



Dave Yost • Auditor of State

**CITY OF ST. CLAIRSVILLE
BELMONT COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	14
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund	17
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual – Police Fund	18
Statement of Fund Net Assets – Proprietary Funds	19
Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds.....	20
Statement of Cash Flows – Proprietary Funds	21
Statement of Fiduciary Assets and Liabilities – Agency Funds	22
Notes to the Basic Financial Statements.....	23
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	57
Schedule of Findings.....	59
Schedule of Prior Audit Findings.....	62

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of St. Clairsville, Belmont County, Ohio (the City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of St. Clairsville, Belmont County, Ohio, as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General and Police Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the financial statements, the City adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

743 East State Street, Athens Mall Suite B, Athens, Ohio 45701-2157
Phone: 740-594-3300 or 800-441-1389 Fax: 740-594-2110

www.ohioauditor.gov

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

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

Dave Yost
Auditor of State

December 20, 2012

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

The discussion and analysis of the City of St. Clairsville's (the City) financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2011. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- General Revenues accounted for \$2,354,758 in revenue or 69.9 percent of all revenues for governmental activities and \$169,689 or 2.5 percent of all revenues in business-type activities. Program specific revenues in the form of charges for services and sales, grants, contributions and interest accounted for \$1,013,904 or 30.1 percent of total revenues of \$3,368,662 for governmental activities. Business-type accounted for \$6,553,895 of program specific revenues or 97.5 percent of total revenues of \$6,723,584.
- Total program expenses were \$9,394,562, \$2,581,340 in governmental activities and \$6,813,222 in business-type activities.
- In total, net assets increased \$697,684. Net assets of governmental activities increased \$787,322. Net assets of business-type activities decreased \$89,638 from 2010.
- Outstanding debt, including capital leases, decreased from \$8,047,239 in 2010 to \$7,806,495 in 2011. This decrease was a result of principal payments during the year.

Using this Annual Financial Report

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

The Statement of Net Assets and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2011 and how they affected the operations of the City as a whole.

Reporting the City of St. Clairsville as a Whole

Statement of Net Assets and the Statement of Activities

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

City of St. Clairsville
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2011
(Unaudited)

A question typically asked about the City's finances "How did we do financially during fiscal year 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

Fund Financial Statements

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

Governmental Funds - Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. This shows what level of financial resources is available or will be available to provide the services that the general government provides in the near future. These services include police protection, as well as improving and maintaining the City's streets, parks, cemeteries and City Hall. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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

City of St. Clairsville
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2011
(Unaudited)

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

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

The City of St. Clairsville as a Whole

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

Table 1 provides a summary of the City's net assets for 2011 compared to 2010:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets:						
Current and Other Assets	\$ 3,176,160	\$ 2,667,753	\$ 4,779,522	\$ 4,404,856	\$ 7,955,682	\$ 7,072,609
Capital Assets	7,800,745	7,533,432	7,560,091	8,335,028	15,360,836	15,868,460
Total Assets	10,976,905	10,201,185	12,339,613	12,739,884	23,316,518	22,941,069
Liabilities:						
Long-Term Liabilities	1,342,360	1,351,256	6,613,432	6,833,060	7,955,792	8,184,316
Other Liabilities	904,897	907,603	602,852	693,857	1,507,749	1,601,460
Total Liabilities	2,247,257	2,258,859	7,216,284	7,526,917	9,463,541	9,785,776
Net Assets:						
Invested in Capital						
Assets, Net of Debt	6,560,890	6,273,016	1,738,390	2,685,569	8,299,280	8,958,585
Restricted	1,605,727	1,547,519	0	0	1,605,727	1,547,519
Unrestricted	563,031	121,791	3,384,939	2,527,398	3,947,970	2,649,189
Total Net Assets	\$ 8,729,648	\$ 7,942,326	\$ 5,123,329	\$ 5,212,967	\$ 13,852,977	\$ 13,155,293

Total assets increased by \$375,449 with governmental assets increasing \$775,720 and business-type assets decreasing \$400,271. The \$508,407 increase in current assets of the governmental activities was due to significant increases in property taxes receivable due to a new levy in 2011 and estate taxes receivable. The City also implemented an income tax and began collecting revenue in 2011. Capital assets of the governmental activities increased \$267,313, the result of current year acquisitions exceeding depreciation. Capital assets of the business-type activities decreased \$774,937 due to depreciation exceeding current year acquisitions.

City of St. Clairsville
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2011
(Unaudited)

Total liabilities decreased by \$322,235 with governmental liabilities decreasing \$11,602 and business-type liabilities decreasing \$310,633. The decrease in business-type activities was due largely to repayments of debt in 2011.

Total net assets increased by \$697,684. This number reflects an increase of \$787,322 in governmental activities and a decrease of \$89,638 in the net assets of the business-type activities. Table 2 shows the changes in net assets for fiscal years 2011 and 2010. This table presents two fiscal years in side-by-side comparisons. This will enable the reader to draw further conclusion about the City's financial status and possibly project future problems.

(Table 2)
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 288,022	\$ 293,231	\$ 6,553,543	\$ 6,357,620	\$ 6,841,565	\$ 6,650,851
Operating Grants	451,675	785,145	352	0	452,027	785,145
Capital Grants	274,207	2,703	0	0	274,207	2,703
<i>General Revenues:</i>						
Property Taxes	780,143	712,279	0	5,691	780,143	717,970
Income Taxes	688,458	0	0	0	688,458	0
Kilowatt Per Hour Taxes	205,005	207,899	26,275	15,103	231,280	223,002
Grants and Entitlements	579,210	662,974	0	0	579,210	662,974
Investments	42,428	57,072	0	0	42,428	57,072
Other	59,514	57,335	143,414	46,555	202,928	103,890
Total Revenues	3,368,662	2,778,638	6,723,584	6,424,969	10,092,246	9,203,607
Program Expenses						
General Government	305,938	295,458	0	0	305,938	295,458
Security of Persons and Property	994,497	991,581	0	0	994,497	991,581
Transportation	475,697	635,719	0	0	475,697	635,719
Public Health Services	32,215	16,197	0	0	32,215	16,197
Community and Economic Development	327,754	255,985	0	0	327,754	255,985
Leisure Time Activities	400,435	433,133	0	0	400,435	433,133
Interest and Fiscal Charges	44,804	48,232	0	0	44,804	48,232
<i>Enterprise Operations:</i>						
Water	0	0	1,046,337	1,192,309	1,046,337	1,192,309
Sewer	0	0	1,071,838	1,000,063	1,071,838	1,000,063
Light	0	0	4,695,047	5,222,177	4,695,047	5,222,177
Total Program Expenses	2,581,340	2,676,305	6,813,222	7,414,549	9,394,562	10,090,854
Increase (Decrease) in Net Assets Before Transfers	787,322	102,333	(89,638)	(989,580)	697,684	(887,247)
Transfers	0	162,100	0	(162,100)	0	0
Increase (Decrease) in Net Assets	\$ 787,322	\$ 264,433	\$ (89,638)	\$ (1,151,680)	\$ 697,684	\$ (887,247)

City of St. Clairsville
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2011
(Unaudited)

Governmental Activities

The funding for the governmental activities comes from several different sources. Prominent sources are property taxes, kilowatt per hour taxes, grants and entitlements, and charges for services. General revenues include property and income taxes, kilowatt per hour taxes, and grants and entitlements, such as local government funds. With the combination of general and program revenues, all expenses in the governmental activities are funded. The City monitors its source of revenues very closely for fluctuations. Intergovernmental revenues decreased this year due to a large decrease in operating and capital grants. These grants in the transportation enhancement and federal highway funds had final draws in 2011 which accounts for the large decrease in transportation.

Security of persons and property represents the largest expense of the Governmental Activities. This expense of \$994,497 represents 38.5 percent of the total governmental activities expenses. This department operates out of the police fund.

Business-Type Activities

Business-type activities include water, sewer and light operations. The revenues are generated primarily from charges for services. In 2011, charges for services of \$6,553,543 accounted for 97.5 percent of the business-type revenues. The total expenses for the utilities were \$6,813,222 thus leaving a decrease in net assets of \$89,638 for the business-type activities.

The City's Funds

Information about the City's governmental funds begins on page 13. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues (including other financing sources) of \$3,873,618 and expenditures (including other financing uses) of \$3,810,629. The City's general fund balance increased by \$46,268. This is due to a large estate tax settlement and the implementation of an income tax. The police fund balance increased by \$6,267. This increase in fund balance was achievable, primarily from the transfer of funds from the general fund. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

Information about the proprietary funds starts on page 19. These funds are accounted for on an accrual basis. All business-type funds had operating expenses of \$6,521,885 and operating revenues of \$6,696,957.

City of St. Clairsville
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2011
(Unaudited)

General Fund Budgeting Highlights

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

During the course of 2011, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Finance Director. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the general fund, final budget basis revenue was \$1,381,000 and the original budget estimate was \$903,000. Of this \$478,000 increase, most was attributable to income tax revenue. The City began collecting income tax revenue in 2011.

Final appropriations (including other financing uses) of \$1,426,251 were \$477,000 higher than the \$949,251 in the original budget. This increase is due to increases in transfers out and general government expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of year 2011, the City had \$15,360,836 in land, buildings, improvements other than buildings, machinery and equipment, vehicles, and infrastructure. A total of \$7,800,745 of this was for governmental activities with the remainder attributable to business-type activities. Table 3 shows fiscal year 2011 balances compared with 2010.

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 1,271,438	\$ 1,271,438	\$ 320,596	\$ 320,596	\$ 1,592,034	\$ 1,592,034
Buildings	258,879	301,601	1,491,509	1,563,872	1,750,388	1,865,473
Improvements Other Than Buildings	183,540	75,895	0	0	183,540	75,895
Machinery and Equipment	198,426	229,701	305,009	355,537	503,435	585,238
Vehicles	150,061	142,960	82,725	94,726	232,786	237,686
Infrastructure	5,738,401	5,511,837	5,360,252	6,000,297	11,098,653	11,512,134
Construction in Progress	0	0	0	0	0	0
Totals	\$ 7,800,745	\$ 7,533,432	\$ 7,560,091	\$ 8,335,028	\$ 15,360,836	\$ 15,868,460

The \$507,624 decrease in capital assets was attributable to current year depreciation exceeding current year additions. Note 9 provides capital asset activity during the 2011 year.

City of St. Clairsville
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2011
(Unaudited)

Debt

The outstanding debt for the City of St. Clairsville as of December 31, 2011 was \$7,806,495 with \$330,493 due within one year. Table 4 summarizes outstanding debt.

(Table 4)
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	\$ 165,000	\$ 210,000	\$6,114,063	\$6,307,110	\$6,279,063	\$6,517,110
Rural Development Bonds	0	0	115,960	121,238	115,960	121,238
OPWC Loans	271,789	206,217	336,617	358,475	608,406	564,692
Recreation Commercial Loan	784,311	824,245	0	0	784,311	824,245
Capital Leases	18,755	19,954	0	0	18,755	19,954
<i>Total</i>	<u>\$1,239,855</u>	<u>\$1,260,416</u>	<u>\$6,566,640</u>	<u>\$6,786,823</u>	<u>\$7,806,495</u>	<u>\$8,047,239</u>

The recreation commercial loan is for the purpose of acquiring land. The principal and interest for this bond is paid from the collection of recreation fees and general revenues. The OPWC loans and the Rural Development Bonds are for various water and sewer projects. The general obligation bonds are to fund various projects throughout the City.

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

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Cindi Henry, Finance Director of St. Clairsville, Ohio, Municipal Building, St. Clairsville, or chenry@stclairsville.com.

This page intentionally left blank.

City of St. Clairsville
Statement of Net Assets
December 31, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Community Improvement Corporation
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 387,622	\$ 3,186,866	\$ 3,574,488	\$ 900
Cash and Cash Equivalents in Segregated Accounts	725	0	725	0
Taxes Receivable	1,102,681	17,115	1,119,796	0
Accounts Receivable	27,689	664,159	691,848	0
Intergovernmental Receivable	1,099,302	0	1,099,302	0
Loans Receivable	660,650	0	660,650	0
Internal Balances	(250,000)	250,000	0	0
Materials and Supplies Inventory	147,491	420,879	568,370	0
Deferred Charges	0	88,256	88,256	0
Restricted Assets:				
Customer Deposits	0	152,247	152,247	0
Non-Depreciable Capital Assets	1,271,438	320,596	1,592,034	46,343
Depreciable Capital Assets, Net	6,529,307	7,239,495	13,768,802	909,826
<i>Total Assets</i>	<u>10,976,905</u>	<u>12,339,613</u>	<u>23,316,518</u>	<u>957,069</u>
Liabilities				
Accounts Payable	34,923	296,724	331,647	0
Accrued Wages	37,155	35,616	72,771	0
Intergovernmental Payable	67,235	33,738	100,973	0
Undistributed Monies	725	0	725	0
Deposits Held and Due to Others	0	152,247	152,247	0
Accrued Interest Payable	3,628	21,789	25,417	286
Matured Compensated Absences	0	10,713	10,713	0
Accrued Vacation Leave Payable	27,391	52,025	79,416	0
Deferred Revenue	733,840	0	733,840	0
Long-Term Liabilities:				
Due Within One Year	157,730	219,710	377,440	5,741
Due in More Than One Year	1,184,630	6,393,722	7,578,352	302,970
<i>Total Liabilities</i>	<u>2,247,257</u>	<u>7,216,284</u>	<u>9,463,541</u>	<u>308,997</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	6,560,890	1,738,390	8,299,280	956,169
Restricted for Capital Outlay	163,523	0	163,523	0
Restricted for Other Purposes	1,442,204	0	1,442,204	0
Unrestricted	563,031	3,384,939	3,947,970	(308,097)
<i>Total Net Assets</i>	<u>\$ 8,729,648</u>	<u>\$ 5,123,329</u>	<u>\$ 13,852,977</u>	<u>\$ 648,072</u>

See accompanying notes to the basic financial statements.

City of St. Clairsville
Statement of Activities
For the Year Ended December 31, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net			Component
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total	Unit
Governmental Activities								
General Government	\$ 305,938	\$ 145,034	\$ 0	\$ 0	\$ (160,904)	\$ 0	\$ (160,904)	\$ 0
Security of Persons and Property	994,497	40,505	96,177	0	(857,815)	0	(857,815)	0
Public Health Services	32,215	0	0	0	(32,215)	0	(32,215)	0
Lesiure Time Activities	400,435	102,440	325	0	(297,670)	0	(297,670)	0
Community and Economic Development	327,754	43	21,555	274,207	(31,949)	0	(31,949)	0
Transportation	475,697	0	333,618	0	(142,079)	0	(142,079)	0
Interest and Fiscal Charges	44,804	0	0	0	(44,804)	0	(44,804)	0
<i>Total Governmental Activities</i>	<u>2,581,340</u>	<u>288,022</u>	<u>451,675</u>	<u>274,207</u>	<u>(1,567,436)</u>	<u>0</u>	<u>(1,567,436)</u>	<u>0</u>
Business-Type Activities								
Water	1,046,337	876,321	0	0	0	(170,016)	(170,016)	0
Sewer	1,071,838	795,066	352	0	0	(276,420)	(276,420)	0
Light	4,695,047	4,882,156	0	0	0	187,109	187,109	0
<i>Total Business-Type Activities</i>	<u>6,813,222</u>	<u>6,553,543</u>	<u>352</u>	<u>0</u>	<u>0</u>	<u>(259,327)</u>	<u>(259,327)</u>	<u>0</u>
<i>Total - Primary Government</i>	<u>\$ 9,394,562</u>	<u>\$ 6,841,565</u>	<u>\$ 452,027</u>	<u>\$ 274,207</u>	<u>(1,567,436)</u>	<u>(259,327)</u>	<u>(1,826,763)</u>	<u>0</u>
Component Unit								
Community Improvement Corporation	\$ 286	\$ 0	\$ 0	\$ 43,450	0	0	0	43,164

General Revenues:

Property Taxes Levied for:								
General Purposes					244,853	0	244,853	0
Police					535,290	0	535,290	0
Income Taxes Levied for:								
General Purposes					344,229	0	344,229	0
Capital Improvements					344,229	0	344,229	0
Kilowatt Per Hour Taxes Levied for:								
General Purposes					205,005	0	205,005	0
Utilities					0	26,275	26,275	0
Grants and Entitlements Not Restricted to Specific Programs					579,210	0	579,210	0
Investment Earnings					42,428	0	42,428	0
Other					59,514	143,414	202,928	0
<i>Total General Revenues</i>					<u>2,354,758</u>	<u>169,689</u>	<u>2,524,447</u>	<u>0</u>
<i>Change in Net Assets</i>					<u>787,322</u>	<u>(89,638)</u>	<u>697,684</u>	<u>43,164</u>
<i>Net Assets Beginning of Year</i>					<u>7,942,326</u>	<u>5,212,967</u>	<u>13,155,293</u>	<u>604,908</u>
<i>Net Assets End of Year</i>					<u>\$ 8,729,648</u>	<u>\$ 5,123,329</u>	<u>\$13,852,977</u>	<u>\$ 648,072</u>

See accompanying notes to the basic financial statements.

City of St. Clairsville
Balance Sheet
Governmental Funds
December 31, 2011

	<u>General</u>	<u>Police</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 87,937	\$ 18,219	\$ 281,466	\$ 387,622
Cash and Cash Equivalents				
in Segregated Accounts	0	0	725	725
Taxes Receivable	402,123	526,461	174,097	1,102,681
Accounts Receivable	27,679	0	10	27,689
Intergovernmental Receivable	438,298	41,891	619,113	1,099,302
Interfund Receivable	70,000	0	0	70,000
Loans Receivable	0	0	660,650	660,650
Due from Other Funds	0	0	113,229	113,229
Advances To Other Funds	860	0	0	860
Materials and Supplies Inventory	0	0	147,491	147,491
<i>Total Assets</i>	<u>\$ 1,026,897</u>	<u>\$ 586,571</u>	<u>\$ 1,996,781</u>	<u>\$ 3,610,249</u>
Liabilities				
Accounts Payable	\$ 4,955	\$ 17,532	\$ 12,436	\$ 34,923
Accrued Wages	870	21,287	14,998	37,155
Interfund Payable	0	0	70,000	70,000
Intergovernmental Payable	9,422	18,118	39,695	67,235
Undistributed Monies	0	0	725	725
Due to Other Funds	113,229	0	0	113,229
Advances From Other Funds	100,000	0	150,860	250,860
Deferred Revenue	764,076	568,352	695,372	2,027,800
<i>Total Liabilities</i>	<u>992,552</u>	<u>625,289</u>	<u>984,086</u>	<u>2,601,927</u>
Fund Balances				
Nonspendable	4,283	0	147,491	151,774
Restricted	0	0	895,886	895,886
Committed	0	0	68,160	68,160
Unassigned	30,062	(38,718)	(98,842)	(107,498)
<i>Total Fund Balances</i>	<u>34,345</u>	<u>(38,718)</u>	<u>1,012,695</u>	<u>1,008,322</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,026,897</u>	<u>\$ 586,571</u>	<u>\$ 1,996,781</u>	<u>\$ 3,610,249</u>

See accompanying notes to the basic financial statements.

City of St. Clairsville
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2011*

Total Governmental Fund Balances		\$ 1,008,322
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		7,800,745
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Intergovernmental	\$ 1,028,791	
Income Taxes	191,120	
Property Taxes	<u>74,049</u>	
Total		1,293,960
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(3,628)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Commercial Loan	(784,311)	
Capital Leases	(18,755)	
OPWC Loans	(271,789)	
General Obligation Bonds	(165,000)	
Accrued Vacation Payable	(27,391)	
Compensated Absences	<u>(102,505)</u>	
Total		<u>(1,369,751)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$ 8,729,648</u></u>

See accompanying notes to the basic financial statements.

City of St. Clairsville
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2011

	General	Police	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Taxes	\$ 446,684	\$ 501,509	\$ 26,997	\$ 975,190
Income Taxes	248,669	0	248,669	497,338
Charges for Services	0	39,440	102,483	141,923
Licenses and Permits	119,146	0	0	119,146
Fines and Forfeitures	10,626	0	1,927	12,553
Intergovernmental	321,487	81,851	637,651	1,040,989
Interest	42,428	0	2,956	45,384
Rent	14,400	0	0	14,400
Contributions and Donations	0	0	17,385	17,385
Other	11,057	19,845	28,612	59,514
<i>Total Revenues</i>	<u>1,214,497</u>	<u>642,645</u>	<u>1,066,680</u>	<u>2,923,822</u>
Expenditures				
Current:				
General Government	288,027	0	440	288,467
Security of Persons and Property	3,567	881,345	87,641	972,553
Public Health Services	32,215	0	0	32,215
Lesiure Time Activities	0	0	299,386	299,386
Community and Economic Development	0	0	250,665	250,665
Transportation	0	0	370,912	370,912
Capital Outlay	0	29,056	551,910	580,966
Debt Service:				
Principal Retirement	0	30,256	95,681	125,937
Interest and Fiscal Charges	0	1,177	43,931	45,108
<i>Total Expenditures</i>	<u>323,809</u>	<u>941,834</u>	<u>1,700,566</u>	<u>2,966,209</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>890,688</u>	<u>(299,189)</u>	<u>(633,886)</u>	<u>(42,387)</u>
Other Financing Sources (Uses)				
Transfers In	0	276,400	568,020	844,420
Proceeds of Loans	0	0	76,320	76,320
Inception of Capital Leases	0	29,056	0	29,056
Transfers Out	(844,420)	0	0	(844,420)
<i>Total Other Financing Sources (Uses)</i>	<u>(844,420)</u>	<u>305,456</u>	<u>644,340</u>	<u>105,376</u>
<i>Net Change in Fund Balances</i>	46,268	6,267	10,454	62,989
<i>Fund Balance (Deficit) Beginning of Year</i>	<u>(11,923)</u>	<u>(44,985)</u>	<u>1,002,241</u>	<u>945,333</u>
<i>Fund Balance (Deficit) End of Year</i>	<u>\$ 34,345</u>	<u>\$ (38,718)</u>	<u>\$ 1,012,695</u>	<u>\$ 1,008,322</u>

See accompanying notes to the basic financial statements.

City of St. Clairsville
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2011*

Net Change in Fund Balances - Total Governmental Funds	\$	62,989
 <i>Amounts reported for governmental activities in the statement of activities are different because</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital additions exceeded depreciation in the current period.		
Capital Asset Additions	\$ 521,872	
Current Year Depreciation	(254,559)	
Total		267,313
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes	9,958	
Income Taxes	191,120	
Intergovernmental	243,762	
Total		444,840
Repayment of bond, loan and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Capital Lease Principal	30,255	
General Obligation Bonds Principal	45,000	
Loans Principal	50,682	
Total		125,937
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		304
Proceeds of loans and capital leases in the governmental funds that increase long-term liability in the statement of net assets are not reported as revenues in the statement of activities.		
Loans	(76,320)	
Capital Leases	(29,056)	
Total		(105,376)
Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	(11,665)	
Vacation Payable	2,980	
Total		(8,685)
 <i>Change in Net Assets of Governmental Activities</i>	 \$	 <u>787,322</u>

See accompanying notes to the basic financial statements.

City of St. Clairsville
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 314,220	\$ 443,000	\$ 446,684	\$ 3,684
Income Taxes	138,462	333,800	196,833	(136,967)
Licenses and Permits	82,382	115,500	117,112	1,612
Fines and Forfeitures	8,799	8,200	12,509	4,309
Intergovernmental	311,828	331,100	443,285	112,185
Interest	29,846	100,000	42,428	(57,572)
Rent	10,130	14,400	14,400	0
Contributions and Donations	0	500	0	(500)
Other	7,333	34,500	10,424	(24,076)
<i>Total Revenues</i>	<u>903,000</u>	<u>1,381,000</u>	<u>1,283,675</u>	<u>(97,325)</u>
Expenditures				
Current:				
General Government	310,295	516,933	288,259	228,674
Security of Persons and Property	4,278	7,127	3,974	3,153
Public Health Services	34,678	57,771	32,215	25,556
<i>Total Expenditures</i>	<u>349,251</u>	<u>581,831</u>	<u>324,448</u>	<u>257,383</u>
<i>Excess of Revenues Over Expenditures</i>	<u>553,749</u>	<u>799,169</u>	<u>959,227</u>	<u>160,058</u>
Other Financing Uses				
Transfers Out	(600,000)	(844,420)	(844,420)	0
<i>Total Other Financing (Uses)</i>	<u>(600,000)</u>	<u>(844,420)</u>	<u>(844,420)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(46,251)	(45,251)	114,807	160,058
<i>Fund Balance Beginning of Year - Restated (See Note 3)</i>	34,093	34,093	34,093	0
Prior Year Encumbrances Appropriated	1,251	1,251	1,251	0
<i>Fund Balance End of Year</i>	<u>\$ (10,907)</u>	<u>\$ (9,907)</u>	<u>\$ 150,151</u>	<u>\$ 160,058</u>

See accompanying notes to the basic financial statements.

City of St. Clairsville
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Police Fund
For the Year Ended December 31, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 505,000	\$ 505,000	\$ 501,509	\$ (3,491)
Charges for Services	45,000	45,000	39,440	(5,560)
Intergovernmental	50,000	50,000	81,851	31,851
Other	25,000	25,000	19,845	(5,155)
<i>Total Revenues</i>	<u>625,000</u>	<u>625,000</u>	<u>642,645</u>	<u>17,645</u>
Expenditures				
Current:				
Security of Persons and Property	813,505	933,505	887,214	46,291
Debt Service:				
Interest and Fiscal Charges	30,256	30,256	30,256	0
Principal Retirement	1,177	1,177	1,177	0
<i>Total Expenditures</i>	<u>844,938</u>	<u>964,938</u>	<u>918,647</u>	<u>46,291</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(219,938)</u>	<u>(339,938)</u>	<u>(276,002)</u>	<u>63,936</u>
Other Financing Sources				
Transfers In	398,000	398,000	276,400	(121,600)
<i>Net Change in Fund Balance</i>	178,062	58,062	398	(57,664)
<i>Fund Balance Beginning of Year</i>	10	10	10	0
Prior Year Encumbrances Appropriated	617	617	617	0
<i>Fund Balance End of Year</i>	<u>\$ 178,689</u>	<u>\$ 58,689</u>	<u>\$ 1,025</u>	<u>\$ (57,664)</u>

See accompanying notes to the basic financial statements.

City of St. Clairsville
Statement of Fund Net Assets
Proprietary Funds
December 31, 2011

	Business-Type Activities			
	Water	Sewer	Light	Total
Assets				
<i>Current Assets</i>				
Equity in Pooled Cash and Cash Equivalents	\$ 101,690	\$ 195,337	\$ 2,889,839	\$ 3,186,866
Taxes Receivable	0	0	17,115	17,115
Accounts Receivable	93,586	78,958	491,615	664,159
Materials and Supplies Inventory	35,490	38,694	346,695	420,879
<i>Total Current Assets</i>	<u>230,766</u>	<u>312,989</u>	<u>3,745,264</u>	<u>4,289,019</u>
<i>Non-Current Assets</i>				
Restricted Assets:				
Customer Deposits	74,522	57,734	19,991	152,247
Deferred Charges	3,540	3,934	80,782	88,256
Advances to Other Funds	0	158,000	355,000	513,000
Non-Depreciable Capital Assets	0	0	320,596	320,596
Depreciable Capital Assets, Net	1,564,984	1,779,014	3,895,497	7,239,495
<i>Total Non-Current Assets</i>	<u>1,643,046</u>	<u>1,998,682</u>	<u>4,671,866</u>	<u>8,313,594</u>
<i>Total Assets</i>	<u>1,873,812</u>	<u>2,311,671</u>	<u>8,417,130</u>	<u>12,602,613</u>
Liabilities				
<i>Current Liabilities</i>				
Accounts Payable	8,115	9,099	279,510	296,724
Accrued Wages	12,755	10,122	12,739	35,616
Matured Compensated Absences Payable	0	10,713	0	10,713
Intergovernmental Payable	9,807	11,201	12,730	33,738
Deposits Held and Due to Others	74,522	57,734	19,991	152,247
Accrued Interest Payable	893	1,042	19,854	21,789
Accrued Vacation Leave Payable	13,152	14,538	24,335	52,025
Compensated Absences Payable	1,371	1,383	1,802	4,556
General Obligation Bonds Payable	5,000	20,000	165,000	190,000
Rural Development Loan Payable	0	2,859	0	2,859
OPWC Loans Payable	2,426	19,869	0	22,295
<i>Total Current Liabilities</i>	<u>128,041</u>	<u>158,560</u>	<u>535,961</u>	<u>822,562</u>
<i>Long-Term Liabilities</i>				
Advances from Other Funds	263,000	0	0	263,000
Compensated Absences Payable- Net of Current Portion	11,129	11,775	19,332	42,236
General Obligation Bonds Payable - Net of Current Portion	241,823	263,504	5,418,736	5,924,063
Rural Development Loan Payable- Net of Current Portion	0	113,101	0	113,101
OPWC Loans Payable- Net of Current Portion	37,938	276,384	0	314,322
<i>Total Long-Term Liabilities</i>	<u>553,890</u>	<u>664,764</u>	<u>5,438,068</u>	<u>6,656,722</u>
<i>Total Liabilities</i>	<u>681,931</u>	<u>823,324</u>	<u>5,974,029</u>	<u>7,479,284</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	1,281,337	1,087,230	(630,177)	1,738,390
Unrestricted	(89,456)	401,117	3,073,278	3,384,939
<i>Total Net Assets</i>	<u>\$ 1,191,881</u>	<u>\$ 1,488,347</u>	<u>\$ 2,443,101</u>	<u>\$ 5,123,329</u>

See accompanying notes to the basic financial statements.

City of St. Clairsville
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2011

	Business-Type Activities			
	Water	Sewer	Light	Total
Operating Revenues				
Charges for Services	\$ 876,321	\$ 795,066	\$ 4,882,156	\$ 6,553,543
Other	14,779	12,698	115,937	143,414
<i>Total Operating Revenues</i>	<u>891,100</u>	<u>807,764</u>	<u>4,998,093</u>	<u>6,696,957</u>
Operating Expenses				
Personal Services	513,508	444,295	580,450	1,538,253
Contractual Services	122,715	151,705	3,700,377	3,974,797
Materials and Supplies	129,062	67,932	23,504	220,498
Depreciation	269,320	373,138	145,879	788,337
<i>Total Operating Expenses</i>	<u>1,034,605</u>	<u>1,037,070</u>	<u>4,450,210</u>	<u>6,521,885</u>
<i>Operating Income (Loss)</i>	<u>(143,505)</u>	<u>(229,306)</u>	<u>547,883</u>	<u>175,072</u>
Non-Operating Revenue (Expenses)				
Intergovernmental	0	352	0	352
Kilowatt Taxes	0	0	26,275	26,275
Interest and Fiscal Charges	(11,732)	(34,768)	(244,837)	(291,337)
<i>Total Non-Operating Revenue (Expenses)</i>	<u>(11,732)</u>	<u>(34,416)</u>	<u>(218,562)</u>	<u>(264,710)</u>
<i>Net Income/(Loss)</i>	(155,237)	(263,722)	329,321	(89,638)
<i>Net Assets Beginning of Year</i>	<u>1,347,118</u>	<u>1,752,069</u>	<u>2,113,780</u>	<u>5,212,967</u>
<i>Net Assets End of Year</i>	<u>\$ 1,191,881</u>	<u>\$ 1,488,347</u>	<u>\$ 2,443,101</u>	<u>\$ 5,123,329</u>

See accompanying notes to the basic financial statements.

City of St. Clairsville
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2011

	Business-Type Activities			
	Water	Sewer	Light	Total
Increase in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 876,444	\$ 800,674	\$ 4,812,977	\$ 6,490,095
Other Operating Receipts	14,779	12,698	115,937	143,414
Cash Payments for Goods and Services	(111,823)	(41,866)	(22,894)	(176,583)
Cash Payments to Employees	(533,626)	(433,268)	(603,558)	(1,570,452)
Cash Payments for Contractual Services	(133,101)	(158,518)	(3,770,155)	(4,061,774)
<i>Net Cash Provided by Operating Activities</i>	<u>112,673</u>	<u>179,720</u>	<u>532,307</u>	<u>824,700</u>
Cash Flows from Noncapital Financing Activities				
Tax Receipts	0	0	24,263	24,263
Intergovernmental Receipts	0	352	0	352
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>0</u>	<u>352</u>	<u>24,263</u>	<u>24,615</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition of Capital Assets	0	0	(13,400)	(13,400)
Principal Payments on Debt	(7,378)	(64,758)	(140,000)	(212,136)
Interest Payments	(11,905)	(35,662)	(247,155)	(294,722)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(19,283)</u>	<u>(100,420)</u>	<u>(400,555)</u>	<u>(520,258)</u>
<i>Net Increase in Cash and Cash Equivalents</i>	93,390	79,652	156,015	329,057
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>82,822</u>	<u>173,419</u>	<u>2,753,815</u>	<u>3,010,056</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 176,212</u>	<u>\$ 253,071</u>	<u>\$ 2,909,830</u>	<u>\$ 3,339,113</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating Income (Loss)	\$ (143,505)	\$ (229,306)	\$ 547,883	\$ 175,072
Adjustments:				
Depreciation	269,320	373,138	145,879	788,337
(Increase) Decrease in Assets:				
Accounts Receivable	(19,445)	(9,552)	(74,429)	(103,426)
Materials and Supplies Inventory	14,308	40,651	(399)	54,560
Increase (Decrease) in Liabilities:				
Accounts Payable	6,099	(10,898)	(65,133)	(69,932)
Accrued Wages	(4,221)	2,365	(1,711)	(3,567)
Deposits Held and Due to Others	6,014	4,660	1,614	12,288
Compensated Absences Payable	2,668	(386)	(1,727)	555
Matured Compensated Absences Payable	0	10,713	0	10,713
Accrued Vacation Leave Payable	(9,891)	3,268	(6,420)	(13,043)
Intergovernmental Payable	(8,674)	(4,933)	(13,250)	(26,857)
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 112,673</u>	<u>\$ 179,720</u>	<u>\$ 532,307</u>	<u>\$ 824,700</u>

See accompanying notes to the basic financial statements.

City of St. Clairsville
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2011

	<u>Agency</u>
Assets	
Cash and Cash Equivalents in Segregated Accounts	<u>\$ 160</u>
Liabilities	
Undistributed Monies	<u>\$ 160</u>

See accompanying notes to the basic financial statements.

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

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

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

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

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

Reporting Entity

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

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

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

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

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

St. Clairsville Community Improvement Corporation – St. Clairsville Community Improvement Corporation (“CIC”) is a legally separate organization, which was established during 2007. The members of the CIC are the current Council members of the City of St. Clairsville. The CIC is governed by a board of trustees who are elected by the members. At least two of the trustees must be elected officeholders with the City of St. Clairsville. The purpose of the CIC is to provide improvements to the City, encourage businesses to locate and stay in the downtown area, resolve parking issues and downtown revitalization. In accordance with its purpose, the CIC has established the Clarendon, LLC (“LLC”). The consolidated financial statements include the LLC. Additional information concerning the CIC is presented in Note 20.

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 17.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

B. Fund Accounting

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

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

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

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

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

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

C. Measurement Focus

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

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

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

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Pooled Cash and Cash Equivalents

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

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

During fiscal year 2011, the City's investments were limited to certificates of deposit, money market accounts, overnight sweep accounts and STAROhio.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2011. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price for which the investment could be sold on December 31, 2011.

Investment procedures are restricted by the provisions of the Ohio Revised Code and the City's investment policy and Charter. Interest revenue credited to the general fund during 2011 amounted to \$42,428, which includes \$29,009 assigned from other City funds.

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

F. Materials and Supplies Inventory

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

G. Restricted Assets

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

Customer deposits have been restricted in the enterprise funds because the deposit remains the property of the customer. The restricted asset account is balanced by a deposits held and due to others liability account.

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

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

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

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

Description	Governmental and Business Type Activities Estimated Lives
Land Improvements	15 Years
Buildings and Building Improvements	40 Years
Equipment and Vehicles	5 - 7 Years
Infrastructure	15 - 25 Years

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

I. Interfund Balances

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

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance

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

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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

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

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the City.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions, enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. None of the City's net assets were restricted by enabling legislation at December 31, 2011.

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

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

N. Operating Revenues and Expenses

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

O. Interfund Activity

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

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

P. Extraordinary and Special Items

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

Q. Estimates

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

R. Budgetary Data

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

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

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

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, of grants or outside contributions of resources restricted to capital acquisition and construction.

T. Implementation of New Accounting Policies

For the year ended December 31, 2011, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*” and GASB Statement No. 59, “*Financial Instruments Omnibus*.”

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned.

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the City.

NOTE 3: RESTATEMENT OF FUND BALANCES AND NET ASSETS

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. Pursuant to GASB Statement No. 54, only the legally budgeted general fund should be reported in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund’s budgetary basis fund balance at December 31, 2010 is as follows:

	<u>General Fund</u>
Balance at December 31, 2010	\$ 37,203
Funds Budgeted Elsewhere	<u>(3,110)</u>
Restated Fund Balance at January 1, 2011	<u>\$ 34,093</u>

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures/expenses (budget basis) rather than as restricted, committed or assigned fund balance for governmental fund types (GAAP basis).
4. Some funds are included in the general fund, (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	General	Police
GAAP Basis	\$ 46,268	\$ 6,267
Revenue Accruals	69,811	(29,056)
Expenditure Accruals	3,404	40,381
Encumbrances	(4,363)	(17,194)
** Funds budgeted elsewhere	(313)	0
Budget Basis	\$ 114,807	\$ 398

** As part of Governmental Accounting Standards Board Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*,” certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This included the unclaimed money fund.

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 5 – ACCOUNTABILITY AND COMPLIANCE

A. Fund Deficits

The following funds had a deficit fund balance as of December 31, 2011:

	Deficit Fund Balance
Major Funds:	
Police	\$ 38,718
Non-Major Funds:	
ODNR Grant Fund	70,000
Litter	571
Police Pension	21,319
Street Assessment	860
Landscape and Grounds Fund	198

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.

B. Legal Compliance

The Water Fund had appropriations in excess of estimated resources in the amount of \$528,974 contrary to Section 5705.39, Revised Code.

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

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

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

According to State law, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the City's name. During 2011, the City and public depositories complied with the provisions of these statutes.

Deposits with Financial Institutions

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

At fiscal year-end, the carrying amount of the City's deposits was \$2,620,999. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of December 31, 2011, \$1,951,661 of the City's bank balance of \$2,636,949 was exposed to custodial risk as discussed above, while \$685,288 was covered by Federal Deposit Insurance Corporation.

Investments

As of December 31, 2011, the City had the following investment and maturity:

Investment Type	Fair Value	Investment Maturity 6 Months or Less
Repurchase Agreement	\$ 1,102,319	\$ 1,102,319
STAROhio	4,302	4,302
	\$ 1,106,621	\$ 1,106,621

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

Credit Risk STAROhio is rated AAA by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the City at December 31, 2011:

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

Investment Type	Fair Value	Percent of Total
Repurchase Agreement	\$ 1,102,319	99.61%
STAROhio	4,302	0.39%
	\$ 1,106,621	100.00%

NOTE 7 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2011 for real and public utility property taxes represents collections of the 2010 taxes.

2011 real property taxes were levied after October 1, 2011 on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes which became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2010, the City was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

The full tax rate for all City operations for the year ended December 31, 2011, was \$12.10 per \$1,000 of assessed valuation. The assessed values of real property upon which 2011 property tax receipts were based are as follows:

Category	Assessed Value
Real Property	\$ 103,466,450
Public Utilities - Personal	823,580
Total Assessed Value	\$ 104,290,030

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

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 7 – TAXES (Continued)

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

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of St. Clairsville. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility real and tangible personal property taxes, and outstanding delinquencies which became measurable as of December 31, 2011, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2011 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

B. Income Taxes

The City levies an income tax of .75 percent on every individual taxpayer who resides in the City of St. Clairsville but receives net profits, salaries, wages, commissions or other personal service compensation for work done, or services performed or rendered outside of the City of St. Clairsville, if it is made to appear that he or she has paid a municipal income tax on the same income taxable under this ordinance to another municipality, shall be allowed a 50% credit against the tax imposed by this ordinance of the amount so paid by him or her or in his or she behalf to such other municipality. The credit shall not exceed the tax assessed by this ordinance on such income earned in such other municipality where such tax is paid.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2011 consisted of taxes, accounts (billings for user charged services including unbilled utility services), loans, interfund and intergovernmental receivables arising from grants and shared revenues. All receivables are deemed collectible in full.

The other governmental funds reflect loans receivable of \$660,650. These loans receivable are for financing the rehabilitation of downtown to local businesses for community development. The fund balance representing revolving loans receivable is assigned as non-spendable because it is not appropriable for expenditures, or is legally segregated for specific use.

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 9 - CAPITAL ASSETS

A summary of changes in capital assets during 2011 follows:

	Balance 12/31/2010	Additions	Deletions	Balance 12/31/2011
Governmental Activities				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 1,271,438	\$ 0	\$ 0	\$ 1,271,438
<i>Total Capital Assets Not Being Depreciated</i>	1,271,438	0	0	1,271,438
<i>Capital Assets, Being Depreciated:</i>				
Buildings	2,180,616	0	0	2,180,616
Improvements Other Than Buildings	146,751	119,428	0	266,179
Machinery and Equipment	518,992	0	0	518,992
Vehicles	294,526	29,056	0	323,582
Infrastructure	6,065,573	373,388	0	6,438,961
<i>Total Capital Assets, Being Depreciated</i>	9,206,458	521,872	0	9,728,330
<i>Less Accumulated Depreciation:</i>				
Buildings	(1,879,015)	(42,722)	0	(1,921,737)
Improvements Other Than Buildings	(70,856)	(11,783)	0	(82,639)
Machinery and Equipment	(289,291)	(31,275)	0	(320,566)
Vehicles	(151,566)	(21,955)	0	(173,521)
Infrastructure	(553,736)	(146,824)	0	(700,560)
<i>Total Accumulated Depreciation</i>	(2,944,464)	(254,559) *	0	(3,199,023)
<i>Total Capital Assets Being Depreciated, Net</i>	6,261,994	267,313	0	6,529,307
<i>Total Governmental Activities Capital Assets, Net</i>	\$ 7,533,432	\$ 267,313	\$ 0	\$ 7,800,745

*Depreciation expense was charged to governmental functions as follows:

General Government	\$ 18,805
Leisure Time Activities	101,378
Security of Persons and Property	15,497
Transportation	98,036
Community and Economic Development	20,843
Total	\$ 254,559

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 9 - CAPITAL ASSETS (Continued)

	Balance 12/31/2010	Additions	Deletions	Balance 12/31/2011
Business-Type Activities				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 320,596	\$ 0	\$ 0	\$ 320,596
<i>Total Capital Assets Not Being Depreciated</i>	<u>320,596</u>	<u>0</u>	<u>0</u>	<u>320,596</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings	2,439,512	0	0	2,439,512
Machinery and Equipment	862,106	2,250	0	864,356
Vehicles	276,808	0	0	276,808
Infrastructure	21,707,272	11,150	0	21,718,422
<i>Total Capital Assets, Being Depreciated</i>	<u>25,285,698</u>	<u>13,400</u>	<u>0</u>	<u>25,299,098</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(875,640)	(72,363)	0	(948,003)
Machinery and Equipment	(506,569)	(52,778)	0	(559,347)
Vehicles	(182,082)	(12,001)	0	(194,083)
Infrastructure	(15,706,975)	(651,195)	0	(16,358,170)
<i>Total Accumulated Depreciation</i>	<u>(17,271,266)</u>	<u>(788,337)</u>	<u>0</u>	<u>(18,059,603)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>8,014,432</u>	<u>(774,937)</u>	<u>0</u>	<u>7,239,495</u>
<i>Total Business-Type Activities Capital Assets, Net</i>	<u>\$ 8,335,028</u>	<u>\$ (774,937)</u>	<u>\$ 0</u>	<u>\$ 7,560,091</u>

NOTE 10 - RISK MANAGEMENT

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

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 Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 11 - PENSION PLANS

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or calling 614-222-5601 or 1-800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

For the year ended December 31, 2011, members in state and local classifications contributed 10.0 percent of covered payroll while public safety and law enforcement members contributed 11.0 percent and 11.6 percent, respectively.

The City's 2011 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 18.1 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4.0 percent during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2011.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009, were \$168,418, \$127,373 and \$124,128, respectively. For 2011, 92.30 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009. Contributions to the member-directed plan for 2011 were \$4,805 made by the City and \$3,432 made by plan members.

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 11 - PENSION PLANS (Continued)

B. Ohio Police and Fire Pension Fund

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

Funding Policy - Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. The City has no firefighters. The City's contributions to OP&F for police for the years ended December 31, 2011, 2010 and 2009 were \$51,734, \$54,709 and \$62,025, respectively. 76.7 percent for police has been contributed for 2011. The full amount has been contributed for 2010 and 2009.

C. Medicare System

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

NOTE 12 – POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or calling 614-222-5601 or 1-800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer’s contribution OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS’ Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2011.

The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and coverage selected.

The City’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$67,367, \$92,869 and \$124,128, respectively. For 2011, 92.30 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

B. Police and Firemen's Disability and Pension Fund

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45.

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24.0 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police for the years ended December 31, 2011, 2010 and 2009 were \$27,389, \$28,964 and \$32,837, respectively. 76.7 percent has been contributed for police for 2011. The full amount has been contributed for 2010 and 2009.

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Additional Insurance

The City provides life insurance and accidental death and dismemberment insurance to employees, excluding part-time elected officials, appointed part-time officials, and part-time employees. The policy is in the amount of \$25,000 life insurance and \$25,000 accidental death and dismemberment.

The City contracts with Health Plan of the Upper Ohio Valley for hospitalization insurance and 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.

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 13 - OTHER EMPLOYEE BENEFITS (Continued)

The City contracts with Vision Service Plan for eye care for full-time employees that are not in a union and elected officials who choose to pay for it themselves. The City and employees share the cost of the total monthly premiums of \$1,315.774 family health care, \$526.30 single health care; \$116.75 family dental care, \$33.50 single dental care, employee and one dependent dental care \$62.35; and \$7.25 family or single eye and hearing care for union employees and \$20.00 for non-union employees. 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 cannot be carried over; however, unforeseen circumstances may come into play and the supervisor may elect to permit an employee to carryover minimal vacation time. Sick leave is accumulated at a rate of 4.6 hours per each 80 hours worked. For employees that work less than a 40 hour work week, the sick leave accumulation is prorated based on 4.6 hours per 80 hours worked. All accumulated, unused vacation time and personal days are paid upon separation if the employee has acquired at least one year of service with the City. Upon separation, AFSCME members and non-union employees other than police, are paid for a maximum of 480 hours of accumulated sick time provided they have ten years of service with OPERS. Police are paid a maximum of 600 hours of accumulated sick time provided they have ten years of service with the City. As of December 31, 2011, the liability for unpaid compensated absences was \$149,297.

This space intentionally left blank.

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 14 - LONG-TERM OBLIGATIONS

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Governmental Activities:			
Recreation Commercial Loan	4.36%	\$ 1,000,000	10/27/2025
General Obligation Bonds:			
Road Equipment	4.0-5.5%	35,000	12/01/2017
Recreational Facilities	4.00%	70,000	12/01/2013
Recreational Bike Trails	4.00%	135,000	12/01/2012
Recreational Facilities	4.0-5.0%	75,000	12/01/2032
Ohio Public Works Commission (OPWC) Loans:			
Bett-Mar & Franklin St. Reconstruction	0.00%	116,589	01/01/2029
St. Clairsville Road Project	0.00%	98,372	07/01/2030
Resurfacing of Twenty-Two Streets	0.00%	76,320	07/01/2031
Business-Type Activities:			
Ohio Public Works Commission (OPWC) Loans:			
Belmont Drive Pump Station Replacement	0.02%	74,000	01/01/2025
East Main Force Liner	0.02%	214,890	07/01/2023
Wastewater System Repairs	0.02%	133,216	07/01/2024
Water Transmission Connection	0.02%	52,875	01/01/2026
Joint Sewer Rural Development Loan	6.125%	146,600	01/01/2032
General Obligation Bonds:			
Water System Improvements	4.0-5.5%	255,000	12/01/2032
Wastewater System Improvements	4.0-5.0%	65,000	12/01/2032
Wastewater B System Improvements	4.0-5.5%	65,000	12/01/2029
Sanitary Sewer System Improvements	4.0-5.5%	185,000	12/01/2017
Sewer System Equipment	4.0-5.5%	95,000	12/01/2017
Light Garage Construction	4.0-5.5%	1,045,000	12/01/2025
Electric System Substation	4.0-5.5%	1,500,000	12/01/2027
Electric System	4.0-5.5%	3,470,000	12/01/2032

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

Changes in long-term obligations of the City during the year ended December 31, 2011 consisted of the following:

	<u>Principal Balance 12/31/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Balance 12/31/2011</u>	<u>Due in One Year</u>
Governmental Activities:					
OPWC Loans:					
Bett-Mar Franklin	\$ 107,845	\$ 0	\$ (5,830)	\$ 102,015	\$ 5,829
St. Clairsville Road Project	98,372	0	(4,918)	93,454	4,919
Resurfacing 22 Streets	0	76,320	0	76,320	3,816
<i>Total OPWC Loans</i>	<u>206,217</u>	<u>76,320</u>	<u>(10,748)</u>	<u>271,789</u>	<u>14,564</u>
General Obligation Bonds:					
Road Equipment	35,000	0	(5,000)	30,000	5,000
Recreational Facilities	40,000	0	(10,000)	30,000	15,000
Recreational Bike Trails	60,000	0	(30,000)	30,000	30,000
Recreational Facilities	75,000	0	0	75,000	0
<i>Total General Obligation Bonds</i>	<u>210,000</u>	<u>0</u>	<u>(45,000)</u>	<u>165,000</u>	<u>50,000</u>
Recreation Commercial Loan	824,245	0	(39,934)	784,311	41,693
Compensated Absences	90,840	55,984	(44,319)	102,505	42,391
Capital Leases	19,954	29,056	(30,255)	18,755	9,082
<i>Total Governmental Activities</i>	<u>\$ 1,351,256</u>	<u>\$ 161,360</u>	<u>\$ (170,256)</u>	<u>\$ 1,342,360</u>	<u>\$ 157,730</u>
Business-Type Activities:					
OPWC Loans:					
Water Transmission Connection	\$ 42,742	\$ 0	\$ (2,378)	\$ 40,364	\$ 2,426
Belmont Drive Pump Station Replacement	62,888	0	(3,252)	59,636	3,317
East Main Force Main Liner	154,188	0	(10,056)	144,132	10,257
Wastewater System Repairs	98,657	0	(6,172)	92,485	6,295
<i>Total OPWC Loans</i>	<u>358,475</u>	<u>0</u>	<u>(21,858)</u>	<u>336,617</u>	<u>22,295</u>
General Obligation Bonds:					
Various Water System Improvements	245,000	0	(5,000)	240,000	5,000
Unamortized Premium	7,148	0	(325)	6,823	0
Various Wastewater System Improvements	315,000	0	(40,000)	275,000	20,000
Unamortized Premium	9,922	0	(1,418)	8,504	0
Various Light System Improvements	5,605,000	0	(140,000)	5,465,000	165,000
Unamortized Premium	125,040	0	(6,304)	118,736	0
<i>Total General Obligation Bonds</i>	<u>6,307,110</u>	<u>0</u>	<u>(193,047)</u>	<u>6,114,063</u>	<u>190,000</u>
Joint Sewer Rural Development	121,238	0	(5,278)	115,960	2,859
Compensated Absences	46,237	28,943	(28,388)	46,792	4,556
<i>Total Business-Type Activities</i>	<u>\$ 6,833,060</u>	<u>\$ 28,943</u>	<u>\$ (248,571)</u>	<u>\$ 6,613,432</u>	<u>\$ 219,710</u>

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

During 2009, the City entered into a loan agreement with Ohio Public Work Commission (OPWC) for the St. Clairsville Road project. At December 31, 2011, the total amount of the loan outstanding was \$93,454 with a zero percent interest rate and matures July 1, 2030. This loan will be paid with gasoline and motor vehicle license tax money.

In 2011 the City entered into a loan agreement with Ohio Public Work Commission (OPWC) for the paving of twenty-two streets. At December 31, 2011, the total amount of the loan was \$76,320 with a zero percent interest rate and matures July 1, 2031. This loan will be paid with gasoline and motor vehicle license tax money.

The OPWC loans 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, 2011, the total debt was \$1,581,992 with the City's share being 7.33 percent or \$115,960. The commercial loan will be paid with recreation fees and general revenues. Compensated absences will be paid from the fund from which the employees' salaries are paid.

During 2007, the City issued \$6,995,000 of various purpose general obligation bonds, which included serial and term bonds in the amount of \$5,025,000 and \$1,970,000, respectively. The bonds were issued for a twenty-five year period with final maturity at December 1, 2032.

The bonds were issued with a premium of \$166,251, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for year 2011 was \$8,047. The issuance costs of \$109,332 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for year 2011 was \$5,269.

During 2005 the City entered into a recreation commercial loan agreement for \$1,000,000 with PNC Bank, formerly National City Bank, for the issuance of bonds for the purpose of acquiring property from the Belmont County Agricultural Society. This loan will be paid from the recreation debt service fund derived from property taxes.

On December 19, 2011, Moody's Investors Service ("Moody's") downgraded to Baa2 from Baa1 the rating of MBIA Insurance Corporation which insured the City of St. Clairsville, Ohio's \$6,995,000 Various Purpose Bonds ("the Bonds"), which are dated April 26, 2007 and have a final maturity on December 1, 2032. Proceeds of the Bonds financed the following purposes: (i) retiring the Various Purpose General Obligation Bond Anticipation Notes dated April 27, 2006; (ii) retiring the Electric System Substation Bond Anticipation Notes dated August 1, 2006; (iii) issuing new money for various city purposes; and (iv) paying certain costs associated with the issuance of the Bonds.

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

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

A rating reflects only the view of the agency assigning such rating and is not a recommendation to buy, sell or hold the Bonds. Such rating may be changed at any time, and no assurance can be given that it will not be subject to further revision or withdrawn entirely by such rating agency if, in the judgment of the rating agency, circumstances so warrant. Any downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2011 are as follows:

Year	General Obligation Bonds		OPWC Loans		Rural Development Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	240,000	272,193	36,859	6,621	2,859	7,103
2013	220,000	262,592	37,309	6,173	3,005	6,927
2014	240,000	253,793	37,766	5,716	3,225	6,743
2015	245,000	241,792	38,233	5,250	3,445	6,546
2016	255,000	229,543	38,708	4,774	3,592	6,335
2017-2021	1,510,000	953,362	201,019	16,393	21,770	28,074
2022-2026	1,775,000	614,079	162,963	3,886	29,247	20,536
2027-2031	1,365,000	268,250	55,549	22	39,435	10,411
2032-2032	295,000	14,750	0	0	9,382	575
	<u>\$ 6,145,000</u>	<u>\$ 3,110,354</u>	<u>\$ 608,406</u>	<u>\$ 48,835</u>	<u>\$ 115,960</u>	<u>\$ 93,250</u>

Year	Commercial Loan		Total	
	Principal	Interest	Principal	Interest
2012	41,693	33,746	321,411	319,663
2013	43,530	31,909	303,844	307,601
2014	45,449	29,990	326,440	296,242
2015	47,452	27,987	334,130	281,575
2016	49,544	25,896	346,844	266,548
2017-2021	282,462	94,734	2,015,251	1,092,563
2022-2026	274,181	27,574	2,241,391	666,075
2027-2031	0	0	1,459,984	278,683
2032-2032	0	0	304,382	15,325
	<u>\$ 784,311</u>	<u>\$ 271,836</u>	<u>\$ 7,653,677</u>	<u>\$ 3,524,275</u>

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 15 – CAPITALIZED LEASES

In 2011, the City entered into a lease for the acquisition of a police cruiser. This lease meets the criteria of a capital lease as they transfer benefits and risks of ownership to the lessee.

The capital asset acquired by the lease has been capitalized in the government-wide statements governmental activities in the amount of \$29,056, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded and is reduced for each required principal payment.

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, 2011:

	Governmental Activities
Year Ending December 31, 2012	\$ 10,301
2013	10,301
Less: amount representing interest	(1,847)
Present value of minimum lease payments	\$ 18,755

NOTE 16 – INTERFUND ACTIVITY

A. Interfund Transfers

Interfund transfers for the year ended December 31, 2011, consisted of the following:

Governmental Activities	Transfer In	Transfer Out
General	\$ 0	\$ 844,420
Street	214,300	0
Bike Trail	35,200	0
Recreation	196,810	0
Police	276,400	0
Landscape and Grounds	67,300	0
Litter	510	0
Bike Trail Maintenance	5,350	0
Police Pension	48,550	0
<i>Totals</i>	\$ 844,420	\$ 844,420

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

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 16 – INTERFUND ACTIVITY (Continued)

B. Interfund Balances

As of December 31, 2011, receivables and payables that resulted from interfund transactions were as follows:

	Advances To Other Funds	Advances From Other Funds
Governmental Funds		
General	\$ 860	\$ 100,000
General Escrow	0	150,000
Street Assessment	0	860
<i>Total Governmental Funds</i>	\$ 860	\$ 250,860
Enterprise Funds		
Water	\$ 0	\$ 263,000
Sewer	158,000	0
Light	355,000	0
<i>Total Enterprise Funds</i>	\$ 513,000	\$ 263,000
<i>Total Interfund Balances</i>	\$ 513,860	\$ 513,860
	Due From Other Funds	Due To Other Funds
General Fund	\$ 0	\$ 113,229
General Escrow Fund	113,229	0
Total	\$ 113,229	\$ 113,229

In prior years the Light fund advanced money to the General fund and General Escrow fund to eliminate a negative cash balance at year end. In prior years, the General fund advanced money to the Street Assessment fund to provide additional resources for current operations. In prior years, the Sewer and Light funds advanced money to the Water fund to provide additional resources for current operations.

The General Escrow fund is due money from the General fund for expenses paid out of the General Escrow fund for the CIC.

In 2011, the general fund advanced the ODNr grant fund \$70,000 to eliminate a negative cash balance at the end of the year.

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

A. Ohio Mid-Eastern Governments Association (OMEGA)

The City is associated with Ohio Mid-Eastern Governments Association (OMEGA), which 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 2011, 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

The City is also associated with Jefferson-Belmont Joint Solid Waste Authority ("Authority") as a jointly governed organization. The 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.

C. Bel-O-Mar Regional Council

Bel-O-Mar Regional Council is operated as a non-profit organization formed to provide planning and administrative services to all local governments in a four county region comprised of Belmont County, 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 2011, the City made no contributions to Bel-O-Mar Regional Council.

D. Southeastern Ohio Narcotics Task Force (SENT)

SENT is a multi-jurisdictional drug task force with the primary goal of combating major narcotic traffickers in Belmont, Carroll, Guernsey, Harrison, Monroe, and Tuscarawas counties. The Task Force is jointly governed among the participating counties and cities. A grant is received from the State of Ohio of which the participating entities must match 25 percent. Of the 14 members of the board, the Police Chief of the City of St. Clairsville acts as the City's representative on the board. Each member's control over the operation of SENT is limited to its representation on the board, and the City does not maintain an equity interest. During 2011, the City made no contribution to the Task Force.

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

E. Belmont County Board of Health

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 2011, Belmont County Board of Health received \$32,215 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 18 - CONTINGENCIES

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2011.

B. Litigation

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

This space intentionally left blank.

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 19 - FUND BALANCE

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other funds are presented as follows:

	General	Police	Other Governmental Funds	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Nonspendable for:				
Advances	\$ 860	\$ 0	\$ 0	\$ 860
Unclaimed Monies	3,423	0	0	3,423
Inventory	0	0	147,491	147,491
Total Nonspendable	<u>4,283</u>	<u>0</u>	<u>147,491</u>	<u>151,774</u>
Restricted for:				
Roads and Bridges	0	0	129,978	129,978
Municipal Court Programs	0	0	4,854	4,854
Community Development	0	0	757,272	757,272
Other Purposes	0	0	3,782	3,782
Total Restricted	<u>0</u>	<u>0</u>	<u>895,886</u>	<u>895,886</u>
Committed for:				
Bike Trail	0	0	12	12
General Escrow	0	0	68,148	68,148
Total Committed	<u>0</u>	<u>0</u>	<u>68,160</u>	<u>68,160</u>
Unassigned	30,062	(38,718)	(98,842)	(107,498)
Total Fund Balance	<u>\$ 34,345</u>	<u>\$ (38,718)</u>	<u>\$ 1,012,695</u>	<u>\$ 1,008,322</u>

NOTE 20 – COMPONENT UNIT

As described in Note 1, the City has a discretely presented component unit. The significant accounting disclosures for the component unit follow.

The St. Clairsville Community Improvement Corporation (“CIC”) incorporated in 2007 as an Ohio not-for-profit corporation. The CIC was organized and shall be operated to serve residents of the City in the revitalization and enhancement of property and the business environment with the City by advancing, encouraging and promoting the industrial economic, commercial and civic development of the City.

City of St. Clairsville, Ohio
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 20 – COMPONENT UNIT (Continued)

Significant Accounting Policies and Disclosures for the CIC

The financial statements are prepared on an accrual basis of accounting in accordance with generally accepted accounting principles as prescribed by the Financial Accounting Standards Boards Statements and Interpretations (FASB) and reports on a December 31 fiscal year end.

Cash The CIC had cash on deposit of \$900 at December 31, 2011. The balance is insured by FDIC.

Capital Assets All capital assets of the CIC were donated by the City in 2008 and 2009 and are reported at the fair market value at the time of donation. The building has not been placed in service and therefore is not being depreciated. A summary of changes in capital assets during 2011 follows:

	Balance 12/31/2010	Additions	Deletions	Balance 12/31/2011
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 46,343	\$ 0	\$ 0	\$ 46,343
 <i>Depreciable Capital Assets</i>				
Buildings	866,376	43,450	0	909,826
Total Capital Assets	\$ 912,719	\$ 43,450	\$ 0	\$ 956,169

Loans Payable During 2008 the CIC entered into a loan agreement with the City to provide resources for current operations. The principal amount of the loan is \$9,000. The loan was issued with a two percent interest rate and will be repaid over a period of five years. During 2010 the City loaned an additional \$301,550. Repayment of these loans is contingent upon sale of the building. There is no amortization schedule for the new loan due to the contingency of the sale of the building.

Changes in the loan obligation of the CIC during the year ended December 31, 2011 is as follows:

Principal balance 12/31/10	\$ 308,711
Additions	0
Reductions	0
Principal balance 12/31/11	\$ 308,711

Principal and interest requirements to retire the outstanding debt are:

	Principal	Interest	Total
2012	5,741	67	5,808
2013	302,970	28	302,998
	\$ 308,711	\$ 95	\$ 308,806



Dave Yost • Auditor of State

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

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

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of St. Clairsville, Belmont County, Ohio (the City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 20, 2012, wherein we noted the City has adopted Governmental Accounting Standards Board Statement No. 54. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2011-03 to be a significant deficiency. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2011-01 and 2011-02.

We also noted certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated December 20, 2012.

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

We intend this report solely for the information and use of management, City Council, and others within the City. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

December 20, 2012

**CITY OF ST. CLAIRSVILLE
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011**

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

FINDING NUMBER 2011-01

Noncompliance Citation

Ohio Rev. Code Section 5705.10(H) states that money paid into a fund may only be used for the purposes for which such fund is established. As a result, a deficit fund balance indicates that money from one fund was used to cover the expenses of another fund.

At December 31, 2011, the Amphitheater Grant Fund had a negative cash fund balance in the amount of \$70,000.

At October 31, 2011, the following funds had negative cash fund balances: Amphitheater Grant Fund of \$81,149, General Permanent Improvement Fund of \$109,850, and Employee Medical Reimbursement Fund of \$675.

At July 31, 2011, the following funds had negative cash fund balances: Amphitheater Grant Fund of \$64,180, General Permanent Improvement Fund of \$142,087, and Water Fund of \$2,237.

At March 31, 2011, the following funds had negative cash fund balances: General Permanent Improvement Fund of \$43,331 and Water Fund of \$24,017.

We recommend the City Finance Director monitor cash fund balances to properly ensure monies from one fund are not utilized to pay the obligations of another fund. To cover temporary cash flow shortages, the City may be able to advance money from other funds. The City may refer to Auditor of State Bulletin 97-003 to determine if an advance of funds to prevent a deficit cash balance would be appropriate.

Officials' Response: The Amphitheater Grant Fund had a negative cash balance of \$70,000, however this was attributable to this grant being funded on a reimbursement basis and the state had not yet made the reimbursement to the City. This reimbursement based grant was secured by an agreement between the City of St. Clairsville and the Ohio Department of Natural Resources. Said reimbursement has now been made.

FINDING NUMBER 2011-02

Noncompliance Citation

Ohio Rev. Code Section 5705.39 provides, in part, that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there from, as certified by the County Budget Commission.

The Water Fund had appropriations of \$872,277 and estimated receipts of \$602,000 and an unencumbered fund balance of (\$258,697) at December 31, 2010. Therefore, appropriations exceeded estimated resources by \$528,974.

We recommend City Council and the Finance Director monitor appropriations and estimated resources and file amendments, as needed, with the County Auditor to ensure the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

**CITY OF ST. CLAIRSVILLE
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011
(Continued)**

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

FINDING NUMBER 2011-02 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 5705.39 (Continued)

Officials' Response: While we note this citation, we also point out that the actual expenditures were less than the amount appropriated.

FINDING NUMBER 2011-03

Significant Deficiency

The City should have internal controls in place to reasonably assure that budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and uncommitted balances of appropriations.

The City Finance Director did not always accurately post budgeted receipts, and any amendments made to them, to the accounting system. Variances existed between the certificate of estimated resources and the amounts posted to the accounting system throughout the year. The following table details the variances at December 31, 2011:

<u>Fund</u>	<u>Estimated Receipts</u>	<u>Actual Posted to Accounting System</u>	<u>Difference</u>
General	\$1,381,000	\$1,227,162	(\$153,838)
Recreation	382,000	304,897	(77,103)
Amphitheater Grant	70,000	0	(70,000)
CHIP Grant	250,000	132,386	(117,614)
General Escrow Capital Improvement	190,000	196,833	6,833
Water	602,000	821,349	219,349
Sewer	941,000	753,779	(187,221)
Light	4,990,800	4,971,947	(18,853)
Police Pension	99,000	79,828	(19,172)

Also, the City Finance Director did not always accurately post appropriations, and any amendments made to them, to the accounting system. Variances existed between the appropriations and the amounts posted to the accounting system throughout the year. The following table details these variances at December 31, 2011:

**CITY OF ST. CLAIRSVILLE
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011
(Continued)**

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

FINDING NUMBER 2011-03 (Continued)

Significant Deficiency (Continued)

<u>Fund</u>	<u>Appropriations</u>	<u>Actual Posted to Accounting System</u>	<u>Difference</u>
General	\$1,425,000	\$1,164,503	(\$260,497)
Recreation	311,517	299,835	(11,682)
CHIP Grant	250,000	132,575	(117,425)
General Escrow Capital Improvement	130,000	142,946	12,946
Water	872,277	784,456	(87,821)
Sewer	893,380	726,571	(166,809)
Light	5,586,480	4,858,442	(728,038)
Police Pension	99,021	79,303	(19,718)

As a result, information available for City officials to monitor year-to-date total comparisons of estimated receipts versus actual receipts and appropriations versus actual expenditures were not up-to-date.

We recommend the City Finance Director record to the accounting system estimated receipts from the Certificates of Estimated Resources and any amendments thereto and appropriations from the Appropriation Resolutions and any amendments thereto.

Officials' Response: The previous Director of Finance was terminated early in January 2012. As a one person office, it is probable that year end reporting was not completed as planned, and time constraints led to amendments not being filed through the course of the year.

**CITY OF ST. CLAIRSVILLE
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Ohio Rev. Code Section 5705.39, the Water Fund had appropriations exceeding estimated resources at December 31, 2010.	No	Not Corrected; Reissued as Finding Number 2011-02.
2010-002	Ohio Rev. Code Section 5705.41(B), several funds had expenditures exceeding appropriations at December 31, 2010.	No	Partially Corrected; Reissued in the management letter.



Dave Yost • Auditor of State

CITY OF ST. CLAIRSVILLE

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 8, 2013**