application of Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a twenty-one member executive board comprised of members appointed from each participating county and the cities within each county. City membership is voluntary. The mayor of the City of St. Clairsville serves as the City's representative on the Board. The board exercises total control over the operations of the OMEGA including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. Each member currently pays a per capita membership fee based upon the most recent United States census. During 2014, the City made no contributions to OMEGA. OMEGA has no outstanding debt. Information can be obtained from 326 Highland Avenue, PO Box 130, Cambridge, Ohio 43725.

B. Bel-O-Mar Regional Council

Bel-O-Mar Regional Council is operated as a non-profit organization formed to provide planning and administrative services to all local governments in a four county region comprised of Belmont County and three counties in West Virginia. The governing board is comprised of 46 officials from the four county service area of which five are appointed by Belmont County. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Council. The City made no contributions to the Council during 2014.

C. Southeastern Ohio Narcotics Task Force (SENT)

Southeastern Ohio Narcotics Task Force (SENT) is a multi-jurisdictional drug task force with the primary goal of combating major narcotic traffickers in Belmont, Carroll, Guernsey, Harrison, Monroe, and Tuscarawas Counties. It is jointly governed among the participating counties and cities. A grant is received from the State of Ohio of which the participating entities must match 25 percent. Of the 32 members, the Police Chief of the City of St. Clairsville acts as the City's representative. The participating Counties and Cities exercise total control over the operations of the SENT including budgetary, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the Board. During 2014, the City made no contribution to SENT.

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

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

City of St. Clairsville
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E. Cumberland Trail Fire District

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

NOTE 18 - CONTINGENCIES

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2014.

B. Litigation

The City is not currently party to any pending litigation.

C. Component Unit Tax-Exempt Status

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

D. Paid Up Oil/Gas Lease

Rice Drilling D LLC - The City has entered into a "Paid-Up" Oil and Gas Lease with Rice Energy D LLC for 170.43 acres of property owned by the City. The lease is effective beginning September 16, 2014 for a five year period. See Subsequent Event Note 19 for information regarding the lease bonus. The lease calls for payments to the City, in addition to the bonus, royalties in the amount of 20 percent for all oil and other liquid hydrocarbons and by-products produced and saved from the land, and all gas and other hydrocarbons and by-products. The total carrying value of the land leased is \$1,086,768. As of the date of the financial statements, the value of any potential royalties cannot be determined, and the City has not received any compensation beyond the bonus.

City of St. Clairsville
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NOTE 19 - SUBSEQUENT EVENTS

A. Oil/Gas Lease Bonus

In consideration of the execution of the lease, the City received a signing bonus in the amount of \$1,474,251.84 on January 21, 2015.

B. Interfund Repayment

On February 2, 2015, Council approved an ordinance to repay loans made by the Light Fund to the General Fund and Permanent Improvement Fund in prior years in the amounts totaling \$250,000. The advances were repaid on February 3, 2015.

C. Long-Term Note Repayment

On February 6, 2015, the City used a portion of the proceeds of the gas/oil lease bonus to retire the remaining portion of the Recreation Long-Term Note. The payoff sum as of February 6, 2015, including interest and fees, to fully retire the long-term note was \$661,577.

D. Waterline Replacement

On March 16, 2015 the City awarded a contract to J.S. Bova for the replacement of a waterline on Maple Avenue. The amount of the contract was \$262,813, and the project was completed in conjunction with the resurfacing of State Route 9 along Maple Avenue.

E. Labor Agreements

On March 26, 2015, Council approved an ordinance authorizing the Mayor to execute the labor agreement with police department employees represented by the Fraternal Order of Police (FOP). The agreement is effective from October 15, 2013 through October 15, 2016.

On September 8, 2015, Council approved an ordinance authorizing the Mayor to execute the labor agreement with other departmental employees represented by the American Federation of State, County and Municipal Employees (AFSCME). The agreement is effective from July 21, 2014 through July 20, 2017.

F. Road Resurfacing

On January 20, 2016, Council passed a resolution for the Ohio Department of Transportation to proceed with a road resurfacing project for State Route 9 and U.S. Route 40 through the City limits. The total cost of the project was \$1,251,374, with 80 percent being federally funded, and the remainder being funded by local sources. The project was completed on September 15, 2015.

G. Belmont County Transportation Improvement District

On February 1, 2015, the City of St. Clairsville was awarded a Rapid Outreach Grant from the Ohio Development Service Agency Office of Community Development in the amount of \$225,000 on behalf of the Belmont County Transportation District (BCTID). City Council approved an intergovernmental agreement with the BCTID on March 4, 2015. On September 28, 2015, the City reimbursed the BCTID \$225,000 from the grant funding for costs incurred for road construction within the BCTID.

City of St. Clairsville
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For the Year Ended December 31, 2014

H. Jointly Governed Organization

On April 6, 2015, Council approved a resolution to approve a memorandum of understanding for the City's participation in the Belmont County Major Crimes Unit (BCMCMU). Pursuant to Ohio Revised Code sections 311.07, 505.43, and 737.04, Ohio counties, municipal corporations, townships, and village are authorized to enter into an agreement with each other to form a Major Crimes Unit. The Belmont County Sheriff serves as the director of the BCMCMU. The BCMCMU is governed by an Advisory Board consisting of the Belmont County Sheriff, the Belmont County Prosecutor, and the chief of police of each participating political subdivision. Each participant's degree of control is limited to its representation on the Board. All participating agencies agree that any mandatory fines collected shall be placed in an indemnity fund, administered by the Belmont County Sheriff's Office. The indemnity fund shall be used to subsidize the cost of BCMCMU investigations.

I. Bike Path Tunnel Liner Repair

On May 5, 2015 Council awarded a contract for repair of the bike path tunnel liner. The contract was awarded to Suburban Maintenance and Construction, Inc. in the amount of \$550,831. On November 4, 2014, the City had been awarded a reimbursable grant from the Ohio Department of Transportation to fund the repairs. The grant award covers 80 percent of contract costs, up to \$363,107.

J. Hotel Lodging Excise Tax

On October 5, 2015, Council passed an ordinance to levy an excise tax on all hotels within the corporate limits of the City. The excise tax is in the amount of three percent on all transactions by which lodging by a hotel is, or is to be, furnished to transient guests.

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Dave Yost • Auditor of State

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

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Clairsville, Belmont County, Ohio, (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 6, 2016, wherein we qualified our opinion over Material and Supplies Inventory in the Street and Water Funds as we were unable to obtain sufficient appropriate audit evidence supporting the recorded amounts. We also noted that net position at December 31, 2013 was restated due to changes in capital asset values as a result of the City undergoing a revaluation of its capital assets and a previously unrecorded intergovernmental receivable.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2014-001 through 2014-003 to be material weaknesses.

Compliance and Other Matters

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

City's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

April 6, 2016

**CITY OF ST. CLAIRSVILLE
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2014-001

Material Weakness

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

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

During 2014, we noted the following:

1. The City did not perform monthly bank reconciliations which resulted in an unreconciled balance of approximately \$119,809 at December 31, 2014. The adjustments to reconcile cash to which management agrees has been posted to the accounting records and are reflected in the accompanying financial statements.
2. The Mayor's Court monthly bank statements for 2014 were not on file and were not reconciled each month.
3. The Utility Supervisor did not reconcile all Utility bank accounts each month. Also, the Utility Deposit Fund's certificate of deposit was not reconciled to the Utility Deposit Fund or the Utility Supervisor's Customer Deposit Record/Report maintained on a separate excel spreadsheet. Customer refund checks were written out of the General Checking account without reducing the Utility certificate of deposit balance.

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

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

Officials' Response:

The Finance office staff tried repeatedly to balance monthly bank statements and were unsuccessful in balancing due to a massive amount of variables within the city software and the multiple variables that occurred to the financial documents by having the utility variables entered directly into the financial records by the utility department instead of being reconciled within the utility department and then posted to the financial records.

This matter has been 100% corrected by establishing totally new software that went live in January of 2016 and by removing any and all utility reconcilable differences from the financial books.

The Mayor's court bank reconciliation is handled by the Mayor's Clerk.

**CITY OF ST. CLAIRSVILLE
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-002

Material Weakness

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

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

- The September real estate property tax deduction for the General Health District, in the amount of \$14,862 was posted as a General Government expenditure within the General Fund instead of Public Health Services.
- Motor Vehicle License Tax money received from the Belmont County Engineer's Office for street paving in the amount of \$54,132 was posted to the Street Fund Other Revenue instead of Intergovernmental Revenue.
- On-behalf-of grant and loan receipts from the Ohio Public Works Commission and capital outlay expenditures paid to Shelly & Sands for various paving projects in the amount of \$378,941 were not recorded by the City to the accounting system.

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

The City Finance Director should utilize available authoritative resources to appropriately classify receipt and disbursement transactions. Also, the City Finance Director should post as a receipt and expenditure all monies spent on the City's behalf by another government agency. Refer to Auditor of State Bulletins 2002-004 and 2000-008 for guidance on accounting for on-behalf-of monies.

Officials' Response:

During 2014 the Utility Director posted nearly all revenue (due to her being the assistant finance director). This accounts for the first finding.

The SSI software was programed by the previous finance director and many of the needed revenue line items were not built correctly therefore not affording the current finance director the opportunity to post to the correct lines. The current finance director determined that the SSI software did not follow any certain chart of accounts for the development of appropriation and or receipt accounts. No Intergovernmental Revenue line items were available to receipt monies to. This again has been corrected by moving the financials to UAN software.

As for the OPWC, this project was not completed in the fiscal year it was received and the Finance Director was unable to obtain the actual total costs for posting purposes due to a portion of the project being delayed into the next fiscal year.

**CITY OF ST. CLAIRSVILLE
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014
(Continued)**

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

FINDING NUMBER 2014-003

Material Weakness

City Council should have approved policies and procedures established for the maintenance of consumable inventory. This policy should contain the safe-keeping of inventory, proper procedures for inventory counts each year, monitoring inventory throughout the year, reasonable processes for inventory estimation for large and numerous items, and methods for disposal of obsolete and/or damaged inventory items. Inventory should be counted and double-checked by another employee in the department to ensure the accuracy of the counts and to decrease the risk of errors in counts.

The Street, Water, and Sewer departments within the City did not perform inventory counts at or near December 31, 2014. Inventory balances were carried forward from the 2012 inventory counts to the 2014 financial statements. The lack of year end counts resulted in a qualified opinion over the Material and Supplies Inventory account balance for the Street and Water Funds' since there was no form or substance to audit and we could not perform alternative procedures.

It should also be noted that the City has included in past audits obsolete and damaged inventory on the same shelf and location as the current consumable inventory. Obsolete and/or damaged inventory should be properly disposed of or kept separate from all consumable inventories for tracking purposes. In addition, the City should be cognizant not to include items that are equipment and should be capitalized as a capital asset or items that do not meet either the criteria for a capital asset or consumable inventory and should, therefore, be expensed only.

City Council should establish an inventory policy documenting proper procedures for inventory counts each year and proper safe-guards of such inventory. This policy should highlight the dates and times inventory should be counted at fiscal year-end, how inventory for numerous items should be reasonably estimated, and double-counting and checking for proper inventory counts. The City should have inventory kept in locked areas with limited access. Obsolete and/or damaged inventory should not be maintained with the current consumable inventory on hand. Throughout the year, the City should dispose of this damaged/obsolete inventory or maintain it separately. Finally, equipment and other items deemed more appropriate for either capitalizing or expensing should not be included on the listing for consumable inventory.

Officials' Response:

The superintendent of the street department had a life threatening medical issue which resulted in him being off work for over 6 months (Aug – Feb). No replacement supervisor was placed in the job resulting in the inventory not being done for that period of time. The Water/Waste Water Supervisor left his employment with the city within the first 30 days of 2015 and he neglected to perform the necessary end of year reporting before leaving. His replacement was not hired until Feb of 2016. Again, no person was placed in a supervisory role to perform his job duties.

**CITY OF ST. CLAIRSVILLE
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Ohio Rev. Code § 5705.10(C), receipts posted to incorrect funds.	Yes	N/A.
2013-002	Material Weakness regarding posting of receipts and disbursements to incorrect classifications.	No	Not Corrected; Reissued as Finding Number 2014-002.
2013-003	Material Weakness regarding monthly bank reconciliations.	No	Not Corrected; Reissued as Finding Number 2014-001.



Dave Yost • Auditor of State

CITY OF ST. CLAIRSVILLE

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 19, 2016**