

# **City of St. Clairsville**

## ***Audited Financial Statements***

***December 31, 2003***





**Auditor of State  
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the City of St. Clairsville, Belmont County, prepared by Rea & Associates, Inc., for the audit period January 1, 2003 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

November 3, 2004

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**CITY OF ST. CLAIRSVILLE  
BELMONT COUNTY**

**DECEMBER 31, 2003**

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# Rea & Associates, Inc.

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ACCOUNTANTS AND BUSINESS CONSULTANTS

September 1, 2004

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

## Independent Auditor's Report

We have audited the accompanying general purpose financial statements of the City of St. Clairsville (the "City") as of and for the year ended December 31, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of St. Clairsville as of December 31, 2003, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated September 1, 2004 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 grants. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Rea & Associates, Inc.*

**CITY OF ST. CLAIRSVILLE**

*Combined Balance Sheet*  
**All Fund Types and Account Groups**

December 31, 2003

	<b>Governmental Fund Types</b>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b><u>ASSETS AND OTHER DEBITS</u></b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 1,613,051	\$ 453,788	\$ 4	\$ 630,693
Cash and Cash Equivalents:				
In Segregated Accounts	0	0	725	0
Receivables:				
Taxes	364,516	408,715	0	0
Accounts	35,364	738	0	0
Special Assessments - Current	0	0	49,741	0
Special Assessments - Delinquent	0	0	14,882	0
Intergovernmental	161,564	299,343	0	1,342,104
Revolving Loans	0	458,806	0	0
Interfund Receivable	50,395	0	0	0
Due from Other Funds	17,396	0	0	0
Prepaid Items	0	2,625	0	0
Materials and Supply Inventories	0	15,000	0	0
Restricted Assets:				
Customer Deposits	0	0	0	0
Investments with Trustees	0	0	130	0
Fixed Assets (net of accumulated depreciation, where applicable)	0	0	0	0
<b>Other Debits:</b>				
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided from Special Assessments to Property Owners	0	0	0	0
<b>Total Assets and Other Debits</b>	<b><u>\$ 2,242,286</u></b>	<b><u>\$ 1,639,015</u></b>	<b><u>\$ 65,482</u></b>	<b><u>\$ 1,972,797</u></b>

The accompanying notes are an integral part of these financial statements.



Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$ 2,963,550	\$ 0	\$ 0	\$ 0	\$ 5,661,086
10,529	4,726	0	0	15,980
19,497	0	0	0	792,728
370,120	1,920	0	0	408,142
0	0	0	0	49,741
0	0	0	0	14,882
0	0	0	0	1,803,011
0	0	0	0	458,806
0	0	0	0	50,395
0	0	0	0	17,396
0	0	0	0	2,625
326,337	0	0	0	341,337
86,579	0	0	0	86,579
0	0	0	0	130
9,329,403	0	3,186,966	0	12,516,369
0	0	0	105,899	105,899
0	0	0	134	134
0	0	0	70,000	70,000
<u>\$ 13,106,015</u>	<u>\$ 6,646</u>	<u>\$ 3,186,966</u>	<u>\$ 176,033</u>	<u>\$ 22,395,240</u>

(Continued)

**CITY OF ST. CLAIRSVILLE**

*Combined Balance Sheet*

**All Fund Types and Account Groups (Continued)**

December 31, 2003

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b><u>LIABILITIES, EQUITY, AND OTHER CREDITS</u></b>				
<b><i>Liabilities:</i></b>				
Accounts Payable	\$ 19,154	\$ 56,446	\$ 0	\$ 0
Contracts Payable	0	0	0	0
Accrued Wages Payable	190	7,826	0	0
Compensated Absences Payable	14	9,271	0	0
Interfund Payable	0	50,395	0	0
Due to Other Funds	0	0	0	0
Intergovernmental Payable	2,234	14,245	0	0
Accrued Interest Payable	0	0	0	2,622
Deferred Revenue	484,164	605,482	64,623	1,342,104
Undistributed Monies	0	0	725	0
OWDA Loan Payable	0	0	0	0
OPWC Loan Payable	0	0	0	0
Rural Development Loan Payable	0	0	0	0
Payable from Restricted Assets:				
Customer Deposits	0	0	0	0
Capital Lease Liability	0	0	0	0
Special Assessment Bond Payable with Government Commitment	0	0	0	0
Bond Anticipation Notes Payable	0	0	0	261,500
<b>Total Liabilities</b>	<b>505,756</b>	<b>743,665</b>	<b>65,348</b>	<b>1,606,226</b>
<b><i>Equity and Other Credits:</i></b>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Reserved:				
Debt Service	0	0	0	0
Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	8,634	26,236	0	598
Reserved for Supplies Inventory	0	15,000	0	0
Reserved for Loans Receivable	0	458,806	0	0
Reserved for Unclaimed Monies	63	0	0	0
Reserved for Debt Service	0	0	134	0
Unreserved:				
Undesignated	1,727,833	395,308	0	365,973
<b>Total Equity and Other Credits</b>	<b>1,736,530</b>	<b>895,350</b>	<b>134</b>	<b>366,571</b>
<b>Total Liabilities, Equity, and Other Credits</b>	<b>\$ 2,242,286</b>	<b>\$ 1,639,015</b>	<b>\$ 65,482</b>	<b>\$ 1,972,797</b>

The accompanying notes are an integral part of these financial statements.

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$ 145,404	\$ 0	\$ 0	\$ 0	\$ 221,004
9,141	0	0	0	9,141
8,324	0	0	0	16,340
74,490	0	0	75,419	159,194
0	0	0	0	50,395
17,396	0	0	0	17,396
24,298	0	0	25,996	66,773
22,672	0	0	0	25,294
0	0	0	0	2,496,373
0	6,646	0	0	7,371
393,285	0	0	0	393,285
469,286	0	0	0	469,286
133,699	0	0	0	133,699
86,579	0	0	0	86,579
15,538	0	0	4,618	20,156
0	0	0	70,000	70,000
2,261,000	0	0	0	2,522,500
3,661,112	6,646	0	176,033	6,764,786
0	0	3,186,966	0	3,186,966
856,690	0	0	0	856,690
0	0	0	0	0
8,588,213	0	0	0	8,588,213
0	0	0	0	35,468
0	0	0	0	15,000
0	0	0	0	458,806
0	0	0	0	63
0	0	0	0	134
0	0	0	0	2,489,114
9,444,903	0	3,186,966	0	15,630,454
<u>\$ 13,106,015</u>	<u>\$ 6,646</u>	<u>\$ 3,186,966</u>	<u>\$ 176,033</u>	<u>\$ 22,395,240</u>

**CITY OF ST. CLAIRSVILLE**

*Combined Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
All Governmental Fund Types*

For the Year Ended December 31, 2003

	<b>Governmental Fund Types</b>				<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	
<b>Revenues:</b>					
Taxes	\$ 454,455	\$ 307,375	\$ 0	\$ 0	\$ 761,830
Intergovernmental Revenue	1,993,432	506,256	0	0	2,499,688
Special Assessments	0	122	16,580	0	16,702
Charges for Services	0	100,151	0	0	100,151
License and Permits	47,442	0	0	0	47,442
Investment Earnings	99,931	4,162	0	0	104,093
Fines and Forfeitures	13,877	2,545	0	0	16,422
Rentals	20,225	0	0	0	20,225
Other Revenue	6,241	14,412	0	47	20,700
<b>Total Revenues</b>	<b>2,635,603</b>	<b>935,023</b>	<b>16,580</b>	<b>47</b>	<b>3,587,253</b>
<b>Expenditures:</b>					
Current:					
General Government	295,791	470	0	0	296,261
Security of Persons and Property	2,897	757,350	0	0	760,247
Public Health and Welfare Services	30,982	0	0	0	30,982
Leisure Time Activities	0	285,070	0	1,578	286,648
Community Environment	0	173,566	0	17,782	191,348
Transportation	0	585,224	797	0	586,021
Capital Outlay	4,187	78,758	0	86,275	169,220
Debt Service:					
Principal Retirements	3,933	0	15,000	0	18,933
Interest and Fiscal Charges	383	0	5,905	5,215	11,503
<b>Total Expenditures</b>	<b>338,173</b>	<b>1,880,438</b>	<b>21,702</b>	<b>110,850</b>	<b>2,351,163</b>
Excess of Revenues Over (Under) Expenditures	2,297,430	(945,415)	(5,122)	(110,803)	1,236,090
<b>Other Financing Sources (Uses):</b>					
Transfers In	0	900,550	5,125	26,373	932,048
Transfers Out	(932,048)	0	0	0	(932,048)
<b>Total Other Financing Sources (Uses)</b>	<b>(932,048)</b>	<b>900,550</b>	<b>5,125</b>	<b>26,373</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,365,382	(44,865)	3	(84,430)	1,236,090
Fund Balance at Beginning of Year	371,148	940,215	131	451,001	1,762,495
<b>Fund Balance at End of Year</b>	<b>\$ 1,736,530</b>	<b>\$ 895,350</b>	<b>\$ 134</b>	<b>\$ 366,571</b>	<b>\$ 2,998,585</b>

The accompanying notes are an integral part of these financial statements.

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**CITY OF ST. CLAIRSVILLE**

*Combined Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)*  
**All Governmental Fund Types**

For the Year Ended December 31, 2003

	<b>General Fund</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Taxes	\$ 430,000	\$ 457,717	\$ 27,717
Intergovernmental Revenue	1,981,873	1,993,452	11,579
Special Assessments	0	0	0
Charges for Services	0	0	0
Licenses and Permits	37,600	42,943	5,343
Investment Earnings	125,000	99,931	(25,069)
Fines and Forfeitures	15,000	12,906	(2,094)
Rentals	16,000	20,375	4,375
Other	5,000	6,241	1,241
<b>Total Revenues</b>	<b>2,610,473</b>	<b>2,633,565</b>	<b>23,092</b>
<b>Expenditures:</b>			
Current:			
General Government	301,645	297,468	4,177
Security of Persons and Property	3,060	3,060	0
Public Health and Welfare Services	30,985	30,982	3
Leisure Time Activities	0	0	0
Community Environment	0	0	0
Transportation	0	0	0
Capital Outlay	4,190	4,187	3
Debt Service:			
Principal Retirement	3,933	3,933	0
Interest and Fiscal Charges	383	383	0
<b>Total Expenditures</b>	<b>344,196</b>	<b>340,013</b>	<b>4,183</b>
Excess of Revenue Over (Under) Expenditures	2,266,277	2,293,552	27,275
<b>Other Financing Sources (Uses):</b>			
Proceeds of Notes	0	0	0
Advance In	0	0	0
Advance Out	(50,395)	(50,395)	0
Operating Transfer In	0	0	0
Operating Transfer Out	(932,050)	(932,048)	2
<b>Other Financing Sources (Uses)</b>	<b>(982,445)</b>	<b>(982,443)</b>	<b>2</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,283,832	1,311,109	27,277
Fund Balance at Beginning of Year	308,175	308,175	0
Prior Year Encumbrances Appropriated	7,341	7,341	0
<b>Fund Balance (Deficit) at End of Year</b>	<b>\$ 1,599,348</b>	<b>\$ 1,626,625</b>	<b>\$ 27,277</b>

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 304,851	\$ 307,375	\$ 2,524	\$ 0	\$ 0	\$ 0
642,307	476,326	(165,981)	0	0	0
200	122	(78)	18,000	16,580	(1,420)
95,500	100,151	4,651	0	0	0
0	0	0	0	0	0
4,300	4,162	(138)	0	0	0
8,500	2,000	(6,500)	0	0	0
0	0	0	0	0	0
32,750	38,213	5,463	0	0	0
<u>1,088,408</u>	<u>928,349</u>	<u>(160,059)</u>	<u>18,000</u>	<u>16,580</u>	<u>(1,420)</u>
750	470	280	0	0	0
1,397,370	761,472	635,898	0	0	0
0	0	0	0	0	0
308,330	294,744	13,586	0	0	0
334,519	176,475	158,044	0	0	0
616,210	593,772	22,438	900	797	103
80,185	79,744	441	0	0	0
0	0	0	15,000	15,000	0
0	0	0	5,905	5,905	0
<u>2,737,364</u>	<u>1,906,677</u>	<u>830,687</u>	<u>21,805</u>	<u>21,702</u>	<u>103</u>
(1,648,956)	(978,328)	670,628	(3,805)	(5,122)	(1,317)
0	0	0	0	0	0
50,395	50,395	0	0	0	0
0	0	0	0	0	0
960,650	900,550	(60,100)	4,000	5,125	1,125
0	0	0	0	0	0
<u>1,011,045</u>	<u>950,945</u>	<u>(60,100)</u>	<u>4,000</u>	<u>5,125</u>	<u>1,125</u>
(637,911)	(27,383)	610,528	195	3	(192)
1,085,848	1,086,065	217	1	1	0
36,115	36,115	0	0	0	0
<u>\$ 484,052</u>	<u>\$ 1,094,797</u>	<u>\$ 610,745</u>	<u>\$ 196</u>	<u>\$ 4</u>	<u>\$ (192)</u>

(Continued)

**CITY OF ST. CLAIRSVILLE**

*Combined Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)  
All Governmental Fund Types (Continued)*

For the Year Ended December 31, 2003

	<b>Capital Projects Funds</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Taxes	\$ 0	\$ 0	\$ 0
Intergovernmental Revenue	0	0	0
Special Assessments	0	0	0
Charges for Services	0	0	0
Licenses and Permits	0	0	0
Investment Earnings	0	0	0
Fines and Forfeitures	0	0	0
Rentals	0	0	0
Other	150	47	(103)
<b>Total Revenues</b>	<b>150</b>	<b>47</b>	<b>(103)</b>
<b>Expenditures:</b>			
Current:			
General Government	0	0	0
Security of Persons and Property	0	0	0
Public Health and Welfare Services	0	0	0
Leisure Time Activities	1,580	1,578	2
Community Environment	18,400	18,380	20
Transportation	0	0	0
Capital Outlay	231,600	86,275	145,325
Debt Service:			
Principal Retirement	279,000	279,000	0
Interest and Fiscal Charges	7,920	7,348	572
<b>Total Expenditures</b>	<b>538,500</b>	<b>392,581</b>	<b>145,919</b>
Excess of Revenue Over (Under) Expenditures	(538,350)	(392,534)	145,816
<b>Other Financing Sources (Uses):</b>			
Proceeds of Notes	261,500	261,500	0
Advance In	0	0	0
Advance Out	0	0	0
Operating Transfer In	26,850	26,373	(477)
Operating Transfer Out	0	0	0
<b>Other Financing Sources (Uses)</b>	<b>288,350</b>	<b>287,873</b>	<b>(477)</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(250,000)	(104,661)	145,339
Fund Balance at Beginning of Year	734,756	734,756	0
Prior Year Encumbrances Appropriated	0	0	0
<b>Fund Balance (Deficit) at End of Year</b>	<b>\$ 484,756</b>	<b>\$ 630,095</b>	<b>\$ 145,339</b>

The accompanying notes are an integral part of these financial statements.



**Totals (Memorandum Only)**

<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
\$ 734,851	\$ 765,092	\$ 30,241
2,624,180	2,469,778	(154,402)
18,200	16,702	(1,498)
95,500	100,151	4,651
37,600	42,943	5,343
129,300	104,093	(25,207)
23,500	14,906	(8,594)
16,000	20,375	4,375
37,900	44,501	6,601
<u>3,717,031</u>	<u>3,578,541</u>	<u>(138,490)</u>
302,395	297,938	4,457
1,400,430	764,532	635,898
30,985	30,982	3
309,910	296,322	13,588
352,919	194,855	158,064
617,110	594,569	22,541
315,975	170,206	145,769
297,933	297,933	0
14,208	13,636	572
<u>3,641,865</u>	<u>2,660,973</u>	<u>980,892</u>
75,166	917,568	842,402
261,500	261,500	0
50,395	50,395	0
(50,395)	(50,395)	0
991,500	932,048	(59,452)
<u>(932,050)</u>	<u>(932,048)</u>	<u>2</u>
<u>320,950</u>	<u>261,500</u>	<u>(59,450)</u>
396,116	1,179,068	782,952
2,128,780	2,128,997	217
<u>43,456</u>	<u>43,456</u>	<u>0</u>
<u>\$ 2,568,352</u>	<u>\$ 3,351,521</u>	<u>\$ 783,169</u>

**CITY OF ST. CLAIRSVILLE**

*Combined Statement of Revenues, Expenses,  
and Changes in Fund Equity*  
**All Proprietary Fund Types**

For The Year Ended December 31, 2003

	<u>Enterprise Funds</u>
<b><i>Operating Revenues:</i></b>	
Charges for Services	\$ 3,803,937
Other Operating Revenue	<u>25,551</u>
<i>Total Operating Revenues</i>	3,829,488
<b><i>Operating Expenses:</i></b>	
Personal Services	1,166,348
Contractual Services	1,856,523
Materials and Supplies	204,541
Depreciation	<u>715,331</u>
<i>Total Operating Expenses</i>	<u>3,942,743</u>
<b>Operating Loss</b>	(113,255)
<b><i>Non-Operating Revenues and (Expenses):</i></b>	
Taxes	217,470
Intergovernmental Revenue	70,678
Investment Earnings	1,120
Interest and Fiscal Charges	(124,645)
Loss on Disposal of Fixed Assets	<u>(36,745)</u>
<i>Total Non-Operating Revenues (Expenses)</i>	<u>127,878</u>
<b>Net Income</b>	14,623
Retained Earnings at Beginning of Year	<u>8,573,590</u>
Retained Earnings at End of Year	8,588,213
Contributed Capital at Beginning of Year	<u>856,690</u>
Contributed Capital at End of Year	<u>856,690</u>
<b>Fund Equity at End of Year</b>	<u><u>\$ 9,444,903</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF ST. CLAIRSVILLE**

*Combined Statement of Cash Flows*  
**All Proprietary Fund Types**

*For the Year Ended December 31, 2003*

	Enterprise Funds
	<u>                    </u>
<b><i>Cash flows from Operating Activities:</i></b>	
Cash Received from Customers	\$ 3,889,564
Other Operating Receipts	25,551
Cash Payments to Suppliers for Goods and Services	(197,651)
Cash Payments to Employees	(1,174,856)
Cash Payments for Contractual Services	<u>(1,879,799)</u>
Net Cash Provided by Operating Activities	<u>662,809</u>
<b><i>Cash Flows from Noncapital Financing Activities:</i></b>	
Tax Receipts	218,012
Intergovernmental Receipts	<u>254,913</u>
Net Cash Provided by Noncapital Financing Activities	<u>472,925</u>
<b><i>Cash Flows from Capital and Related Financing Activities:</i></b>	
Proceeds from Loans	199,975
Proceeds from Notes	2,261,000
Acquisition of Capital Assets	(948,252)
Principal Payments on Debt	(2,754,608)
Interest Payments	<u>(134,952)</u>
Net Cash (Used for) Capital and Related Financing Activities	<u>(1,376,837)</u>
<b><i>Cash Flows from Investing Activities:</i></b>	
Interest	2,329
Proceeds from Sale of Investments	<u>196,521</u>
Net Cash Provided by Investing Activities	<u>198,850</u>
Net Decrease in Cash and Cash Equivalents	(42,253)
Cash and Cash Equivalents at Beginning of Year	<u>3,102,911</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 3,060,658</u></u>
<b><i>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:</i></b>	
Operating Loss	\$ (113,255)
<b><i>Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:</i></b>	
Depreciation Expense	715,331
<b><i>Changes in Assets and Liabilities:</i></b>	
Decrease in Accounts Receivable	67,270
Decrease in Materials and Supplies Inventory	15,745
Increase in Customer Deposits Payable	105
(Decrease) in Accounts Payable	(18,887)
Increase in Contracts Payable	5,550
Increase in Accrued Wages	2,694
Increase in Compensated Absences Payable	3,072
(Decrease) in Intergovernmental Payable	<u>(14,816)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 662,809</u></u>

The accompanying notes are an integral part of these financial statements.

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

### **Notes to the General Purpose Financial Statements December 31, 2003**

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

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

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

The Mayor is elected at the regular Municipal 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 Municipal governmental.

The City's Manager (Service Director) is appointed by a majority vote of Council to an indefinite term but serves at the pleasure of Council. The Service Director is responsible to Council for the administration of all affairs of the Municipality 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 Municipality, 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.

#### A. Reporting Entity

The City utilizes the standards of the Governmental Accounting Standards Board Statement 14 for determining the reporting entity.

The financial reporting entity consists of a) the primary government, b) component units, which are legally separate organizations which are fiscally dependent on the City or for which the City is financially accountable, and c) governmental organizations for which the primary government is not financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and 1) the City is able to significantly influence the programs or services performed or provided by the organization; or 2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the organization's budget, the issuance of its debt or the levying of its taxes. No separate government units meet the criteria for inclusion as a component unit.

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

### **Notes to the General Purpose Financial Statements December 31, 2003**

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

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

The City has no component units.

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

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

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to Generally Accepted Accounting Principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources. The City applies the Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989 to proprietary activities provided they do not conflict with Governmental Accounting Standards Board Statements and Interpretations.

##### A. Basis of Presentation - Fund Accounting

The City uses funds and account groups to report on its financial position and the results of its' operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

##### Governmental Fund Types:

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The following are the City's governmental fund types:

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the General Purpose Financial Statements  
December 31, 2003**

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fund - This fund is the operating fund of the City and is used to account for 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. The following cash basis fund is included to form the GAAP basis general fund:

General - This fund is to account for the resources traditionally associated with the general government operations that are not required to be accounted for in another fund.

Unclaimed Money - This fund is to account for unclaimed money, mostly in the form of old outstanding warrants that have never been cashed.

Special Revenue Funds - Special revenue funds are established to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or for major capital projects) that are legally restricted to expenditure for specified purposes. The following cash basis funds will be combined to form the GAAP basis special revenue funds:

Street Construction, Maintenance, and Repair - This fund is required by the Ohio Revised Code to account for state gasoline tax and motor vehicle registration fees designated for maintenance of streets within the City.

State Highway - This fund is required by the Ohio Revised Code to account for state gasoline tax and motor vehicle registration fees designated for maintenance of state highways within the City.

Parks and Recreation - This fund is to account for the receipts used for the operation of the Recreation Department.

Police Levy - This fund is to account for the property taxes levied in the City for the operation of its Police Department.

Drug Law Enforcement - This fund is to account for fines and other monies from drug related cases used for the operation of drug awareness and drug law enforcement.

Litter Fund - This fund is to account for state grant monies for litter control in the City.

Community Development Block Grant - This fund is to account for the federal and state grant monies for community and economic development.

Revolving Loan Fund - This fund is to account for the repayment of grant monies that were loaned to local businesses and individuals for improvements to their property. These loans were issued at low interest rates and interest free.

Downtown Renovation Fund - This fund is to account for grant monies used to issue loans to downtown businesses and individuals for sidewalks and facial renovations and repayment of those monies loaned.

CHIP Fund - This fund is to account for the federal grant monies for low to moderate income housing.

COPS Fast Grant Fund - This fund is to account for federal grant monies used for the police enforcement services at local schools.

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the General Purpose Financial Statements  
December 31, 2003**

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Federal Emergency Management Agency Grant Fund - This fund is to account for federal and state grant monies used for flood damage assistance.

Bike Trail Maintenance – This fund is to account for donations and other revenues used for maintaining the bike trail.

Police Pension - This fund is to account for property taxes levied for the payment of the current and accrued liability for police disability and pension benefits.

Mayor's Court Computer Improvement – This fund is to account for a portion of fines and cost revenues allocated for the cost and maintenance of the Mayor's Court computer system.

ODNR Nature Works Grant – This fund is to account for Ohio Department of Natural Resources (ODNR) grant revenue and related expenditures.

OPWC Bike Trail Enhancement Grant – This fund is to account for Ohio Public Works Commission (OPWC) grant revenue and related expenditures.

Debt Service Funds - The debt service funds are used for the accumulation of financial resources for and the payment of general and special assessment long-term debt principal, interest, and related costs.

Fire Bond Retirement - This fund is to account for the tax levies to support the fire debt. The fire bonds were defeased in 1994. The only activity in this fund for 1995 was an expenditure for the trust department fees. In 1996, the Law Director petitioned the court and received approval to transfer the balance of this money into the City's general fund. The fund still carries a balance.

Special Assessment Fund - This fund is to account for the special property assessments for downtown renovations. Expenditures from this fund are principal and interest payments for the streetscape general obligation bonds issued for downtown renovations.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Bike Trail Fund - The bike trail fund accounts for principal and interest payments on bond anticipation notes relating to the bike trail and the expenditures for its' construction.

OPWC Issue II – The OPWC issue II fund accounts for the receipt of Ohio Public Works Commission Issue II grant monies and the expenditures of the construction project.

General Escrow Capital Improvements – The General Escrow Capital Improvements fund accounts for estate tax settlement set aside by the City's Finance Committee for the purpose of future capital improvements city wide.

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the General Purpose Financial Statements  
December 31, 2003**

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Type:

Proprietary funds are used to account for the City's ongoing activities which are similar to those found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business and quasi-business activities, where net income and capital maintenance are measured, are accounted for through proprietary funds. The following is the City's proprietary fund type:

Enterprise Funds - The enterprise funds are to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Water Fund - The water fund accounts for the revenues generated from the charges for distribution of water to the residential and commercial users of the City. They include:

Water - This fund is to account for the revenues used to operate, maintain, and improve the water operation.

Water Guarantee Deposits - To account for refundable deposits from renters for water service. For every new customer, a combined \$100 service deposit is received (this deposit includes all utility services and will be prorated by the number of customers on a GAAP basis) which is refundable if and when they move their residence.

Water Replacement and Improvement Fund - This fund is to account for the collection of specified percentage of charges for services to be used on capital improvements and equipment replacement.

Sewer Fund - The sewer fund accounts for the revenues generated from the charges for wastewater services provided to residential and commercial users of the City. They include:

Sewer - This fund is to account for the revenues used to operate, maintain, and improve sewer collection, treatment and disposal for the City and its' surrounding areas.

Sewer Guarantee Deposits - To account for refundable deposits from renters for sewer service. For every new customer, a combined \$100 service deposit is received (this deposit includes all utility services and will be prorated by the number of customers on a GAAP basis) which is refundable if and when they move their residence.

Sewer Replacement and Improvement Fund - This fund is to account for the collection of specified percentage of charges for services to be used on capital improvements and equipment replacement.

OPWC Sewer Repair - This fund is to account for the revenues used to construct sewer capital improvements.



**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the General Purpose Financial Statements  
December 31, 2003**

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Light - This fund is to account for the revenues used to operate, maintain, and improve electric service for the City and its' surrounding areas.

Light Guarantee Deposits - To account for refundable deposits from renters for electric service. For every new customer, a combined \$100 service deposit is received (this deposit includes all utility services and will be prorated by the number of customers on a GAAP basis) which is refundable if and when they move their residence.

Light Replacement and Improvement Fund - This fund is to account for a specified percentage of charges for services to be used on capital improvements and equipment replacement.

Fiduciary Fund Type:

Fiduciary funds are used to account for the assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments units, and/or other funds. Agency funds are purely custodial and thus do not involve measurement of results of operations. The following is the City's fiduciary fund:

Agency Funds:

Mayor's Court Agency - This fund is to account for the Mayor's Court clearing account. Money is received from individuals for fines and distributed to the state and to the general fund.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group (GFAAG) - This account group accounts for all general fixed assets of the City other than those accounted for in proprietary funds.

General Long-Term Obligations Account Group (GLTOAG) - This account group accounts for all unmatured long-term indebtedness of the City that is not a specific liability of proprietary funds, including special assessment debt for which the City is obligated in some manner except that which is accounted for in proprietary funds.

**B. Measurement Focus and Basis of Accounting**

The accounting and reporting treatment applied to a fund is determined by its' measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the Balance Sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

### **Notes to the General Purpose Financial Statements December 31, 2003**

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Balance Sheet. Fund equity (i.e., net total assets) is typically segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

All governmental fund types and agency funds are accounted for using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year. The available period for the City is sixty days after year end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied (See Note 6). Revenue from grants 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 a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, federal and state grants and subventions (including gasoline tax, motor vehicle license tax, local government, estate tax, and homestead and rollback), fines and forfeitures, and charges for current services.

The City reports deferred revenues on its' Combined Balance Sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the Combined Balance Sheet and revenue is recognized. Current and delinquent property taxes measurable as of December 31, 2003, whose availability is indeterminate and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue. Special assessments have been recorded as receivables and deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term obligations are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year, and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized when they are earned and become measurable and expenses are recognized when they are incurred, if measurable.

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

### **Notes to the General Purpose Financial Statements December 31, 2003**

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

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Ordinance, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level. Any budgetary modifications at this level require the approval of City Council. Any budgetary modifications within each department may be made by the Finance Director as long as total appropriations remain unchanged.

Tax Budget:

Prior to July 15, the City Finance Director submits to the City Council a proposed operating budget for the year commencing the following January. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20, of each year, for the period January 1 to December 31 of the following year.

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its' budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the annual Appropriation Ordinance. On or about January 1, the Certificate of Estimated Resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the City Finance Director determines, and the budget Commission agrees that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official Certificate of Estimated Resources issued during 2003.

Appropriations:

A temporary Appropriation Ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual Appropriation Ordinance must be passed by April 1 of each year for the period January 1 to December 31. The Appropriation Ordinance fixes spending authority at the fund level. The Appropriation Ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by the Finance Director; however, City Council must pass any appropriation ordinance changes to total fund appropriations. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

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

### **Notes to the General Purpose Financial Statements December 31, 2003**

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

##### Encumbrances:

As part of the formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

##### Lapsing of Appropriations:

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and need not be reappropriated.

#### **D. Cash and Cash Equivalents:**

Cash received by the City is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase investments. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the Combined Balance Sheet. During 2003, investments were limited to certificates of deposit, STAROhio, and repurchase agreements. These investments are stated at cost which approximates market. Investment procedures are restricted by the provisions of the Ohio Revised Code.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2003. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2003.

Investment procedures are restricted by the provisions of the Ohio Revised Code and City's investment policy and Charter. Interest revenue credited to the general fund during 2003 amounted to \$99,931, which includes \$80,932 assigned from other City funds.

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

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

The City utilizes a trustee bank to hold monies set aside for current and future debt service payments and asset replacement. The balances in these accounts are presented on the Combined Balance Sheet as "Restricted Assets: Investments with Trustees" for investments in money market accounts. See Note 5, Deposits and Investments.

For purposes of the Combined Statement of Cash Flows and for presentation on the Combined Balance Sheet, investments with an original maturity of three months or less and investments from the cash management pool are considered to be cash equivalents. Investments with an original maturity of more than three months are considered to be investments.

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the General Purpose Financial Statements  
December 31, 2003**

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Inventory:

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

F. Prepaid Items:

Payments made to vendors for services that will benefit periods beyond December 31, 2003 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the payment and an expenditure/expense is reported in the year in which services are consumed. At December 31, 2003 the City had prepaid insurance that is reflected on the Combined Balance Sheet.

G. Fixed Assets and Depreciation:

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The City maintains a capitalization threshold of five hundred dollars, with the exception of land, as land is recorded regardless of cost.

The costs of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of fixed assets in the proprietary funds is computed using the straight-line method over an estimated useful life of four to twenty years for furniture, fixtures, and machinery and thirty to forty years for buildings.

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized or reported, as these assets are immovable and of value only to the City.

H. Interfund Assets/Liabilities

Short-term loans or the short-term portion of advances are classified as "Interfund Receivables/Payables."

Receivables and payables resulting from transactions between funds for goods received or services provided are classified as "Due from Other Funds" or "Due to Other Funds" on the balance sheet.

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the General Purpose Financial Statements  
December 31, 2003**

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

I. Compensated Absences:

GASB Statement 16, Accounting for Compensated Absences, specifies the methods used to accrue liabilities for leave benefits. Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employee for the benefits through paid time off or some other means. 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.

For governmental funds, the City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the proprietary funds the entire amount of compensated absences is reported as a fund liability.

J. Contributed Capital:

Contributed capital represents resources provided to the enterprise funds from other funds, other governments, and private sources that is not subject to repayment. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end except for depreciation on assets acquired through federal and state grants, which is expensed and closed to retained earnings at year end.

Because the City had not prepared financial statements in accordance with generally accepted accounting principles prior to 1996, the exact amount of contributed capital at December 31, 1995 could not be determined. Consequently, only those amounts that have been able to be identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to the proprietary funds have been classified as retained earnings.

K. Intergovernmental Revenues:

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, shared revenues, and entitlements are recorded as receivables and revenues when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants, entitlements, or shared revenues received for proprietary fund operating purposes are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. Such resources restricted for the construction of capital assets were recorded as contributed capital prior to implementation of GASB 33 in 2002 and recorded as non-operating revenue thereafter.

L. Fund Equity:

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Fund balances are reserved for encumbrances, inventories of materials and supplies, loans receivable, unclaimed monies, and debt service. Undesignated fund balance indicates the portion of fund equity which is available for appropriation in future periods.

Reserves have been established in the enterprise funds for debt service to the extent necessary to satisfy bond indenture agreements that require the segregation of the money with a trustee.

## CITY OF ST. CLAIRSVILLE, OHIO

### Notes to the General Purpose Financial Statements December 31, 2003

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

M. Interfund Transactions:

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers or equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Long-Term Obligations:

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be paid with current resources. However, compensated absences and contractually required pension contributions are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available financial resources. Payments made more than sixty days after year end are generally considered not to have been paid with current available resources. Special Assessment bonds and capital leases are recognized as a liability of the general long-term obligations account group until due.

Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

O. Total Columns on General Purpose Financial Statements:

Total columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

P. Preparation of the Financial Statements:

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 could differ from those estimates.

#### NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis), All Governmental Fund Types are presented on the budgetary basis to provide a comparison of actual results with the budget and to demonstrate compliance with State statute. The major differences between budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the General Purpose Financial Statements  
December 31, 2003**

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

3. Outstanding year end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for governmental fund types.
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).
5. Adjustments necessary to convert the results of operations at the end of the year on the Budget basis to the GAAP basis are as follows:

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP basis	\$ 1,365,382	\$ (44,865)	\$ 3	\$ (84,430)
Net adjustment for revenue accruals	(2,038)	(6,674)	0	0
Advances in	0	50,395	0	0
Proceeds of notes	0	0	0	261,500
Net adjustments for expenditure accruals	14,516	56,247	0	0
Advances out	(50,395)	0	0	0
Debt principal retirement	0	0	0	(279,000)
Debt interest	0	0	0	(2,133)
Encumbrances	<u>(16,356)</u>	<u>(82,486)</u>	<u>0</u>	<u>(598)</u>
Budget basis	<u>\$ 1,311,109</u>	<u>\$ (27,383)</u>	<u>\$ 3</u>	<u>\$ (104,661)</u>



**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the General Purpose Financial Statements  
December 31, 2003**

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NOTE 4 – ACCOUNTABILITY

The following funds had a deficit fund balance as of December 31, 2003:

	<u>Deficit Fund Balance</u>
Special Revenue:	
Police Fund	\$ 8,230
COPS Fast Grant	2,388
Litter	216
Capital Projects:	
Bike Trail Fund	264,122

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

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United State Treasury or any other obligation guaranteed as to principal or interest by the United States;

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

### **Notes to the General Purpose Financial Statements December 31, 2003**

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

During fiscal year 2003, the City's investments were limited to certificates of deposit, money market funds, STAR Ohio, and overnight sweep accounts.

Deposits: At year-end, the carrying amount of the City's deposits was \$5,352,121, which includes \$2,111 cash on hand, and the bank balance was \$5,425,629. Of the bank balance:

1. \$534,173 was covered by federal depository insurance.
2. \$4,891,456 was uninsured and uncollateralized. Although the collateral for the securities was held by the pledging financial institution's trust department in the City's name and all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the City to a successful claim by the FDIC.

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the General Purpose Financial Statements  
December 31, 2003**

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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

	<u>Category 3</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Repurchase Agreement	\$ 397,028	\$ 397,028	\$ 397,028
STAR Ohio	<u>0</u>	<u>14,496</u>	<u>14,496</u>
 Total investments	 <u>\$ 397,028</u>	 <u>\$ 411,524</u>	 <u>\$ 411,524</u>

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

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

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 5,763,645	\$ 130
Investments which are part of a cash management pool:		
Repurchase Agreement	(397,028)	397,028
Investments with Trustees	0	(130)
State Treasurer's Investment Pool	<u>(14,496)</u>	<u>14,496</u>
 GASB Statement No. 3	 <u>\$ 5,352,121</u>	 <u>\$ 411,524</u>

As a result of Bond Indenture covenants, the City has reported "Restricted Assets: Investments with Trustees" in the amount of \$130 which is included in the investments above. These restricted assets reflect the amount of accumulated resources for principal and interest payments for street improvements.

The City is reporting "Restricted Assets: Customer Deposits" in the amount of \$86,579 for utility customer deposits. This is comprised of a certificate of deposit at Sky Bank.

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

### **Notes to the General Purpose Financial Statements December 31, 2003**

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#### NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property, and tangible personal (used in business) property located in the City. Real property taxes were levied after October 1, 2002 on the assessed value as of January 1, 2002, the lien date, and were collected in 2003. Assessed values for real property are established by State law at 35% of appraised market value. All property is required to be revalued every six years. Public utility property taxes received in 2003 attached as a lien on December 31, 2002, were levied after October 1, 2002 and are collected with real property taxes. Public utility property taxes are assessed on tangible personal property at 88% of true value. 2003 tangible personal property taxes are levied after October 1, 2002, on the value listed as of December 31, 2002 and are collected in 2003. Tangible personal property assessments are 25% of true value.

The assessed value upon which the 2003 taxes were collected was \$86,720,480. Real estate represented 93% (\$80,910,700) of this total, tangible personal property represented 5% (\$4,500,200), and public utilities tangible personal property represented 2% (\$1,309,580). The full tax rate for all City operations applied to taxable property for the year ended December 31, 2003 was \$12.35 per \$1,000 of assessed valuation.

Real and public utility property taxes are payable annually or semi-annually. If paid annually, payment is due February 20. If paid semi-annually, the first payment is due December 31, with the remainder payable by July 20. Under certain circumstances, state statute permits alternate payment dates to be established.

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

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which became measurable as of December 31, 2003. Total property tax collections for the next fiscal year are measurable amounts, however, since these tax collections will not be received during the available period nor are they intended to finance 2003 operations, the receivable is offset by a credit to deferred revenue.

#### NOTE 7 - RECEIVABLES

Receivables at December 31, 2003 consisted of taxes, accounts (billings for user charged services including unbilled utility services), loans, and intergovernmental receivables arising from grants and shared revenues. All receivables are deemed collectible in full.

The special revenue funds reflect housing rehabilitation loans receivable of \$432,000. The housing rehabilitation loans receivable are for the principal owed to the City for Community Housing Improvement Program grants loaned to Woda Construction to renovate several historical buildings into low-income housing apartments. The loans were issued at zero percent interest. The loans are to be repaid over periods ranging from fifteen to twenty years. Also, included in the Special Revenue Funds are revolving loans of \$26,806. These business revolving loans were issued to local downtown business owners to improve their facades and sidewalks. The loans were issued at 3% interest. They are to be repaid over periods ranging from three to ten years.

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the General Purpose Financial Statements  
December 31, 2003**

**NOTE 7 – RECEIVABLES (Continued)**

A summary of intergovernmental receivables follows:

General Fund:			
Estate tax		\$	40,153
Homestead and rollback			16,685
Local government			104,726
			<u>161,564</u>
Special Revenue Funds:			
Permissive tax			13,085
Gasoline tax			55,543
Motor vehicle license tax and fees			23,161
Homestead and rollback			19,678
Community Housing Improvement Program (CHIP) Grant			25,606
COPS Fast Grant			10,045
Ohio Department of Natural Resources (ODNR) Nature Works Grant			50,000
Ohio Public Works Commission (OPWC) Bike Trail Enhancement Grant			102,225
			<u>299,343</u>
Capital Projects:			
Transportation Equity Act Grant			<u>1,342,104</u>
Total intergovernmental receivables		\$	<u>1,803,011</u>

**NOTE 8 - FIXED ASSETS AND DEPRECIATION**

A summary of changes in general fixed assets during 2003 were as follows:

	<u>Balance 1/1/2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2003</u>
Land	\$ 254,639	\$ 0	\$ 0	\$ 254,639
Buildings	2,146,463	71,274	0	2,217,737
Improvements, other than buildings	41,679	600	0	42,279
Machinery, Equipment & Fixtures	393,616	28,267	(14,146)	407,737
Vehicles	226,419	38,155	0	264,574
	<u>\$ 3,062,816</u>	<u>\$ 138,296</u>	<u>\$ (14,146)</u>	<u>\$ 3,186,966</u>

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the General Purpose Financial Statements  
December 31, 2003**

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NOTE 8 - FIXED ASSETS AND DEPRECIATION (Continued)

Proprietary Fund fixed assets by major classes of fixed assets at December 31, 2003:

	<u>December 31, 2003</u>
Land	\$ 30,000
Buildings	2,429,086
Improvements other than Buildings	18,146,382
Machinery, Equipment and Fixtures	669,135
Vehicles	<u>270,530</u>
	21,545,133
Accumulated Depreciation	<u>(12,215,730)</u>
Net Fixed Assets	<u>\$ 9,329,403</u>

NOTE 9 - RISK MANAGEMENT

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

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

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

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

### **Notes to the General Purpose Financial Statements December 31, 2003**

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#### NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System:

All full-time employees, other than non-administrative full-time police officers, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing, multiple employer, public employee retirement system administered by the Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report, which may be obtained by writing to the Ohio Public Employee Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5% of their annual covered salary to fund pension obligations. The 2003 employer pension contribution for the City was 13.55% of covered payroll. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 2003, 2002 and 2001 were \$180,131, \$163,284 and \$152,209, respectively. The full amount has been contributed for 2002 and 2001. 92% has been contributed for 2003 with the remainder being reported as a liability in the enterprise funds and general long-term obligations account group.

B. Ohio Police and Fire Pension Fund

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

Police and firefighters are required to contribute 10% of their annual covered salary to fund pension obligations and the City is required to contribute 19.5% for police. The City has no firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police for the years ended December 31, 2003, 2002 and 2001 were \$70,638, \$67,260 and \$61,749, respectively. The full amount has been contributed for 2002 and 2001. 74% has been contributed for 2003 with the remainder being reported as a liability in the general long-term obligations account group.

C. Medicare System:

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

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

### **Notes to the General Purpose Financial Statements December 31, 2003**

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#### NOTE 11 - POSTEMPLOYMENT BENEFITS

##### A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System of Ohio (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 employer contribution rate was 13.55% of covered payroll, 5.00% was the portion that was used to fund health care for 2003.

Benefits are advanced-funded using the age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8.00%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase 4% annually.

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

The number of active contributing participants was 364,881. The City's actual contributions for 2003 which were used to fund postemployment benefits were \$66,468. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2002 (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

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

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5% of covered payroll, of which 7.75% of covered payroll was applied to the postemployment health care program during 2003. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 2003 that were used to fund postemployment benefits were \$28,043 for police. The City has no firefighters. The OP&F's total health care expenses for the year ended December 31, 2002 (the latest information available) were \$141,028,006, which was net of member contributions of \$12,623,875. The number of OP&F participants eligible to receive health care benefits as of December 31, 2002 was 13,527 for police and 10,396 for firefighters.



**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the General Purpose Financial Statements  
December 31, 2003**

**NOTE 12 - OTHER EMPLOYEE BENEFITS**

**A. Additional Insurance**

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

The City contracts with Health Plan of the Upper Ohio Valley for hospitalization insurance; Delta Dental for dental insurance; for all employees, excluding part-time elected officials, part-time appointed officials, and part-time employees. The City offers Ohio AFSCME Eye Care and Hearing Care for AFSCME and FOP members. The City contracts with Vision Service Plan for eye care for full-time employees that are not in a union and elected officials who choose to pay for it themselves. The City and employees share the cost of the total monthly premiums of \$786.88 family health care, \$314.76 single health care; \$85.62 family dental care, \$25.58 single dental care, employee and one dependent dental care \$68.49; and \$7.25 family or single eye and hearing care. Health insurance co-payments for doctors' visits are reimbursed by the City. Premiums and co-payments are paid from the same funds that pay the employee's salaries.

**B. Compensated Absences**

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn vacation time based on the length of service. Typically, vacation can not be carried over, however, unforeseen circumstances may come into play and the superintendent may elect to permit an employee to carryover minimal vacation time. Sick leave is accumulated at a rate of 4.6 hours per each 80 hours worked. For employees that work less than a 40 hour work week, the sick leave accumulation is prorated based on 4.6 hours per 80 hours worked. All accumulated, unused vacation time and personal days are paid upon separation if the employee has acquired at least one year of service with the City. Upon separation, AFSCME members and non-union employees other than police, are paid for a maximum of 400 hours of accumulated sick time provided they have ten years of service with PERS. Police are paid a maximum of 400 hours of accumulated sick time provided they have ten years of service with the City. Upon separation, police are paid all accumulated unused comp time up to a maximum of 60 hours. As of December 31, 2003, the liability for unpaid compensated absences was \$159,194.

**NOTE 13 - CONTRACTUAL COMMITMENTS**

As of December 31, 2003, the City had contractual commitments for the following projects:

	<u>Contractual Commitment</u>	<u>Expended</u>	<u>Balance 12/31/2003</u>
Burgess & Niple – engineering	\$ 612	\$ 0	\$ 612
American Suncraft Construction – clean and repair water tank	103,290	94,761	8,529
Street Engineering & Surveying – paving project	115,000	90,000	25,000
Street Engineering & Surveying – surveying and sketch plan	<u>3,000</u>	<u>0</u>	<u>3,000</u>
	<u>\$ 221,902</u>	<u>\$ 184,761</u>	<u>\$ 37,141</u>

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the General Purpose Financial Statements  
December 31, 2003**

**NOTE 14 - LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the City during the year ended December 31, 2003 consisted of the following:

	<u>Outstanding 12/31/2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12/31/2003</u>
<b><u>Enterprise Funds Obligations</u></b>				
General Obligation Bonds:				
Sewer Bonds - 5.70%-7.00%, matures 12/1/2007	\$ 185,000	\$ 0	\$ (185,000)	\$ 0
Mortgage Revenue Bonds:				
Sewer Bonds - 5.90%-7.20%, matures 6/1/2007	535,000	0	(535,000)	0
OPWC Loan:				
Sewer Fund - 4.00%, matures 1/1/2009	122,883	0	(18,507)	104,376
Sewer Fund - 2.00%, matures 1/1/2004	164,935	49,955	0	214,890
Water Fund - .02%, matures 7/1/2006	0	16,804	0	16,804
Sewer Fund - .02%, matures 7/1/2024	0	133,216	0	133,216
OWDA Loan:				
Water Fund-12.00%, matures 11/2008	466,758	0	(73,473)	393,285
Rural Development Loan:				
Joint Sewer Project - 6.125%, matures 1/1/2032	135,385	0	(1,686)	133,699
Capital lease	21,480	0	(5,942)	15,538
<b>Total Enterprise Funds</b>	<b>1,631,441</b>	<b>199,975</b>	<b>(819,608)</b>	<b>1,011,808</b>
<b><u>General Long Term Obligations</u></b>				
Compensated Absences	82,705	0	(7,286)	75,419
Intergovernmental Payable	39,989	25,996	(39,989)	25,996
Capital Lease	8,551	0	(3,933)	4,618
Special Assessment Bonds-5.40%-7.00%	85,000	0	(15,000)	70,000
<b>Total General Long Term Obligations</b>	<b>216,245</b>	<b>25,996</b>	<b>(66,208)</b>	<b>176,033</b>
<b>Grand Total</b>	<b>\$ 1,847,686</b>	<b>\$ 225,971</b>	<b>\$ (885,816)</b>	<b>\$ 1,187,841</b>

General obligation bonds, mortgage revenue bonds, the OPWC loan, the OWDA loan, and the Enterprise Fund capital lease will be paid from revenues derived from charges for services in the Enterprise funds. The City and Belmont County are jointly obligated for the Rural Development Loan for Water Works System #3, Phase I Project. At December 31, 2003, the total debt was \$1,824,000 with the City's share being 7.33% or \$133,699. Compensated absences will be paid from the fund from which the employees' salaries are paid. The Enterprise Fund capital lease will be paid from user charges and the General Long Term Obligation lease will be paid from the General Fund revenues. The special assessment bonds will be paid from revenues assessed to property owners. Any shortage between special assessments collected and the required bond payments will be covered by General Fund revenues.

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the General Purpose Financial Statements  
December 31, 2003**

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

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

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

The City has been awarded a \$17,773 Ohio Public Works Commission loan in 2003 for the costs associated with the Water Storage Tank Repairs Project. The City has drawn down \$16,804 in 2003.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2003 are as follows:

Year	Enterprise			General Long-Term Obligations Account Group	Total
	OPWC Loans	OWDA Loans	Rural Development Loan	Special Assessment Bonds	
2004	\$ 46,378	\$ 129,484	\$ 9,948	\$ 19,885	\$ 205,695
2005	53,553	129,484	9,987	18,850	211,874
2006	48,998	129,484	9,944	22,800	211,226
2007	44,443	129,484	9,969	21,400	205,296
2008	44,443	0	9,985	0	54,428
2009-2013	92,929	0	49,860	0	142,789
2014-2018	119,107	0	49,799	0	168,906
2019-2023	106,018	0	49,877	0	155,895
2024-2028	4,057	0	49,757	0	53,814
2029-2032	0	0	39,885	0	39,885
	<u>\$ 559,926</u>	<u>\$ 517,936</u>	<u>\$ 289,011</u>	<u>\$ 82,935</u>	<u>\$ 1,449,808</u>

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the General Purpose Financial Statements  
December 31, 2003**

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NOTE 15 - NOTE DEBT

The City's note activity for 2003, including amounts outstanding, interest rates, and the purpose for which the note was issued, is as follows:

	<u>Outstanding 12/31/2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12/31/2003</u>
Bike Trail Fund: Construction - 2.56%	\$ 279,000	\$ 261,500	\$ (279,000)	\$ 261,500
Water Fund: Vehicles and Reservoir Improvements - 2.56%	320,000	290,000	(320,000)	290,000
Sewer Fund: Vehicles, Chlorine Removal and West End Improvements - 2.56%	215,000	671,000	(215,000)	671,000
Light Fund: Light Garage - 2.56%	<u>1,400,000</u>	<u>1,300,000</u>	<u>(1,400,000)</u>	<u>1,300,000</u>
Total	<u>\$ 2,214,000</u>	<u>\$ 2,522,500</u>	<u>\$ (2,214,000)</u>	<u>\$ 2,522,500</u>

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

NOTE 16 – CAPITALIZED LEASES

In prior years the City entered into two leases for the acquisition of a copier in the finance department and a mailing system. Both leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments will be reclassified and reflected as debt service in the general purpose financial statements. These expenditures are also reflected as debt service expenditures on the budgetary basis for the governmental funds.

The fixed assets acquired by the leases have been capitalized in the general fixed assets account group and the enterprise funds in the amounts of \$9,729 and \$29,469, respectively, 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 general long-term obligations account group and the enterprise fund and is reduced for each required principal payment.

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the General Purpose Financial Statements  
December 31, 2003**

NOTE 16 – CAPITALIZED LEASES (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2003:

		Finance Department Copier	Mailing System	Total
Year ending	2004	\$ 679	\$ 7,618	\$ 8,297
	2005	0	7,618	7,618
	2006	0	5,714	5,714
		679	20,950	21,629
Less: amount representing interest		(24)	(1,449)	(1,473)
Present value of minimum lease payments		<u>\$ 655</u>	<u>\$ 19,501</u>	<u>\$ 20,156</u>

NOTE 17 – INTERFUND ACTIVITY

As of December 31, 2003, receivables and payables that resulted from interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 17,396	\$ 0
Enterprise:		
Light Fund	<u>0</u>	<u>17,396</u>
	<u>\$ 17,396</u>	<u>\$ 17,396</u>

**CITY OF ST. CLAIRSVILLE, OHIO**

**Notes to the General Purpose Financial Statements  
December 31, 2003**

**NOTE 18 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The City's enterprise fund account for the provision of water, waste water, electric and utility deposits. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise funds of the City of St. Clairsville as of and for the year December 31, 2003:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Light Fund</u>	<u>Total Funds</u>
Operating Revenues	\$ 750,938	\$ 747,321	\$ 2,331,229	\$ 3,829,488
Operating Expenses	696,001	197,442	2,333,969	3,227,412
Depreciation	163,353	431,252	120,726	715,331
Operating Income (Loss)	(108,416)	118,627	(123,466)	(113,255)
Taxes	0	0	217,470	217,470
Intergovernmental Revenue	53,577	17,101	0	70,678
Investment Earnings	0	1,120	0	1,120
Interest and Fiscal Charges	(50,026)	(49,516)	(25,103)	(124,645)
Loss on Disposal of Fixed Assets	(3,124)	(1,373)	(32,248)	(36,745)
Net Income (Loss)	(107,989)	85,959	36,653	14,623
Net Working Capital	297,195	186,592	2,979,011	3,462,798
Total Assets	3,207,200	4,337,748	5,561,067	13,106,015
Long Term Liabilities to be				
Paid from Fund Revenues	732,379	1,280,046	1,334,873	3,347,298
Total Equity	2,407,635	3,006,973	4,030,295	9,444,903
Encumbrances Outstanding at December 31, 2003	33,765	16,500	254,518	304,783

**NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS**

- A. Ohio Mid-Eastern Governments Association (OMEGA) is a ten county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum, and Tuscarawas counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a sixteen member executive board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. The Mayor of the City of St. Clairsville serves as the City's representative on the board, however the City is not active. Each member currently pays a per capita membership fee based upon the most recent United States census. During 2003, no fees were paid to OMEGA. The continued existence of OMEGA is not dependent on the City's continued participation and no equity interest exists. OMEGA has no outstanding debt.
  
- B. Jefferson-Belmont Joint Solid Waste Authority is established by State statutes and is operated to provide solid waste services to Jefferson and Belmont counties. The Authority is governed by a fourteen member board of directors of which the Mayor of the City of St. Clairsville is a member. The Authority is not dependent on the City of St. Clairsville for its continued existence, no debt exists, and the City does not maintain an equity interest. The City does not make any monetary contributions to the Authority.

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

### **Notes to the General Purpose Financial Statements December 31, 2003**

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#### NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

- C. Bel-O-Mar Regional Council is operated as a non-profit organization formed to provide planning and administrative services to all local governments in a four county region comprised of Belmont County, Ohio and three counties in West Virginia. The governing board is comprised of 58 officials from the four county service area of which three members and one alternate member are appointed by Belmont County and one member is appointed by each local government within Belmont County. The Mayor of the City of St. Clairsville serves as the City's representative on the board. The Council is not dependent upon the City of St. Clairsville for its continued existence, no debt exists, and the City does not maintain an equity interest. During 2003, Bel-O-Mar Regional Council received annual fees of \$1,416.
- D. Southeastern Ohio Narcotics Task Force (SENT) is a multi jurisdictional drug task force with the primary goal of combating major narcotic traffickers in Belmont, Carroll, Guernsey, Harrison, Monroe, and Tuscarawas counties. The Task Force is jointly governed among the participating counties and cities. A grant is received from the State of Ohio of which the participating entities must match 25%. Of the 14 members of the board, the Police Chief of the City of St. Clairsville acts as the City's representative on the board. Each member's control over the operation of SENT is limited to its representation on the board, and the City does not maintain an equity interest. During 2003, the City made no contribution to the Task Force.
- E. Belmont County Board of Health is operated as a non-profit organization formed to provide health care services to all areas within Belmont County. The governing board is comprised of officials from Belmont County. The City of St. Clairsville has a contract with the Board of Health. The Board is not dependent upon the City of St. Clairsville for its continued existence, no debt exists, and the City does not maintain an equity interest. During 2003, Belmont County Board of Health received \$30,982 from the City of St. Clairsville for annual fees, which are deducted from the property tax collections and distributed to the Board by the County Auditor.

#### NOTE 20 - CONTINGENCIES

- A. Grants:  
The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2003.
- B. Litigation:  
The City of St. Clairsville is not party to any litigation.

# Rea & Associates, Inc.

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ACCOUNTANTS AND BUSINESS CONSULTANTS

September 1, 2004

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

Independent Auditor's Report on Compliance and Internal Control  
Over Financial Reporting Based on an Audit of General Purpose Financial Statements  
Performed in Accordance with Government Auditing Standards

We have audited the general purpose financial statements of the City of St. Clairsville (the "City") as of and for the year ended December 31, 2003, and have issued our report thereon dated September 1, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control structure over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the City in separate letter dated September 1, 2004.

This report is intended for the information and use of the Mayor, City Council, and management and is not intended to be and should not be used by anyone other than these specified parties.

*Rea & Associates, Inc.*





**Auditor of State  
Betty Montgomery**

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Facsimile 614-466-4490

**CITY OF ST. CLAIRSVILLE  
BELMONT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 16, 2004**