



Mary Taylor, CPA
Auditor of State

**CITY OF CLYDE
SANDUSKY COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

City of Clyde
Sandusky County
222 Main Street
Clyde, Ohio 43410-1637

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clyde, Sandusky County, Ohio (the City), as of and for the year ended December 31, 2007, 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.

Except as described in the following paragraph, 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.

We were unable to obtain sufficient evidential matter supporting amounts reported as infrastructure capital assets, accumulated depreciation, depreciation expense and related net asset restrictions in the business type activities and the Electric Fund.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine amounts reported as infrastructure capital assets, accumulated depreciation, depreciation expense and related net assets restrictions in business type activities and the Electric Fund, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the Electric Fund of the City of Clyde, Sandusky County, Ohio, as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

One Government Center / Suite 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, General Fund, Water Fund, Sewer Fund and the aggregate remaining fund information for the City of Clyde, Sandusky County, Ohio, as of December 31, 2007, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2008, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We did not audit and do not express an opinion on this information. However, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 7, 2008

**CITY OF CLYDE
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED**

The management's discussion and analysis of the City of Clyde's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2007. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- The total net assets of the City increased \$1,445,818. Net assets of governmental activities increased \$395,179 or 2.65% over restated 2006 net assets and net assets of business-type activities increased \$1,050,639 or 3.51% over restated 2006 net assets.
- General revenues accounted for \$5,770,221 or 85.60% of total governmental activities revenue. Program specific revenues accounted for \$970,929 or 14.40% of total governmental activities revenue of \$6,741,150.
- The City had \$5,300,620 in expenses related to governmental activities; \$970,929 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$4,329,691 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$5,770,221.
- The general fund had revenues and other financing sources of \$5,258,202 in 2007. This represents an increase of \$449,388 from 2006 revenues. The expenditures and other financing uses of the general fund, which totaled \$5,367,077 in 2007, which represents an increase of \$535,666 from 2006. The net decrease in fund balance for the general fund was \$108,875 or 6.95%.
- Net assets for the business-type activities, which are made up of the water, sewer, and electric enterprise funds, increased in 2007 by \$1,050,639. This increase in net assets was due primarily transfers from governmental activities which totaled \$1,045,351.
- In the general fund, the actual revenues and other financing sources exceed the final budgeted revenues and other financing sources by \$493,362 and actual expenditures and other financing uses were \$553,909 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues increased \$2,126,000 during the year. Budgeted expenditures and other financing uses increased \$2,528,169 from the original to the final budget due primarily to an increase in the cost of public health and welfare expenditures.

The Basic Financial Statements

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

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

**CITY OF CLYDE
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
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Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" 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 will take 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 restricting revenue growth, facility conditions, required community programs and other factors.

In the statement of net assets and the statement of activities, the City is divided into two distinct kinds of activities:

Governmental activities - Most of the City's programs and services are reported here including police, fire and rescue, street maintenance, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including Federal and State grants and other shared revenues.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's water, sewer, and electric operations are reported here.

Reporting the City'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 segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses on the City's most significant funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

**CITY OF CLYDE
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
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(Continued)**

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's only major governmental fund is the general fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation.

Proprietary Funds

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and solid waste management functions. All of the City's enterprise funds are considered major funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

Fiduciary Funds

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**CITY OF CLYDE
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
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Government-Wide Financial Analysis

The table below provides a summary of the City's net assets for 2007 and 2006. Certain 2006 amounts have been restated as described in Note 3.B. of the notes to the basic financial statements.

	Net Assets					
	Governmental Activities 2007	Business-type Activities 2007	Restated Governmental Activities 2006	Restated Business-type Activities 2006	2007 Total	Restated 2006 Total
<u>Assets</u>						
Current and other assets	\$ 5,531,879	\$ 12,316,285	\$ 4,201,960	\$ 12,230,041	\$ 17,848,164	\$ 16,432,001
Capital assets, net	<u>16,176,081</u>	<u>31,971,091</u>	<u>15,465,311</u>	<u>31,867,506</u>	<u>48,147,172</u>	<u>47,332,817</u>
Total assets	<u>21,707,960</u>	<u>44,287,376</u>	<u>19,667,271</u>	<u>44,097,547</u>	<u>65,995,336</u>	<u>63,764,818</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	4,073,969	12,964,971	4,096,491	13,835,002	17,038,940	17,931,493
Other liabilities	<u>2,322,735</u>	<u>365,045</u>	<u>654,703</u>	<u>355,824</u>	<u>2,687,780</u>	<u>1,010,527</u>
Total liabilities	<u>6,396,704</u>	<u>13,330,016</u>	<u>4,751,194</u>	<u>14,190,826</u>	<u>19,726,720</u>	<u>18,942,020</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	12,069,063	19,156,892	11,584,034	18,435,691	31,225,955	30,019,725
Restricted	1,379,788	1,622,846	1,547,793	1,566,252	3,002,634	3,114,045
Unrestricted	<u>1,862,405</u>	<u>10,177,622</u>	<u>1,784,250</u>	<u>9,904,778</u>	<u>12,040,027</u>	<u>11,689,028</u>
Total net assets	<u>\$ 15,311,256</u>	<u>\$ 30,957,360</u>	<u>\$ 14,916,077</u>	<u>\$ 29,906,721</u>	<u>\$ 46,268,616</u>	<u>\$ 44,822,798</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2007, the City's assets exceeded liabilities by \$46,268,616. At year-end, net assets were \$15,311,256 and \$30,957,360 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net assets. At year-end, capital assets represented 72.96% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2007, were \$12,069,063 and \$19,156,892 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**CITY OF CLYDE
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

As of December 31, 2007, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's net assets, \$3,002,634, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$1,862,405 in the governmental activities may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net assets for fiscal year 2007 and 2006. Certain 2006 amounts have been restated as described in Note 3.B. of the notes to the financial statements.

**CITY OF CLYDE
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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UNAUDITED
(Continued)**

	Change in Net Assets					
	Governmental	Business-type	Restated	Restated		Restated
	Activities	Activities	Governmental	Business-type	2007	2006
	2007	2007	Activities	Activities	Total	Total
	2006	2006	2006	2006		
Revenues						
Program revenues:						
Charges for services	\$ 242,740	\$ 22,333,669	\$ 247,927	\$ 20,193,356	\$ 22,576,409	\$ 20,441,283
Operating grants and contributions	401,191		354,266		401,191	354,266
Capital grants and contributions	326,998		197,793	4,991	326,998	202,784
Total program revenues	970,929	22,333,669	799,986	20,198,347	23,304,598	20,998,333
General revenues:						
Property taxes	893,608		780,555		893,608	780,555
Income taxes	3,942,943		3,672,597		3,942,943	3,672,597
Unrestricted grants and entitlements	333,352		348,491		333,352	348,491
Investment earnings	517,284	87,292	525,100	58,015	604,576	583,115
Miscellaneous	83,034	14,232	91,081		97,266	91,081
Total general revenues	5,770,221	101,524	5,417,824	58,015	5,871,745	5,475,839
Total revenues	6,741,150	22,435,193	6,217,810	20,256,362	29,176,343	26,474,172
Expenses:						
General government	1,100,770		1,272,786		1,100,770	1,272,786
Security of persons and property	2,182,525		2,136,337		2,182,525	2,136,337
Public health and welfare	591,169		485,643		591,169	485,643
Transportation	757,418		220,995		757,418	220,995
Community environment	288,520		284,818		288,520	284,818
Leisure time activity	129,016		108,831		129,016	108,831
Other	63,437		65,062		63,437	65,062
Interest and fiscal charges	187,765		176,902		187,765	176,902
Water		2,551,210		2,435,369	2,551,210	2,435,369
Sewer		1,996,740		2,017,294	1,996,740	2,017,294
Electric		17,881,955		15,903,966	17,881,955	15,903,966
Total expenses	5,300,620	22,429,905	4,751,374	20,356,629	27,730,525	25,108,003
Increase in net assets before transfers	1,440,530	5,288	1,466,436	(100,267)	1,445,818	1,366,169
Transfers	(1,045,351)	1,045,351	(583,359)	583,359		
Change in net assets	395,179	1,050,639	883,077	483,092	1,445,818	1,366,169
Net assets at beginning of year (restated)	14,916,077	29,906,721	14,033,000	29,423,629	44,822,798	43,456,629
Net assets at end of year	\$ 15,311,256	\$ 30,957,360	\$ 14,916,077	\$ 29,906,721	\$ 46,268,616	\$ 44,822,798

**CITY OF CLYDE
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
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(Continued)**

Governmental Activities

Governmental activities net assets increased \$395,179 in 2007. The increase is a result of increasing revenues which exceeded increased expenses.

Security of persons and property, which primarily supports the operations of the police and fire departments, had expenses of \$2,182,525 which accounted for 41.17% of the total governmental activities expenses of the City. These expenses were partially funded by \$139,423 in direct charges to users of the services. General government expenses totaled \$1,100,770 which was partially funded by \$28,958 in direct charges to users of the services and \$86,392 in capital grants and contributions.

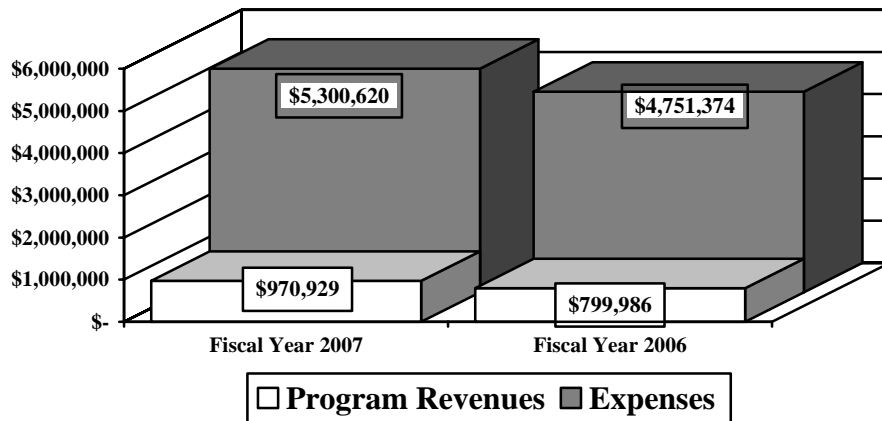
The State and Federal government contributed to the City a total of \$401,191 in operating grants and contributions and \$326,998 in capital grants and contributions. These revenues are restricted to a particular program or purpose. \$225,146 of the capital grants and contributions received subsidized transportation programs.

General revenues totaled \$5,770,221 and amounted to 85.60% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$4,836,551. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$333,352.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the City is highly dependent upon property and income taxes as well as unrestricted grants and entitlements to support its governmental activities.

The following graph shows program revenues and total expenses of the governmental activities for 2007 and 2006.

Governmental Activities – Program Revenues vs. Total Expenses



**CITY OF CLYDE
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
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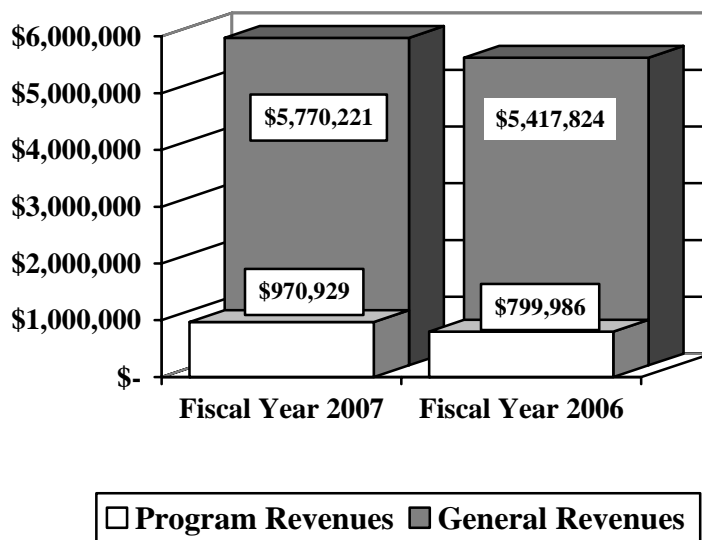
The following table shows the cost of services and net cost of services of the governmental activities for 2007 and 2006.

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2007	2007	2006	2006
Program expenses:				
General government	\$ 1,100,770	\$ 985,420	\$ 1,272,786	\$ 1,153,615
Security of persons and property	2,182,525	2,042,154	2,136,337	1,992,648
Public health and welfare	591,169	551,757	485,643	450,484
Transportation	757,418	172,064	220,995	(171,873)
Community environment	288,520	243,965	284,818	240,050
Leisure time activity	129,016	100,335	108,831	67,355
Other	63,437	46,231	65,062	42,207
Interest and fiscal charges	187,765	187,765	176,902	176,902
Total	\$ 5,300,620	\$ 4,329,691	\$ 4,751,374	\$ 3,951,388

The dependence upon general revenues for governmental activities is apparent, with 81.68% and 83.16% of expenses supported through taxes and other general revenues for 2007 and 2006, respectively.

The following graph shows general and program revenues of governmental activities for 2007 and 2006.

Governmental Activities – General and Program Revenues



**CITY OF CLYDE
SANDUSKY COUNTY**

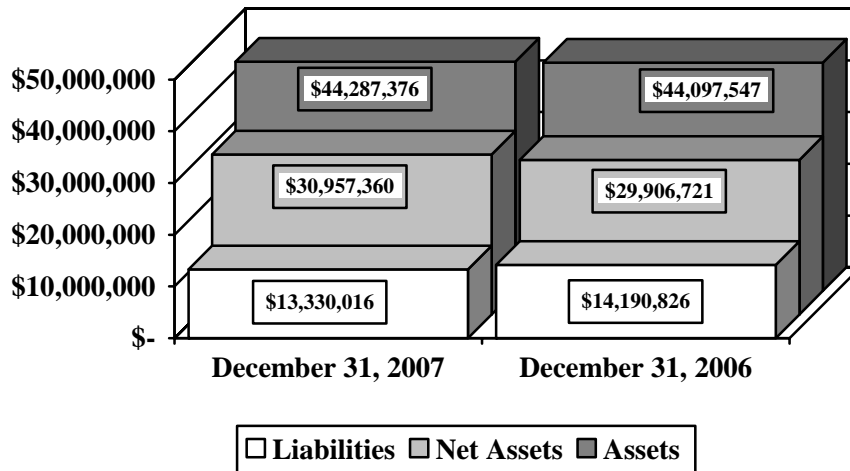
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
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Business-type Activities

Business-type activities include the water, sewer, and electric enterprise funds. These programs had program revenues of \$22,333,669, general revenues of \$101,524, transfers and capital contributions from governmental activities of \$1,045,351 and expenses of \$22,429,905 for 2007. The water fund had expenses of \$2,551,210 which were 88.34% funded by user charges for services which totaled \$2,253,715. The sewer fund had expenses of \$1,996,740 which were 75.79% funded by user charges for services of \$1,513,396. The sewer fund also received capital contributions from governmental funds for \$583,550. The electric fund had expenses of \$17,881,955 which were fully funded by user charges for services which totaled \$18,566,558. The electric fund also received transfers from the governmental funds totaling \$461,801.

The graph below shows the business-type activities assets, liabilities and net assets at December 31, 2007 and 2006.

Net Assets in Business – Type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at year-end.

**CITY OF CLYDE
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Continued)**

The City's governmental funds (as presented on the balance sheet) reported a combined fund balance of \$2,519,462 which is \$296,121 less than last year's total of \$2,815,583. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2007, for all major and nonmajor governmental funds.

	<u>Fund Balances</u> <u>12/31/07</u>	<u>Fund Balances</u> <u>12/31/06</u>	<u>(Decrease)</u>
Major fund:			
General	\$ 1,458,777	\$ 1,567,652	\$ (108,875)
Other nonmajor governmental funds	<u>1,060,685</u>	<u>1,247,931</u>	<u>(187,246)</u>
Total	<u>\$ 2,519,462</u>	<u>\$ 2,815,583</u>	<u>\$ (296,121)</u>

General Fund

The City's general fund balance decreased \$108,875, primarily due to transfers out to other funds during the year. The table that follows assists in illustrating the revenues of the general fund.

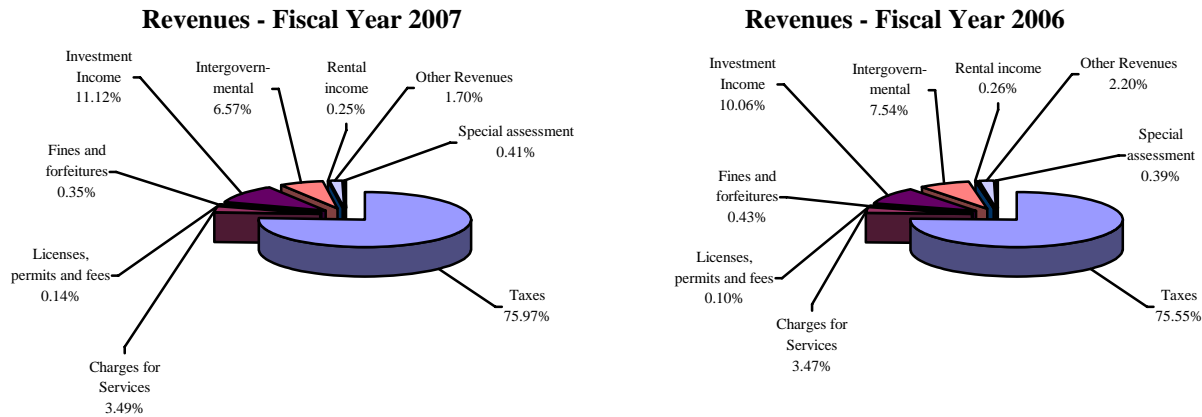
	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 3,690,783	\$ 3,423,929	7.79 %
Charges for services	169,717	157,293	7.90 %
Licenses, permits and fees	6,500	4,508	44.19 %
Fines and forfeitures	16,959	19,692	(13.88) %
Special assessments	19,958	17,452	14.36 %
Intergovernmental	319,097	341,297	(6.50) %
Investment income	540,660	455,996	18.57 %
Rental income	11,999	11,949	0.42 %
Other	<u>82,529</u>	<u>99,747</u>	<u>(17.26) %</u>
Total	<u>\$ 4,858,202</u>	<u>\$ 4,531,863</u>	7.20 %

Tax revenue represents 75.97% of all general fund revenue. The City had a slight increase in tax collections. This is due to several new employers moving into the City. The increase in investment income is due to increases in interest rates. The decrease in intergovernmental revenues is due to a decrease in estate taxes. All other revenues remained consistent with the prior year.

**CITY OF CLYDE
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
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(Continued)**

The following charts show general fund revenues for 2007 and 2006.



The table that follows assists in illustrating the expenditures of the general fund.

	<u>2007 Amount</u>	<u>2006 Amount</u>	<u>Percentage Change</u>
<u>Expenditures</u>			
General government	\$ 1,143,042	\$ 1,128,177	1.32 %
Security of persons and property	2,468,575	2,104,757	17.29 %
Public health and welfare	711,245	447,708	58.86 %
Community environment	280,950	203,910	37.78 %
Other	63,630	67,761	(6.10) %
Capital outlay		47,650	(100.00) %
Debt service	137,834	98,026	40.61 %
Total	<u>\$ 4,805,276</u>	<u>\$ 4,097,989</u>	17.26 %

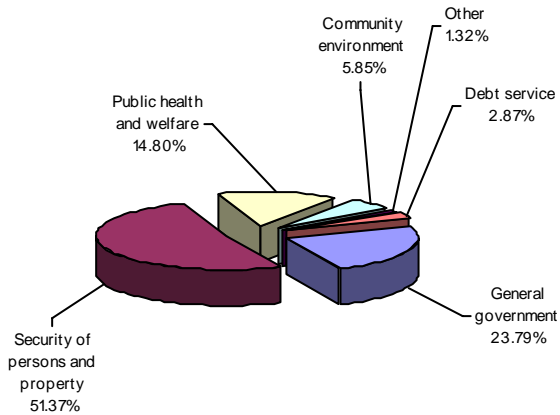
The largest expenditure line item, security of persons and property, experienced an increase which is primarily attributed to wage and benefit decreases and overall cost increases in purchased goods and services. Public health and welfare expenditures increased due to the construction of the new swimming pool. The increase in community environment expenditures can be attributed to the increasing cost of providing certain City services, such as snow removal and leaf pick up. Debt service increased because the City entered into a new loan agreement for the purchase of a fire pumper truck.

**CITY OF CLYDE
SANDUSKY COUNTY**

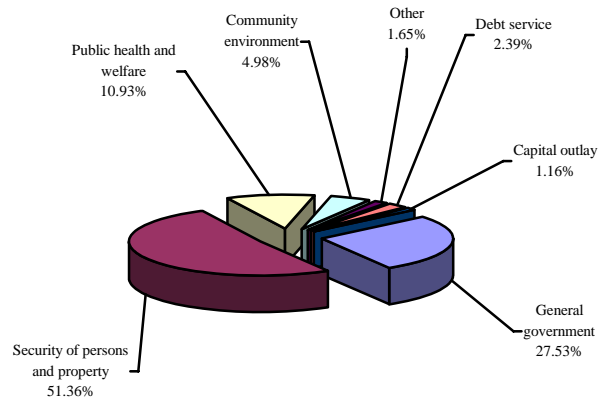
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

The following charts show general fund expenditures for 2007 and 2006.

Expenditures - Fiscal Year 2007



Expenditures - Fiscal Year 2006



Budgeting Highlights – General Fund

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

Budgetary information is presented for the general fund only. In the general fund, one of the most significant changes was between the original and final budgeted amounts were in the area of appropriations and other financing uses, which increased \$2,528,169. Original appropriations of \$4,944,514 were increased to \$7,472,683 primarily due to the decision to construct a new swimming pool. Actual revenues and other financing sources of \$6,780,765 exceeded the final budgeted revenues and other financing sources by \$493,362. Actual expenditures and other financing uses came in \$553,909 less than the final budgeted amounts.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. The only difference between the amounts reported as business-type activities and the amounts reported in the proprietary fund statements are interfund eliminations between proprietary funds and internal balances due to governmental activities for internal service activities. The only interfund activity reported in the government-wide statements is activity between business-type activities and governmental activities (reported as internal balances and transfers) whereas interfund amounts between various enterprise funds are reported in the proprietary fund statements.

**CITY OF CLYDE
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

The City's proprietary funds, consisting of the enterprise funds water, sewer and electric, (as presented on the statement of revenues, expenses and changes in net assets) reported a combined increase in net assets of \$1,056,550. The most significant change in net assets occurred in the electric fund, which increased \$1,212,204 over 2006. The electric fund had an increase in operating revenues of \$2,128,166 or 12.94% over 2006 and an increase in operating expenses of \$1,940,969 or 12.84%, both increases were due to the new utility contract for electric services which increased the cost and the charge to customers dramatically over the previous years.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2007, the City had \$48,147,172 (net of accumulated depreciation) invested in land, construction in progress, buildings and improvements, land improvements, equipment, vehicles and infrastructure. Of this total, \$16,176,081 was reported in governmental activities and \$31,971,091 was reported in business-type activities. The following table shows fiscal 2007 balances compared to 2006 (certain 2006 balances have been restated as described in note 9.A. of the notes to the basic financial statements):

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

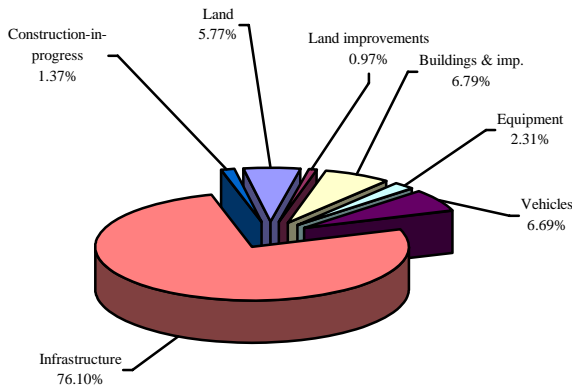
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2007	Restated 2006	2007	Restated 2006	2007	Restated 2006
Land	\$ 932,596	\$ 932,596	\$ 795,093	\$ 576,820	\$ 1,727,689	\$ 1,509,416
Construction-in-progress	222,048	15,432	1,281,891	792,878	1,503,939	808,310
Land improvements	156,631	180,548	101,088	118,601	257,719	299,149
Buildings and improvements	1,098,330	1,170,173	7,835,362	8,236,272	8,933,692	9,406,445
Equipment	373,445	305,476	1,911,451	1,768,416	2,284,896	2,073,892
Vehicles	1,081,446	743,754	127,212	168,778	1,208,658	912,532
Infrastructure	<u>12,311,585</u>	<u>12,117,332</u>	<u>19,918,994</u>	<u>20,205,741</u>	<u>32,230,579</u>	<u>32,323,073</u>
Totals	<u>\$ 16,176,081</u>	<u>\$ 15,465,311</u>	<u>\$ 31,971,091</u>	<u>\$ 31,867,506</u>	<u>\$ 48,147,172</u>	<u>\$ 47,332,817</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

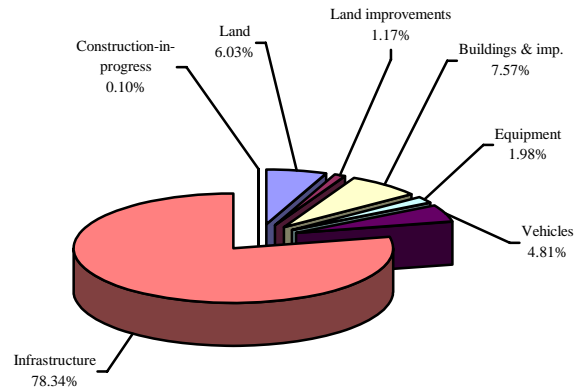
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

The following graphs show the breakdown of governmental capital assets by category for 2007 and 2006.

**Capital Assets - Governmental Activities
2007**



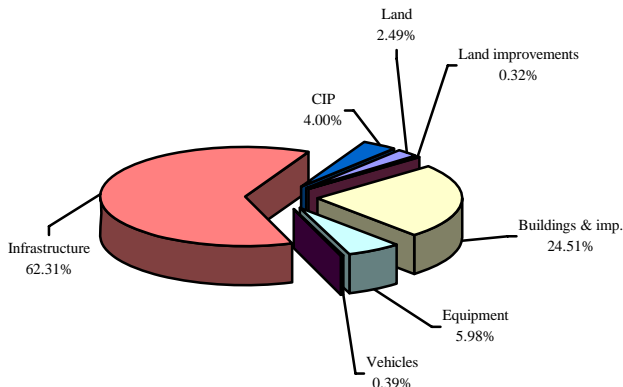
**Capital Assets - Governmental Activities
2006**



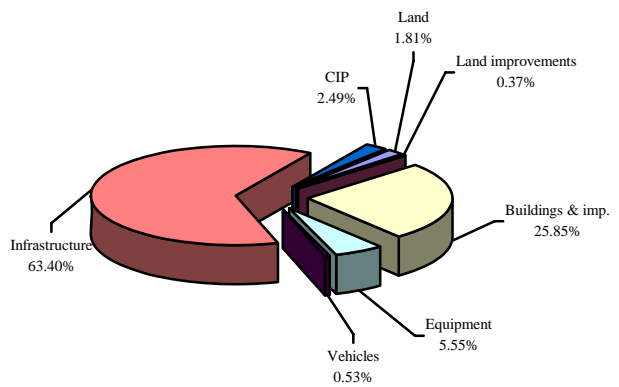
The City's largest capital asset category is infrastructure which includes roads, bridges, and sidewalks. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant.

The following graphs show the breakdown of business-type capital assets by category for 2006 and 2007.

Capital Assets - Business-Type Activities 2007



Capital Assets - Business-Type Activities 2006



The City's largest business-type capital asset category is infrastructure that primarily includes water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 62.31% of the City's total business-type capital assets.

**CITY OF CLYDE
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

Debt Administration

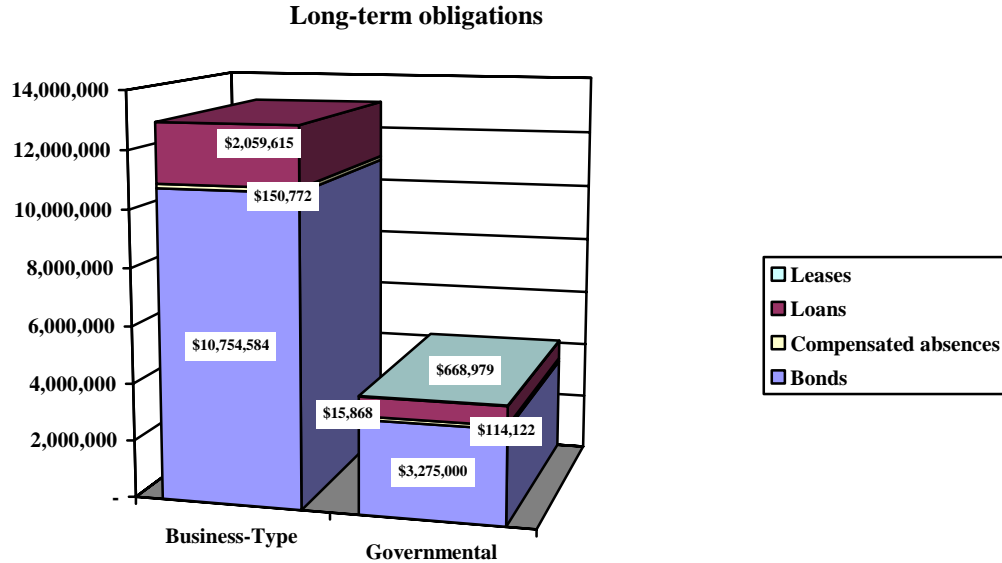
The City had the following long-term obligations outstanding at December 31, 2007 and 2006:

	Governmental Activities	
	2007	2006
General obligation bonds payable	\$ 3,275,000	\$ 3,565,000
Police Pension liability	74,877	76,296
Fire rescue truck loan	231,538	278,793
Fire pumper truck loan	362,564	
Capital lease obligation payable	15,868	37,484
Compensated absences	114,122	138,918
Total long-term obligations	\$ 4,073,969	\$ 4,096,491
	Business-types Activities	
	2007	2006
Revenue bonds	\$ 3,135,000	\$ 3,535,000
General obligation bonds	7,905,000	8,330,000
Deferred charges/unamortized premium	(285,416)	(326,680)
Total bonds	10,754,584	11,538,320
OWDA Loans	2,059,615	2,164,614
Compensated absences	150,772	132,068
Total long-term obligations	\$12,964,971	\$13,835,002

**CITY OF CLYDE
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

A comparison of the long-term obligations by category is depicted in the chart below.



Economic Conditions and Outlook

The City of Clyde has been very fortunate in that our local economy is still going strong, compared to other municipalities in northwest Ohio. The vast majority of jobs in the City are in manufacturing, and fortunately, the manufacturing and commercial base continues to show strength. The City's largest employer, the Whirlpool Corporation, continues to be recognized as a strong employer providing community growth and producing a quality product. Fisher & Paykel, who moved their factory from New Zealand to the City in 2005, have started production of electric motors for Whirlpool and their own brand of washing machines.

In early 2007, the City of Clyde entered into an agreement with American Broadband and Telecommunications to provide telephone and internet services to our Broadband customers. Although our test sites were stable, once we expanded the system, we noticed a decline in the speed of the internet. We also noticed an occasional packet loss while operating the "voice over internet phone" (VOIP). As a result, we decided to halt adding additional customers until these problems were resolved. The remainder of 2007 was dedicated to solving the problem. Although not fully certified, we continued to add test site customers to the system. We currently have seventy-five (75) customers on testing mode. We also found that underground signals did not meet specifications for both internet and telephone service without expensive boosters to the system. The City decided that all customers that have underground primary service would receive a direct fiber optic connection in lieu of a power line connection. This connection, known as "Fiber to the premise" (FTTP) will be capable of delivering unlimited service to each home or business.

**CITY OF CLYDE
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

Another project we are working on is diversifying our source of electric power to include bio-mass gasification, wind power and hydraulic power. The preliminary design work of the Bio-Mass Gasification Project is done and a draft air quality permit will be filed in early 2008. We are now exploring turning the project over to American Municipal Power-Ohio to help fund the project. AMP-Ohio is Clyde's state power association, in which we have been a member since reestablishing our municipal power system in 1987. This facility, once built, will deliver 12 megawatts of power and will produce steam for local industry. The Wind Power Project for Clyde has been turned over to AMP-Ohio for further development. The wind power developer has contracted with AMP-Ohio to install three (3) Met towers and start a one year wind study. This project could involve up to fifty (50) megawatts of power. We are also participating with AMP Ohio in a hydroelectric plant and a coal gasification plant, both of which are located on the Ohio River. By diversifying our electric sources and utilizing alternative energy sources, we hope to continue to provide low cost electricity to our commercial and industrial customers and to all the residents of the City.

City Council took action on August 7, 2007, to replace the municipal swimming pool at Community Park, which was closed in the summer of 2007 and subsequently demolished. The City went out for a design/build contract and the bid was awarded to Janotta and Herner of Monroeville, Ohio and Paterson Pools of Columbus, Ohio. Work commenced in October 2007 and was completed May 31, 2008.

Three major industrial projects were completed during 2007. SPD, a division of Spader Freight Services, constructed a new one hundred fourteen thousand (114,000) square feet facility next to their existing one hundred five thousand (105,000) square feet building on Elm Street. KF Ventures constructed a one hundred and thirty-five thousand (135,000) square feet facility on Norwest Drive. Fisher & Paykel and KMH Properties, Ltd. added another thirty thousand (30,000) square feet to their existing one hundred five thousand (105,000) square feet manufacturing facility on Watertower Drive. The total valuation of industrial permits was \$6,880,000 and commercial building and additions were valued at \$2,586,500.

Residential development is also continuing at a pretty brisk pace. The Woodhaven Estates Subdivision on South Woodland Avenue was completed in the fall of this year and has been accepted by the City. The Turning Leaf Subdivision, with its entrance off County Road 175, will start construction during the winter of 2008. Woodhaven Estates is an open subdivision, which means any builder may construct a home. The owner of the subdivision will build Turning Leaf Subdivision homes. During 2007 there were seven single family residential home permits issued for a valuation of \$1,092,000.

A large portion of general fund revenues comes from the City's 1.5 percent income tax, much of which is derived from the manufacturing sector. Growth in overall income tax collections between 2000 and 2002 were flat, at about \$3 million per year, but increased 4.0 percent in 2003, 3.0 percent in 2004 and a whopping 10.00 percent in 2005. In 2006 growth was very modest at only 0.5 percent, and in 2007 we saw a nice increase of 6.03%.

Contacting the City's Financial Management

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 questions about this report or need additional financial information contact Ms. Christine May, Finance Director, City of Clyde, 222 N. Main Street, Clyde, Ohio 43410-1637

**CITY OF CLYDE
SANDUSKY COUNTY**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2007**

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 3,265,994	\$ 7,401,342	\$ 10,667,336
Receivables (net of allowances for uncollectibles):			
Income taxes	1,189,456		1,189,456
Real and other taxes	347,468	70,930	418,398
Accounts	18,499	2,699,686	2,718,185
Due from other governments	263,329		263,329
Special assessments	202,051		202,051
Accrued interest	124,095		124,095
Internal balances	72,587	(72,587)	
Prepayments	24,678	30,743	55,421
Materials and supplies inventory	23,722	318,784	342,506
Unamortized bond issue costs		244,541	244,541
Restricted assets:			
Equity in pooled cash and cash equivalents		1,622,846	1,622,846
Capital assets:			
Land and construction-in-progress	1,154,644	2,076,984	3,231,628
Depreciable capital assets, net	15,021,437	29,894,107	44,915,544
Total capital assets, net	<u>16,176,081</u>	<u>31,971,091</u>	<u>48,147,172</u>
Total assets	<u>21,707,960</u>	<u>44,287,376</u>	<u>65,995,336</u>
Liabilities:			
Accounts payable	\$ 50,385	\$ 57,630	\$ 108,015
Contracts payable	117,325		117,325
Accrued wages and benefits	134,879	119,150	254,029
Pension obligation payable	69,739	58,088	127,827
Due to other governments	6,226	171	6,397
Accrued interest payable	20,682	130,006	150,688
Bond anticipation notes payable	1,600,000		1,600,000
Deferred revenue	323,499		323,499
Long-term liabilities:			
Due within one year	441,884	1,009,556	1,451,440
Due in more than one year	3,632,085	11,955,415	15,587,500
Total liabilities	<u>6,396,704</u>	<u>13,330,016</u>	<u>19,726,720</u>
Net assets:			
Invested in capital assets, net of related debt	12,069,063	19,156,892	31,225,955
Restricted for:			
Capital projects	577,010		577,010
Debt service		1,622,846	1,622,846
Transportation	644,443		644,443
Security of persons and property	80,116		80,116
Other purposes	78,219		78,219
Unrestricted	<u>1,862,405</u>	<u>10,177,622</u>	<u>12,040,027</u>
Total net assets	<u>\$ 15,311,256</u>	<u>\$ 30,957,360</u>	<u>\$ 46,268,616</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF CLYDE
SANDUSKY COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General government	\$ 1,100,770	\$ 28,958		\$ 86,392
Security of persons and property.	2,182,525	139,423	\$ 948	
Public health and welfare	591,169		39,412	
Transportation	757,418		360,208	225,146
Community environment.	288,520	29,095		15,460
Leisure time activity.	129,016	28,058	623	
Other	63,437	17,206		
Interest and fiscal charges.	187,765			
Total governmental activities	<u>5,300,620</u>	<u>242,740</u>	<u>401,191</u>	<u>326,998</u>
Business-type Activities:				
Water	2,551,210	2,253,715		
Sewer	1,996,740	1,513,396		
Electric	17,881,955	18,566,558		
Total business-type activities	<u>22,429,905</u>	<u>22,333,669</u>		
Total primary government.	<u>\$ 27,730,525</u>	<u>\$ 22,576,409</u>	<u>\$ 401,191</u>	<u>\$ 326,998</u>

General Revenues:

Property taxes levied for:	
General purposes.	
Police and fire pension.	
Income taxes levied for:	
General purposes.	
Capital projects	
Grants and entitlements not restricted to specific programs	
Investment earnings	
Miscellaneous	
Total general revenues	
Transfers	
Change in net assets	
Net assets at beginning of year (restated)	
Net assets at end of year	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (985,420)		\$ (985,420)
(2,042,154)		(2,042,154)
(551,757)		(551,757)
(172,064)		(172,064)
(243,965)		(243,965)
(100,335)		(100,335)
(46,231)		(46,231)
(187,765)		(187,765)
<u>(4,329,691)</u>		<u>(4,329,691)</u>
	\$ (297,495)	(297,495)
	(483,344)	(483,344)
	684,603	684,603
	<u>(96,236)</u>	<u>(96,236)</u>
<u>(4,329,691)</u>	<u>(96,236)</u>	<u>(4,425,927)</u>
852,896		852,896
40,712		40,712
2,847,104		2,847,104
1,095,839		1,095,839
333,352		333,352
517,284	87,292	604,576
83,034	14,232	97,266
<u>5,770,221</u>	<u>101,524</u>	<u>5,871,745</u>
<u>(1,045,351)</u>	<u>1,045,351</u>	
395,179	1,050,639	1,445,818
<u>14,916,077</u>	<u>29,906,721</u>	<u>44,822,798</u>
<u>\$ 15,311,256</u>	<u>\$ 30,957,360</u>	<u>\$ 46,268,616</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents.	\$ 2,474,427	\$ 744,525	\$ 3,218,952
Receivables (net of allowance for uncollectibles):			
Income taxes	832,619	356,837	1,189,456
Real and other taxes	314,805	32,663	347,468
Accounts	18,436	63	18,499
Due from other governments.	116,852	146,477	263,329
Special assessments	54,618	147,433	202,051
Accrued interest	118,015	5,736	123,751
Due from other funds.	70,759		70,759
Prepayments.	23,126	420	23,546
Materials and supplies inventory.	5,101		5,101
Total assets	\$ 4,028,758	\$ 1,434,154	\$ 5,462,912
Liabilities:			
Accounts payable	\$ 23,511	\$ 15,032	\$ 38,543
Contracts payable	117,325		117,325
Accrued wages and benefits.	113,647	2,437	116,084
Pension obligation payable	59,588	953	60,541
Due to other governments.	5,760		5,760
Accrued interest payable.	7,400		7,400
Bond anticipation notes payable	1,600,000		1,600,000
Deferred revenue.	642,750	355,047	997,797
Total liabilities	2,569,981	373,469	2,943,450
Fund balances:			
Reserved for encumbrances.	1,471,540	19,031	1,490,571
Reserved for prepayments.	23,126	420	23,546
Reserved for materials and supplies inventory	5,101		5,101
Unreserved, undesignated (deficit), reported in:			
General fund	(40,990)		(40,990)
Special revenue funds		679,803	679,803
Debt service fund		5,424	5,424
Capital projects funds		356,007	356,007
Total fund balances	1,458,777	1,060,685	2,519,462
Total liabilities and fund balances.	\$ 4,028,758	\$ 1,434,154	\$ 5,462,912

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE
SANDUSKY COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2007

Total governmental fund balances \$ 2,519,462

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

Capital assets used in governmental activities (excluding internal service funds capital assets) are not financial resources and therefore are not reported in the funds. 15,749,374

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Property taxes	\$	23,969	
Income taxes		181,623	
Special assessments		202,051	
Intergovernmental revenues		185,757	
Interest		80,898	
Total		674,298	674,298

The internal service funds are used by management to charge the costs of employee benefits and service department to individual funds. The assets and liabilities of the internal service funds (including internal balances of \$1,828) are included in governmental activities on the statement of net assets. 446,820

In the statement of activities interest is accrued on outstanding bonds and loans payable, whereas in governmental funds, interest expenditures are reported when due. (13,282)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities (excluding amounts reported in internal service funds) are as follows:

General obligation bonds		(3,275,000)	
Police pension liability		(74,877)	
Capital lease payable		(15,868)	
Fire rescue truck loan payable		(231,538)	
Fire pumper truck loan payable		(362,564)	
Compensated absences		(105,569)	
Total		(4,065,416)	(4,065,416)

Net assets of governmental activities \$ 15,311,256

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Income taxes	\$ 2,842,828	\$ 1,094,006	\$ 3,936,834
Real and other taxes	847,955	40,194	888,149
Charges for services	169,717	28,058	197,775
Licenses, permits and fees	6,500		6,500
Fines and forfeitures	16,959	7,344	24,303
Special assessments	19,958	24,696	44,654
Intergovernmental	319,097	310,176	629,273
Investment income	540,660	27,485	568,145
Rental income	11,999		11,999
Other	82,529	129,095	211,624
Total revenues	<u>4,858,202</u>	<u>1,661,054</u>	<u>6,519,256</u>
Expenditures:			
Current:			
General government	1,143,042		1,143,042
Security of persons and property	2,468,575	36,457	2,505,032
Public health and welfare	711,245	41,275	752,520
Transportation		298,820	298,820
Community environment	280,950		280,950
Leisure time activity		128,763	128,763
Other	63,630		63,630
Capital outlay		994,337	994,337
Debt service:			
Principal retirement	106,307	291,419	397,726
Interest and fiscal charges	31,527	157,229	188,756
Total expenditures	<u>4,805,276</u>	<u>1,948,300</u>	<u>6,753,576</u>
Excess (deficiency) of revenues over (under) expenditures	<u>52,926</u>	<u>(287,246)</u>	<u>(234,320)</u>
Other financing sources (uses):			
Loan issuance	400,000		400,000
Transfers in		556,079	556,079
Transfers out	(561,801)	(456,079)	(1,017,880)
Total other financing sources (uses)	<u>(161,801)</u>	<u>100,000</u>	<u>(61,801)</u>
Net change in fund balances	(108,875)	(187,246)	(296,121)
Fund balances at beginning of year	1,567,652	1,247,931	2,815,583
Fund balances at end of year	<u>\$ 1,458,777</u>	<u>\$ 1,060,685</u>	<u>\$ 2,519,462</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE
SANDUSKY COUNTY**

**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, 2007**

Net change in fund balances - total governmental funds \$ (296,121)

Amounts reported for governmental activities in the statement of activities are different because:

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (excluding internal service funds) is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital asset additions	\$ 1,376,203	
Current year depreciation	(703,375)	
Total		672,828

Proceeds of loans are reported as an other financing source in the governmental funds, but as an increase in liabilities in governmental activities. (400,000)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	5,459	
Income taxes	6,109	
Special assessments	(29,194)	
Intergovernmental revenues	38,969	
Interest	(26,631)	
Total		(5,288)

Repayment of bonds, loans and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 397,726

In the statement of activities, interest is accrued on outstanding bonds and loans payable, whereas in governmental funds, an interest expenditure is reported when due. 991

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 30,575

The internal service funds used by management to charge the costs of insurance and the City service department to individual funds are not reported in the statement of activities. Governmental fund expenditures and the related internal service funds revenues are eliminated. The net revenue (expense) of the internal service funds, including internal balances of \$5,911, is allocated among the governmental activities. (5,532)

Change in net assets of governmental activities **\$ 395,179**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE
SANDUSKY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Income taxes	\$ 2,402,494	\$ 2,475,237	\$ 2,760,069	\$ 284,832
Real and other taxes	740,171	762,582	850,334	87,752
Charges for services	162,387	167,304	186,556	19,252
Licenses, permits and fees	5,658	5,829	6,500	671
Fines and forfeitures	14,503	14,942	16,661	1,719
Intergovernmental	288,202	296,928	331,096	34,168
Special assessments	17,372	17,898	19,958	2,060
Investment income	455,522	469,314	523,319	54,005
Rental income	10,357	10,671	11,899	1,228
Other	29,033	29,912	33,354	3,442
Total revenues	<u>4,125,699</u>	<u>4,250,617</u>	<u>4,739,746</u>	<u>489,129</u>
Expenditures:				
Current:				
General government	979,449	1,250,051	1,185,561	64,490
Security of persons and property	2,421,485	2,765,485	2,680,419	85,066
Public health and welfare	523,500	2,179,067	2,144,233	34,834
Community environment	394,580	594,580	282,546	312,034
Other	75,500	75,500	63,933	11,567
Total expenditures	<u>4,394,514</u>	<u>6,864,683</u>	<u>6,356,692</u>	<u>507,991</u>
Excess of revenues over (under) expenditures	<u>(268,815)</u>	<u>(2,614,066)</u>	<u>(1,616,946)</u>	<u>997,120</u>
Other financing sources (uses):				
Sale of capital assets	26	27	30	3
Note issuance		1,600,000	1,600,000	
Loans issuance		400,000	400,000	
Transfers out	(550,000)	(608,000)	(561,801)	46,199
Other financing sources	35,678	36,759	40,989	4,230
Other financing uses			(281)	(281)
Total other financing sources (uses)	<u>(514,296)</u>	<u>1,428,786</u>	<u>1,478,937</u>	<u>50,151</u>
Net change in fund balance	(783,111)	(1,185,280)	(138,009)	1,047,271
Fund balance at beginning of year	942,006	942,006	942,006	
Prior year encumbrances appropriated	<u>71,011</u>	<u>71,011</u>	<u>71,011</u>	
Fund balance at end of year	<u>\$ 229,906</u>	<u>\$ (172,263)</u>	<u>\$ 875,008</u>	<u>\$ 1,047,271</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE
SANDUSKY COUNTY**

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31,2007**

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Funds</u>
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Total</u>	
Assets:					
Current assets:					
Equity in pooled cash and cash equivalents	\$ 1,202,145	\$ 1,177,884	\$ 5,021,313	\$ 7,401,342	\$ 47,042
Receivables (net of allowance for uncollectibles):					
Real and other taxes			70,930	70,930	
Accounts	213,507	122,350	2,363,829	2,699,686	
Accrued interest.					344
Prepayments.	10,960	5,136	14,647	30,743	1,132
Materials and supplies inventory	31,572	20,407	266,805	318,784	18,621
Unamortized bond issuance costs.	39,753		204,788	244,541	
Total current assets	1,497,937	1,325,777	7,942,312	10,766,026	67,139
Noncurrent assets:					
Restricted:					
Cash and cash equivalents.	879,971		742,875	1,622,846	
Capital assets:					
Land and construction-in-progress	723,538	653,396	700,050	2,076,984	
Depreciable capital assets, net	13,021,794	6,234,701	10,637,612	29,894,107	426,707
Total capital assets	13,745,332	6,888,097	11,337,662	31,971,091	426,707
Total noncurrent assets	14,625,303	6,888,097	12,080,537	33,593,937	426,707
Total assets	16,123,240	8,213,874	20,022,849	44,359,963	493,846
Liabilities:					
Current liabilities:					
Accounts payable.	18,725	18,106	20,799	57,630	11,842
Accrued wages and benefits	41,050	38,661	39,439	119,150	18,795
Pension obligation payable.	19,975	18,584	19,529	58,088	9,198
Compensated absences	19,557	11,654	5,633	36,844	1,375
Due to other funds			70,759	70,759	
Due to other governments			171	171	466
Accrued interest payable.	81,955	16,971	31,080	130,006	
OWDA loans payable - current	63,865	43,847		107,712	
Payable from restricted assets:					
Current portion of revenue bonds			280,000	280,000	
Current portion of general obligation bonds.	220,000		365,000	585,000	
Total current liabilities	465,127	147,823	832,410	1,445,360	41,676
Long-term liabilities:					
Compensated absences	63,441	36,437	14,050	113,928	7,178
Revenue bonds payable			2,070,000	2,070,000	
General obligation bonds payable	5,620,000		2,199,584	7,819,584	
OWDA loans payable	1,041,377	910,526		1,951,903	
Total long-term liabilities	6,724,818	946,963	4,283,634	11,955,415	7,178
Total liabilities	7,189,945	1,094,786	5,116,044	13,400,775	48,854
Net assets:					
Invested in capital assets, net of related debt	6,800,090	5,933,724	6,423,078	19,156,892	426,707
Restricted for debt service.	879,971		742,875	1,622,846	
Unrestricted.	1,253,234	1,185,364	7,740,852	10,179,450	18,285
Total net assets	\$ 8,933,295	\$ 7,119,088	\$ 14,906,805	30,959,188	\$ 444,992
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise				(1,828)	
Net assets of business-type				<u>\$ 30,957,360</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE
SANDUSKY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Business-type Activities - Enterprise Funds</u>				Governmental Activities - Internal Service Funds
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Total</u>	
Operating revenues:					
Charges for services	\$ 2,253,715	\$ 1,513,396	\$ 18,566,558	\$ 22,333,669	\$ 882,031
Other operating revenues	4,879	4,728	4,625	14,232	
Total operating revenues	<u>2,258,594</u>	<u>1,518,124</u>	<u>18,571,183</u>	<u>22,347,901</u>	<u>882,031</u>
Operating expenses:					
Personal services	966,702	877,038	889,937	2,733,677	480,061
Contract services	294,679	483,849	15,390,135	16,168,663	72,291
Materials and supplies	402,245	343,867	474,764	1,220,876	279,477
Depreciation	580,210	251,870	289,867	1,121,947	63,681
Other operating expenses	7,011	5,072	14,695	26,778	
Total operating expenses	<u>2,250,847</u>	<u>1,961,696</u>	<u>17,059,398</u>	<u>21,271,941</u>	<u>895,510</u>
Operating income (loss)	<u>7,747</u>	<u>(443,572)</u>	<u>1,511,785</u>	<u>1,075,960</u>	<u>(13,479)</u>
Nonoperating revenues (expenses):					
Interest expense and fiscal charges	(298,986)	(34,412)	(345,958)	(679,356)	
Loss from disposal of capital assets			(9,712)	(9,712)	
Interest revenue	30,019		57,273	87,292	2,036
Excise tax expense			(462,985)	(462,985)	
Total nonoperating revenues (expenses)	<u>(268,967)</u>	<u>(34,412)</u>	<u>(761,382)</u>	<u>(1,064,761)</u>	<u>2,036</u>
Income (loss) before contributions and transfers	(261,220)	(477,984)	750,403	11,199	(11,443)
Capital contributions		583,550		583,550	
Transfers in			461,801	461,801	
Changes in net assets	(261,220)	105,566	1,212,204	1,056,550	(11,443)
Net assets at beginning of year (restated)	<u>9,194,515</u>	<u>7,013,522</u>	<u>13,694,601</u>		<u>456,435</u>
Net assets at end of year	<u>\$ 8,933,295</u>	<u>\$ 7,119,088</u>	<u>\$ 14,906,805</u>		<u>\$ 444,992</u>
				(5,911)	
Adjustment to reflect the consolidation of the internal service funds activities related to Changes in net assets of business-type activities.				<u>\$ 1,050,639</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE
SANDUSKY COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Electric	Total	
Cash flows from operating activities:					
Cash received from charges for services	\$ 2,274,391	\$ 1,523,909	\$ 18,052,979	\$ 21,851,279	\$ 882,031
Cash received from other operations.	4,879	4,728	4,625	14,232	
Cash payments for personal services	(951,099)	(866,720)	(862,702)	(2,680,521)	(466,865)
Cash payments for contract services.	(316,561)	(486,138)	(15,410,583)	(16,213,282)	(70,269)
Cash payments for materials and supplies.	(390,497)	(338,615)	(510,189)	(1,239,301)	(238,500)
Cash payments for other expenses.	(7,011)	(5,072)	(14,695)	(26,778)	
Net cash provided by (used in) operating activities.	<u>614,102</u>	<u>(167,908)</u>	<u>1,259,435</u>	<u>1,705,629</u>	<u>106,397</u>
Cash flows from noncapital financing activities:					
Cash payments for excise taxes			(462,985)	(462,985)	
Transfers in from other funds			461,801	461,801	
Net cash used in noncapital financing activities			<u>(1,184)</u>	<u>(1,184)</u>	
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(223,606)	(148,086)	(290,150)	(661,842)	(101,623)
Cash payments for principal retirement.	(267,607)	(42,392)	(620,000)	(929,999)	
Cash payments for interest and fiscal charges	(315,751)	(35,159)	(275,189)	(626,099)	
Net cash used in capital and related financing activities	<u>(806,964)</u>	<u>(225,637)</u>	<u>(1,185,339)</u>	<u>(2,217,940)</u>	<u>(101,623)</u>
Cash flows from investing activities:					
Interest received.	30,019		57,273	87,292	2,109
Net cash provided by investing activities	<u>30,019</u>		<u>57,273</u>	<u>87,292</u>	<u>2,109</u>
Net increase (decrease) in cash and cash equivalents . .	(162,843)	(393,545)	130,185	(426,203)	6,883
Cash and cash equivalents at beginning of year	<u>2,244,959</u>	<u>1,571,429</u>	<u>5,634,003</u>	<u>9,450,391</u>	<u>40,159</u>
Cash and cash equivalents at end of year.	<u>\$ 2,082,116</u>	<u>\$ 1,177,884</u>	<u>\$ 5,764,188</u>	<u>\$ 9,024,188</u>	<u>\$ 47,042</u>

(Continued)

**CITY OF CLYDE
SANDUSKY COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Funds</u>
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Total</u>	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 7,747	\$ (443,572)	\$ 1,511,785	\$ 1,075,960	\$ (13,479)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	580,210	251,870	289,867	1,121,947	63,681
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	20,676	10,513	(513,579)	(482,390)	
(Increase) decrease in materials and supplies inventory	6,434	(771)	(37,481)	(31,818)	41,224
(Increase) in prepayments	(10,960)	(5,136)	(14,647)	(30,743)	(1,132)
Increase (decrease) in accounts payable	(6,910)	8,468	(3,049)	(1,491)	2,782
Increase in accrued wages and benefits	5,760	6,156	13,916	25,832	5,552
Increase in compensated absences payable	9,951	3,000	5,753	18,704	5,779
Increase in pension obligation payable	1,194	1,564	6,870	9,628	2,312
(Decrease) in due to other governments					(322)
Net cash provided by (used in) operating activities	<u>\$ 614,102</u>	<u>\$ (167,908)</u>	<u>\$ 1,259,435</u>	<u>\$ 1,705,629</u>	<u>\$ 106,397</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE
SANDUSKY COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2007

	<u>Private-Purpose Trust</u>
Assets:	
Equity in pooled cash and cash equivalents.	\$ 7,046
	<u><u>7,046</u></u>
Net Assets:	
Held in trust for private cemetery care	\$ 7,046
	<u><u>7,046</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE
SANDUSKY COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

	Private-Purpose Trust
Additions:	
Interest	\$ 365
Deductions:	
Cemetery care	19
Changes in net assets.	346
Net assets at the beginning of the year.	6,700
Net assets at the end of the year	\$ 7,046

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 1 - DESCRIPTION OF THE CITY

The City of Clyde (the "City") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City operates under a council-manager government. The City provides police protection within its boundaries and fire protection to its citizens and adjacent townships. The City provides basic utilities in the form of water, wastewater treatment and electric distribution. The City constructs and maintains streets and sidewalks within the City. The City also operates and maintains parks.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (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 principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The City has elected not to apply these FASB Statements and Interpretations. The most significant of the City's accounting policies are described below.

A. Reporting Entity

For financial reporting purposes, the City's BFS include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. Financial accountability, as defined by the GASB, exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading or incomplete.

The primary government consists of all funds and departments which provide various services including police protection, street maintenance and repair, parks, recreation, water, sewer and electric services. Council and the City Manager are directly responsible for these activities. The accompanying financial statements present the City, which has no component units. The following organization is described due to its relationship with the City.

JOINTLY GOVERNED ORGANIZATION

Municipal Energy Services Agency (MESA) - MESA is an intergovernmental venture with other Ohio Municipalities to arrange for reliable, reasonably priced supplies of electric power and energy for ultimate delivery to consumers. The City will incur no financial obligation to MESA or the other participants unless and until it avails itself of the services of MESA.

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

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

PUBLIC ENTITY RISK POOLS

Buckeye Ohio Risk Management Agency (BORMA) - The Buckeye Ohio Risk Management Agency (BORMA) is a public entity shared risk pool among several cities in Northern Ohio. BORMA was formed as an Ohio not-for-profit corporation and operates a health insurance program and a property, crime and liability insurance program. Each member appoints one person to represent the City on the Board of Directors for a term of one year for participation in the health insurance program and three years participation in the property, crime and liability insurance program. Each member city's control over the budgeting and financing of BORMA is limited to its voting authority and any representation it may have on the Board of Directors.

Participation in BORMA is by written application subject to approval of the Board of Directors and the payment of premiums. Member cities must remain members for cycles of three years. A member may withdraw from a program by giving a forty day notice prior to the beginning of the next cycle. BORMA does not have any outstanding debt obligations as of December 31, 2007. Financial information may be obtained from Arthur J. Gallagher & Co., Crown Centre Building, 5505 Rockside Road, 10th Floor, Cleveland, Ohio 44131-2157.

North Central Ohio Municipal Finance Officer's Association Workers' Compensation Group Rating Plan - The City participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The North Central Ohio Municipal Finance Officers' Association Workers' Compensation Group Rating Plan was established through the North Central Ohio Municipal Finance Officers' Association (NCOMFOA) as an insurance purchasing pool. Larry Rush serves as coordinator of the NCOMFOA. Each year, the participating members pay an enrollment fee to the NCOMFOA to cover the costs of administering the program.

B. Basis of Presentation - Fund Accounting

The City's BFS 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 activities of the internal service funds are eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

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 limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental functions are self-financing or draw 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. The internal service funds are presented in a single column on the face of the proprietary fund financial statements. Fiduciary funds are reported by type.

C. 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 is the City's major governmental fund:

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. This includes, but is not limited to, police and fire protection, public health activities, cemetery, and the general administration of City functions.

Other governmental funds of the City are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) construction and improvements other than those financed by proprietary funds; and (c) for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds - Proprietary fund reporting focuses on changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

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

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

Water Fund - This fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

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

Electric Fund - This fund accounts for the operations providing electric services to the residents and commercial users located with the City.

Internal Service Funds - The internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service funds report on the operations of the service center and health benefits.

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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's fiduciary funds are a private-purpose trust fund.

D. Measurement Focus and Basis of Accounting

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of 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 financial statements for governmental funds.

Like the government-wide statements, all proprietary funds 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 net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary funds are charges for sales and services. Operating expenses for the enterprise funds include personnel and other expenses related to the operations of the enterprise activities and operating expenses for the internal service fund include personnel costs, claims and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Private-purpose trust funds are reported using the economic resources measurement focus.

E. 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 agency funds use the accrual basis of accounting. Differences in the accrual and 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 year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the 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 year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, State-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, fees, grants, interest and special assessments.

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

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

Deferred Revenue - Deferred revenue arise 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, 2007, but which were levied to finance year 2008 operations, have been recorded as deferred revenue. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2007, are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have 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. Allocation of costs, such as depreciation and amortization, are not recognized in governmental funds.

F. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the Certificate of Estimated Resources and the Appropriations Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds other than agency are required to be budgeted and appropriated. The legal level of budgetary control is at the fund, department, (i.e. police), and object (i.e. materials and supplies) level for all funds. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

Tax Budget - During the first Council meeting in July, the Mayor presents the following fiscal year's annual operating budget to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

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

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

Appropriations - A temporary Appropriation Ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual Appropriation Ordinance must be passed by April 1 of each year for the period January 1 to December 31. The Appropriation ordinance fixes spending authority at the fund, object, and department level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund, department, object appropriations do not exceed current estimated resources, as certified. The appropriations for a fund may only be modified during the year by an ordinance of Council. 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 the City Council during the year.

Lapsing of Appropriations - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbrances are carried forward and are not reappropriated as part of the subsequent year appropriations.

G. Cash and Cash Equivalents

Cash balances of the City's funds, excepted cash held by a fiscal agent are pooled. Individual fund integrity is maintained through City records. Each fund's interest in the pooled bank account is presented on the financial statements as "Equity in pooled cash and cash equivalents".

During 2007, investments were limited to nonnegotiable certificates of deposit, U.S. government money market mutual funds, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio).

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

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

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

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2007. STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2007.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2007 amounted to \$540,660, which included \$444,119 assigned from other funds of the City.

For purposes of presentation on the statement of cash flows and for presentation on the statement of net assets, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the City's investment account at year-end is provided in Note 4.

H. Inventories of Materials and Supplies

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

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of the proprietary funds are expensed when used.

I. Restricted Assets

Assets are reported 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.

Certain resources set aside for the repayment of certain debt issues are classified as restricted assets on the financial statements because their use is limited by applicable bond covenants.

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

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

J. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These 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 \$5,000. The City's infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, irrigation systems, and water and sewer lines. 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 capital assets is also capitalized for business-type activities.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Land improvements	5 - 20 years	5 - 20 years
Buildings and improvements	20 - 40 years	20 - 40 years
Equipment	5 - 15 years	5 - 15 years
Vehicles	8 years	8 years
Infrastructure	25 - 50 years	50 - 80 years

K. Compensated Absences

Compensated absences of the City consist of vacation leave and sick leave to the extent that payment to the employee for these absences is attributable to services already rendered and are not contingent on a specific event that is outside the control of the City and the employee.

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least ten (10) years of service or any employee with at least twenty (20) years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16. Sick leave benefits were accrued using the "vesting" method.

The total liability for vacation, compensatory time, and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

The entire compensated absence liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Prepayments

Payments made to vendors for services that will benefit beyond December 31, 2007, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditures/expense in the year in which it was consumed.

M. 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, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

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

N. Unamortized Bond Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Unamortized bond issuance costs are recorded as an asset on the financial statements.

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

For advance refunding resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

On the proprietary fund financial statements, deferred charges, issuance costs and bond premiums are recognized in the current period.

O. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “due to/from other funds.” These amounts are eliminated in the governmental and business-type activities 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.

P. Interfund Activity

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

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

Q. Fund Balance Reserves

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or use. The unreserved portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

The City reports a reservation of fund balance for amounts representing encumbrances outstanding, prepayments and materials and supplies inventory in the governmental fund financial statements.

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

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

R. Estimates

The preparation of the BFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the BFS and accompanying notes. Actual results may differ from those estimates.

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, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements. During 2007, the enterprise funds received \$583,550 in capital contributions from governmental funds.

T. 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 borrowing 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 the enabling legislation adopted by the City Council or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

U. 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 programs. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund.

V. 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 Council and that are either unusual in nature or infrequent in occurrence. The City had no extraordinary items or special items during 2007.

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2007, the City has implemented GASB Statement No. 48 "Sales and Pledges of Receivables and Intra-Entity Transfers of Assets and Future Revenues". GASB Statement No. 48 established criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the City; however, additional disclosure related to revenues pledged for the repayment of revenue bonds has been provided in Note 12.B.

B. Restatement of Net Assets

The net assets of the governmental activities and business-type activities have been restated to retroactively report infrastructure capital assets in the governmental activities and to report accounting changes reported in the prior year. See Note 9 for details regarding the effects to capital assets as previously reported, which include retroactively reporting infrastructure in the governmental activities and restating sewer line infrastructure in the sewer fund. The following is the effect on net assets previously reported as of December 31, 2006:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Sewer</u>
Net assets, December 31, 2006	\$ 6,417,974	\$ 41,751,719	\$ 18,858,520
Adjustment for capital assets	<u>8,498,103</u>	<u>(11,844,998)</u>	<u>(11,844,998)</u>
Restated net assets, January 1, 2007	<u>\$ 14,916,077</u>	<u>\$ 29,906,721</u>	<u>\$ 7,013,522</u>

NOTE 4 - 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 Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim moneys 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 CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

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

The City may also invest any monies not required to be used for a period of six months or more in the following:

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

Protection of 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 Finance Director 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.

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

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 Finance Director or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At year-end, the City had \$360 in undeposited cash on hand which is included on the financial statements of the City as part of "Equity in pooled cash and cash equivalents."

B. Deposits with Financial Institutions

At December 31, 2007, the carrying amount of all City deposits was \$9,970,613. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2007, \$9,423,325 of the City's bank balance of \$10,023,325 was exposed to custodial risk as discussed below, while \$600,000 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% 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 a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City.

C. Investments

As of December 31, 2007, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	\$ 984,319	\$ 984,319
U.S. Government Money Market Mutual Funds	<u>1,341,936</u>	<u>1,341,936</u>
	<u>\$ 2,326,255</u>	<u>\$ 2,326,255</u>

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.

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

Credit Risk: The City's investments in U.S. government money market mutual funds were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

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 of each investment type held by the City at December 31, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 984,319	42.31%
U.S. Government Money Market Mutual Funds	<u>1,341,936</u>	<u>57.69%</u>
	<u>\$ 2,326,255</u>	<u>100.00%</u>

D. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2007:

Cash and investments per footnote

Carrying amount of deposits	\$ 9,970,613
Investments	2,326,255
Cash on hand	<u>360</u>
Total	<u>\$ 12,297,228</u>

Cash and investments per statement of net assets

Governmental activities	\$ 3,265,994
Business-type activities	9,024,188
Private-purpose trust fund	<u>7,046</u>
Total	<u>\$ 12,297,228</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended December 31, 2007, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:	
General fund	\$ 100,000
Nonmajor governmental fund	<u>456,079</u>
Total transfers to nonmajor governmental funds	<u>556,079</u>
Transfers to electric fund from:	
General fund	<u>461,801</u>
Total transfers to electric fund	<u>461,801</u>
Total transfers	<u><u>\$1,017,880</u></u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (4) transfer assets purchased by governmental funds to enterprise funds.

Transfers between governmental funds are eliminated on the government-wide statements. Transfers between governmental and business-type activities in the amount of \$1,045,351 appear on the statement of activities, which includes transfers of capital assets from governmental funds to business-type funds in the amount of \$583,550.

- B. Due from/to other funds consisted of the following at December 31, 2007, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Electric	<u>\$ 70,759</u>
Total Due To/From Other Funds		<u><u>\$ 70,759</u></u>

The balances resulted from the kilowatt hour tax receivable recorded in the electric fund which is due to the general fund. This is included in the internal balance amount on the statement of net assets.

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by statute at 35 percent of appraised market value. All property is required to be revaluated every six years. The last revaluation was completed in 2003. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by July 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 public utility property taxes became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in 2007 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, is 12.5% for 2007. This percentage will be reduced to 6.25% for 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2007-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The Sandusky County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2007 was 3.5 mills of assessed value. The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real property tax	\$ 98,912,130
Public utility tangible personal property tax	2,031,130
Tangible personal property tax	<u>16,045,429</u>
Total assessed valuation	<u>\$ 116,988,689</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 6 - PROPERTY TAXES – (Continued)

Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, there are generally not collected during the available period. The exception to this is any advances received by the City during the available period are credited as property tax revenues with the remainder being credited to deferred revenue.

On the full accrual basis, collectible delinquent real property taxes have been recorded as receivable and revenue. On the modified accrual basis, the revenue is deferred.

NOTE 7 - LOCAL INCOME TAX

This City locally levied tax of 1.5 percent applied to gross salaries, wages and other personal service compensation earned by residents both in and out of the City and to earnings of non residents (except certain transients) earned in the government. It also applies to net income to business organizations conducted within the City.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

Income tax proceeds are to be used to pay the cost of administering the tax. The first one percent of the income tax revenue is allocated 55% to the General fund and 45% to the Permanent Improvement fund, a nonmajor governmental fund. The additional one-half percent tax is placed in the General fund for municipal operations. Income tax revenue for 2007 was \$3,936,834 as reported in the fund financial statements.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2007, consisted of taxes, accounts (billings for user charged services), special assessments, accrued interest, and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as "Due from other governments" on the basic financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2007, as well as intended to finance fiscal 2007 operations.

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 8 – RECEIVABLES – (Continued)

A summary of the items of receivables reported on the statement of net assets follows:

Governmental Activities:

Income taxes	\$ 1,189,456
Real and other taxes	347,468
Accounts	18,499
Due from other governments	263,329
Special assessments	202,051
Accrued interest	124,095

Business-type Activities:

Real and other taxes	70,930
Accounts	2,699,686

Receivables have been disaggregated on the face of the basic financial statements. The only receivable not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment.

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 9 - CAPITAL ASSETS

- A. The capital asset balances of the governmental activities and business-type activities have been restated due to retroactive reporting of infrastructure in the governmental activities, and restatement of infrastructure in the business-type activities due to a new appraisal of the City's sewer lines during 2007. The effect on capital assets is as follows:

	Balance 12/31/06	Adjustments	Restated Balance 12/31/06
<u>Governmental Activities:</u>			
Land	\$ 932,596		\$ 932,596
Construction in progress	15,432		15,432
Land improvements	920,327		920,327
Buildings and improvements	2,761,130		2,761,130
Equipment	775,022		775,022
Vehicles	2,218,310		2,218,310
Infrastructure	3,854,689	\$ 13,204,882	17,059,571
Less: accumulated depreciation	(4,510,298)	(4,706,779)	(9,217,077)
Total	<u>\$ 6,967,208</u>	<u>\$ 8,498,103</u>	<u>\$ 15,465,311</u>
<u>Business-type Activities:</u>			
Land	\$ 576,820		\$ 576,820
Construction in progress	792,878		792,878
Land improvements	560,365		560,365
Buildings and improvements	12,779,371		12,779,371
Equipment	6,043,075		6,043,075
Vehicles	621,014		621,014
Infrastructure	38,499,347	\$ (14,391,161)	24,108,186
Less: accumulated depreciation	(16,160,366)	2,546,163	(13,614,203)
Total	<u>\$ 43,712,504</u>	<u>\$ (11,844,998)</u>	<u>\$ 31,867,506</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 9 - CAPITAL ASSETS – (Continued)

B. Capital asset activity for the year ended December 31, 2007, was as follows:

<u>Governmental Activities:</u>	Restated Balance 12/31/06	<u>Additions</u>	<u>Disposals</u>	Balance 12/31/07
<i>Capital assets, not being depreciated:</i>				
Land	\$ 932,596			\$ 932,596
Construction in progress	15,432	\$ 222,048	\$ (15,432)	222,048
Total capital assets, not being depreciated	<u>948,028</u>	<u>222,048</u>	<u>(15,432)</u>	<u>1,154,644</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	920,327			920,327
Buildings and improvements	2,761,130		(106,679)	2,654,451
Equipment	775,022	120,757		895,779
Vehicles	2,218,310	501,175		2,719,485
Infrastructure	17,059,571	649,278		17,708,849
Total capital assets, being depreciated	<u>23,734,360</u>	<u>1,271,210</u>	<u>(106,679)</u>	<u>24,898,891</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(739,779)	(23,917)		(763,696)
Buildings and improvements	(1,590,957)	(71,843)	106,679	(1,556,121)
Equipment	(469,546)	(52,788)		(522,334)
Vehicles	(1,474,556)	(163,483)		(1,638,039)
Infrastructure	(4,942,239)	(455,025)		(5,397,264)
Total accumulated depreciation	<u>(9,217,077)</u>	<u>(767,056)</u>	<u>106,679</u>	<u>(9,877,454)</u>
Total capital assets, being depreciated, net	<u>14,517,283</u>	<u>504,154</u>		<u>15,021,437</u>
Governmental activities capital assets, net	<u>\$15,465,311</u>	<u>\$ 726,202</u>	<u>\$ (15,432)</u>	<u>\$16,176,081</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 9 - CAPITAL ASSETS – (Continued)

	Restated Balance			Balance
<u>Business-type Activities:</u>	<u>12/31/06</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/07</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 576,820	\$ 218,273		\$ 795,093
Construction in progress	792,878	686,651	\$ (197,638)	1,281,891
Total capital assets, not being depreciated	<u>1,369,698</u>	<u>904,924</u>	<u>(197,638)</u>	<u>2,076,984</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	560,365			560,365
Buildings and improvements	12,779,371			12,779,371
Equipment	6,043,075	388,824		6,431,899
Vehicles	621,014	14,109		635,123
Infrastructure	24,108,186	115,313		24,223,499
Total capital assets, being depreciated	<u>44,112,011</u>	<u>518,246</u>		<u>44,630,257</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(441,764)	(17,513)		(459,277)
Buildings and improvements	(4,543,099)	(400,910)		(4,944,009)
Equipment	(4,274,659)	(245,789)		(4,520,448)
Vehicles	(452,236)	(55,675)		(507,911)
Infrastructure	(3,902,445)	(402,060)		(4,304,505)
Total accumulated depreciation	<u>(13,614,203)</u>	<u>(1,121,947)</u>		<u>(14,736,150)</u>
Total capital assets, being depreciated, net	<u>30,497,808</u>	<u>(603,701)</u>		<u>29,894,107</u>
Business-type activities capital assets, net	<u>\$ 31,867,506</u>	<u>\$ 301,223</u>	<u>\$ (197,638)</u>	<u>\$ 31,971,091</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 9 - CAPITAL ASSETS – (Continued)

Depreciation expense was charged to functions/programs of the governmental activities, and the funds of the business-type activities, of the City as follows:

Governmental activities:

General government	\$ 23,336
Security of persons and property	147,838
Public health and welfare	74,403
Transportation	455,025
Community environment	2,773
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	63,681

Total depreciation expense - governmental activities	\$ 767,056
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Business-type activities

Water	\$ 580,210
Sewer	251,870
Electric	289,867

Total depreciation expense - business-type activities	\$ 1,121,947
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NOTE 10 - OTHER EMPLOYEE BENEFITS

Compensated Absences

City employees earn vacation leave at varying rates based upon length of service. In the case of death or retirement, an employee (or his estate) is paid for their unused vacation leave. The total obligation for vacation leave for the City as a whole amounted to \$35,004 at December 31, 2007. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

City employees may accumulate up to 120 hours of compensatory time at time and a-half in lieu of direct pay of overtime hours worked. The total obligation for compensatory time accrual for the City as a whole amounted to \$30,506 at December 31, 2007. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

City employees earn sick leave at the rate of .0577 for each hour of active pay status, up to 120 hours per year. Upon retirement a nonunion employee is paid for forty percent of their accumulated sick leave up to a maximum equal 130 days or 1040 hours. A union employee is paid fifty percent of accumulated sick leave up to a maximum of 150 days or 1200 hours, except the fire department employees, who are part-time and do not accumulate sick leave. The total obligation for sick leave accrual for the City as a whole amounted to \$199,384 at December 31, 2007. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior fiscal years, the City entered into capital lease agreements for two police cruisers and acquisition of various vehicles. The leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. At inception, capital lease transactions are accounted for as capital outlay expenditure and other financing source in the general fund.

Capital assets consisting of the two leases still outstanding at year-end have been capitalized in the amount of \$73,370 in governmental activities. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2007, was \$20,187, leaving a book value of \$53,183.

For the City, a corresponding liability was recorded in the government-wide financial statements in the amount of \$15,868. Principal payments in 2007 totaled \$21,616 in the general fund. Capital lease payments in the general fund have been reclassified on the financial statements to reflect debt principal and interest payments. These payments are reported as program expenditures on the budgetary statement. The capital lease obligation entered into during a prior year for the acquisition of various vehicles was retired during 2007.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2007.

<u>Year ending December 31,</u>	<u>General</u>
2008	\$ 16,766
Total future minimum lease payments	16,766
Less: amount representing interest	<u>(898)</u>
Present value of net minimum lease payments	<u>\$ 15,868</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 12 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2007, the following changes occurred in the City's governmental activities long-term obligations:

Governmental Activities:	Interest Rate	Balance 12/31/06	Additions	Retirements	Balance 12/31/07	Due in One Year
<u>General obligation debt:</u>						
Woodland/Premier	2.00% -					
General obligation bonds	4.15%	\$ 615,000		\$ (100,000)	\$ 515,000	\$ 100,000
Vine/Main Street improvements	1.70% -					
General obligation bonds	5.00%	2,950,000		(190,000)	2,760,000	195,000
Total general obligation debt		\$ 3,565,000		\$ (290,000)	\$ 3,275,000	\$ 295,000
<u>Other obligations:</u>						
Police pension liability		\$ 76,296		\$ (1,419)	\$ 74,877	\$ 1,480
Fire rescue truck loan		278,793		(47,255)	231,538	49,059
Fire pumper truck loan			\$ 400,000	(37,436)	362,564	51,811
Capital lease obligation		37,484		(21,616)	15,868	15,868
Compensated absences		138,918	28,666	(53,462)	114,122	28,666
Total other obligations		\$ 531,491	\$ 428,666	\$ (161,188)	\$ 798,969	\$ 146,884
Total governmental activities long-term obligations		\$ 4,096,491	\$ 428,666	\$ (451,188)	\$ 4,073,969	\$ 441,884

General Obligation Bonds: The Vine/Main Street general obligation bonds were issued on June 20, 2002 and are schedule to mature on December 1, 2022. The Woodland/Premier general obligation bonds were issued on February 28, 2002 and are scheduled to mature on December 1, 2012. General obligation bonds are direct obligations of the City for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the City.

In prior years, the City defeased the Main Street general obligation bond by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the City's financial statements. At December 31, 2007, \$440,000 of this debt was still outstanding.

Police Pension Liability: An accrual has been setup for a legal liability for past service cost for the police and firemen's disability and pension fund which arose when the fund was established in 1968. The remaining unfunded pension liability is to be amortized in semi-annual installments through 2035. Principal payments are made from the police and fire pension fund, a nonmajor governmental fund.

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 12 - LONG-TERM OBLIGATIONS – (Continued)

Fire Rescue Truck Loan: During 2005, the City issued a loan for the purchase of a fire rescue truck in the amount of \$350,000 with a scheduled maturity date of December 1, 2011. The principal and interest payments are made from the general fund.

Fire Pumper Truck Loan: During 2007, the City issued a loan for the purchase of a fire pumper truck in the amount of \$400,000 with a scheduled maturity date of March 29, 2014. The principal and interest payments are made from the general fund.

Compensated Absences: Compensated absences are reported in the statement of net assets and will be paid from the fund from which the employee's salaries are paid, which is primarily the general fund.

The annual requirements amortize governmental activities long-term obligations outstanding as of December 31, 2007, are as follows:

Year Ending	Woodland Premier G.O. Bonds			Vine/Main G.O. Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 100,000	\$ 20,223	\$ 120,223	\$ 195,000	\$ 123,852	\$ 318,852
2009	100,000	16,622	116,622	205,000	116,540	321,540
2010	100,000	12,822	112,822	210,000	108,442	318,442
2011	100,000	8,823	108,823	220,000	99,937	319,937
2012	115,000	4,773	119,773	225,000	90,697	315,697
2013 - 2017				755,000	341,015	1,096,015
2018 - 2022				950,000	146,050	1,096,050
Total	<u>\$ 515,000</u>	<u>\$ 63,263</u>	<u>\$ 578,263</u>	<u>\$ 2,760,000</u>	<u>\$ 1,026,533</u>	<u>\$ 3,786,533</u>

Year Ending	Police Pension			Fire Rescue/Pumper Truck Loans		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 1,480	\$ 3,167	\$ 4,647	\$ 100,870	\$ 22,427	\$ 123,297
2009	1,544	3,103	4,647	105,046	18,251	123,297
2010	1,610	3,037	4,647	109,323	13,974	123,297
2011	1,679	2,968	4,647	113,775	9,522	123,297
2012	1,751	2,896	4,647	84,802	5,224	90,026
2013 - 2017	9,952	13,283	23,235	80,286	2,540	82,826
2018 - 2022	12,282	10,952	23,234			
2023 - 2027	15,154	8,077	23,231			
2028 - 2032	18,700	4,534	23,234			
2033 - 2035	10,725	684	11,409			
Total	<u>\$ 74,877</u>	<u>\$ 52,701</u>	<u>\$ 127,578</u>	<u>\$ 594,102</u>	<u>\$ 71,938</u>	<u>\$ 666,040</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 12 - LONG-TERM OBLIGATIONS – (Continued)

B. During the fiscal year 2007, the following changes occurred in the City's business-type long-term liabilities:

Business-Type Activities:	<u>Interest Rate</u>	<u>Balance 12/31/06</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/07</u>	<u>Amount Due in One Year</u>
<u>Mortgage revenue bonds</u>						
Electric system mortgage revenue refunding bonds, series 1998	4.0%-5.25%	\$ 2,615,000		\$ (265,000)	\$ 2,350,000	\$ 280,000
Total mortgage revenue bonds	3.0%-6.3%	2,615,000		(265,000)	2,350,000	280,000
<u>OWDA loans</u>						
Sewer plant OWDA loan	3.90%	468,020		(22,484)	445,536	23,370
Sewer sludge dewatering improvements	3.25%	528,745		(19,908)	508,837	20,477
Water system OWDA loan	2.00%	1,167,849		(62,607)	1,105,242	63,865
Total OWDA loans		2,164,614		(104,999)	2,059,615	107,712
<u>General obligation bonds</u>						
Water system general obligation bonds series 1997	3.0%-6.30%	5,125,000		(70,000)	5,055,000	80,000
Electric system G.O. refunding bonds	2.0%-4.125%	3,205,000		(355,000)	2,850,000	365,000
Total general obligation bonds		8,330,000		(425,000)	7,905,000	445,000
<u>Revenue bonds</u>						
Water system improvement revenue bonds	2.1%-4.65%	920,000		(135,000)	785,000	140,000
Total revenue bonds		920,000		(135,000)	785,000	140,000
<u>Other obligations</u>						
Compensated absences		132,068	\$ 51,062	(32,358)	150,772	36,844
Total other obligations		132,068	51,062	(32,358)	150,772	36,844
Total business-type activities long-term obligations		<u>\$ 14,161,682</u>	<u>\$ 51,062</u>	<u>\$ (962,357)</u>	13,250,387	<u>\$ 1,009,556</u>
Unamortized deferred charges on refundings					(299,170)	
Unamortized premium on bonds					13,754	
Total on statement of net assets					<u>\$ 12,964,971</u>	

Compensated Absences: Compensated absences reported in the statement of net assets and will be paid from the fund from which the employee's salaries are paid, which are primarily the water, sewer and electric funds.

Mortgage Revenue Bonds: Outstanding mortgage revenue bonds consist of Electric System Mortgage Revenue issues. Mortgage revenue bonds are direct obligations of the City's electric utility and the revenues derived from the sale of electricity are pledged to repay this debt.

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 12 - LONG-TERM OBLIGATIONS – (Continued)

Water Improvement Revenue Bonds are general obligation bonds which will be financed mainly from water revenues and are therefore recorded as enterprise fund debt.

In prior years, the City defeased electric system mortgage revenue bonds, Series B by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the City's financial statements. At December 31, 2007, \$3,220,000 of this debt was still outstanding.

The City has pledged future electric customer revenues, net of specified operating expenses, to repay the Series 1998 electric system mortgage revenue refunding bonds. The Series 1998 electric system mortgage revenue refunding bonds are payable solely from electric customer net revenues and are payable through 2014. The total principal and interest remaining to be paid on the Series 1998 electric system mortgage revenue refunding bonds is \$2,946,700. Principal and interest paid for the current year and total customer net revenues were \$421,900 and \$1,259,435, respectively.

General Obligation Bonds: During 1997, the City issued general obligation bonds for improvements to the City's water system. These bonds are backed by the full faith and credit of the City. During prior years the City issued additional general obligation bonds for additional water system improvements. These bonds will be repaid with user charges collected in the water fund. During 2004, the City issued general obligation bonds for electric system improvements. These bonds retired the mortgage revenue bonds outstanding at December 31, 2003, in the amount of \$4,530,000. These general obligation bonds will be repaid with user charges collected in the electric fund.

On May 13, 2004, the City issued \$4,345,000 in electric system refunding bonds to currently refund the callable portion of the 1993 electric system bonds (principal \$4,530,000; interest rate 3.0%-6.30%). The refunded debt is considered defeased (insubstance) and accordingly, has been removed from the statement of net assets. The principal balance of the electric and water system refunding bonds at December 31, 2007, was \$2,850,000 and \$5,055,000 respectively.

The 2004 electric system refunding issue is comprised of current interest bonds, par value \$4,345,000, with an annual interest rate ranging from 2.00% - 4.125%. The reacquisition price exceeded the net carrying amount of the old debt by \$141,091. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to interest expense through the year 2014 using the straight-line method.

OWDA Loans: The City has entered into debt financing arrangements through the OWDA to fund construction projects. The amounts due to the OWDA are payable from water and sewer revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2007, the City has outstanding borrowings of \$2,059,615.

Revenue Bonds: In 2002, the City issued \$1,400,000 in water system improvement revenue bonds for improvements to the City's water system. These bonds are direct obligations of the City's water utility and the revenues derived from the sale of water are pledged to repay this debt.

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 12 - LONG-TERM OBLIGATIONS – (Continued)

The City has pledged future water customer revenues, net of specified operating expenses, to repay the Series 2002 water system improvement revenue bonds. The Series 2002 water system improvement revenue bonds are payable solely from water customer net revenues and are payable through 2012. The total principal and interest remaining to be paid on the Series 2002 water system improvement revenue bonds is \$877,685. Principal and interest paid for the current year and total customer net revenues were \$172,331 and \$614,102, respectively.

The annual requirements to amortize enterprise fund obligations outstanding as of December 31, 2007 are as follows:

Year Ending	Electric Revenue Bonds			OWDA Loans		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 280,000	\$ 141,000	\$ 421,000	\$ 107,712	\$ 55,338	\$ 163,050
2009	295,000	124,200	419,200	110,587	52,464	163,051
2010	315,000	106,500	421,500	113,545	49,506	163,051
2011	335,000	87,600	422,600	116,592	46,459	163,051
2012	355,000	67,500	422,500	119,727	43,324	163,051
2013 - 2017	770,000	69,900	839,900	648,994	166,261	815,255
2018 - 2022				722,288	72,709	794,997
2023 - 2026				120,170	8,907	129,077
Total	\$ 2,350,000	\$ 596,700	\$ 2,946,700	\$ 2,059,615	\$ 494,968	\$ 2,554,583

Year Ending	Electric General Obligation Refunding Bonds			Water Improvement General Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 365,000	\$ 107,639	\$ 472,639	\$ 80,000	\$ 251,750	\$ 331,750
2009	380,000	96,689	476,689	80,000	247,750	327,750
2010	390,000	83,389	473,389	85,000	243,750	328,750
2011	405,000	68,764	473,764	90,000	239,375	329,375
2012	420,000	52,969	472,969	95,000	234,875	329,875
2013 - 2017	890,000	54,938	944,938	550,000	1,097,000	1,647,000
2018 - 2022				710,000	942,250	1,652,250
2023 - 2027				905,000	744,000	1,649,000
2028 - 2032				1,155,000	490,625	1,645,625
2033 - 2037				1,305,000	168,125	1,473,125
Total	\$ 2,850,000	\$ 464,388	\$ 3,314,388	\$ 5,055,000	\$ 4,659,500	\$ 9,714,500

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 12 - LONG-TERM OBLIGATIONS – (Continued)

Year	Water System		
	Improvement Revenue Bonds		
<u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 140,000	\$ 31,863	\$ 171,863
2009	150,000	25,768	175,768
2010	155,000	19,093	174,093
2011	165,000	11,891	176,891
2012	<u>175,000</u>	<u>4,070</u>	<u>179,070</u>
Total	<u>\$ 785,000</u>	<u>\$ 92,685</u>	<u>\$ 877,685</u>

C. Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2007, the City's total debt margin was \$7,275,136 and the unvoted debt margin was \$5,523,421.

NOTE 13 – NOTE PAYABLE

The City had the following note activity during fiscal 2007:

	<u>Interest</u>	<u>Issue</u>	<u>Balance</u>	<u>Balance</u>
	<u>Rate</u>	<u>Date</u>	<u>12/31/06</u>	<u>12/31/07</u>
	<u>Additions</u>	<u>Retirements</u>		
Swimming pool construction	3.70%	11/15/07	\$ 1,600,000	\$ 1,600,000

On November 15, 2007, the City issued \$1,600,000 in general obligation bond anticipation notes to construct a new swimming pool. These notes bear an interest rate of 3.70% and mature November 13, 2008. Since these notes were not financed on a long-term basis prior to the issuance of the financial statements, they will be recorded as a fund liability of the general fund, which is the fund that received the proceeds. At December 31, 2007, the City had \$1,377,952 of unspent proceeds remaining on this note issue.

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 14 - RISK MANAGEMENT

A. Property and Casualty Insurance

The City is exposed to various risks of property and casualty losses, and injuries to employees.

The City insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The City belongs to the Public Entities Pool of Ohio "PEP", a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006, PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or after January 1, 2006) as noted above.

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 14 - RISK MANAGEMENT – (Continued)

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Assets	\$37,560,071	\$36,123,194
Liabilities	(17,340,825)	(16,738,904)
Net Assets	<u>\$20,219,246</u>	<u>\$19,384,290</u>

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The City's share of these unpaid claims collectible in future years is approximately \$230,000. This payable includes the subsequent year's contribution due if the City terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
2005	\$119,987
2006	\$123,309
2007	\$107,176

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 14 - RISK MANAGEMENT – (Continued)

B. Employee Health Insurance

The City participates with other cities in the Buckeye Ohio Risk Management Association (BORMA), in a jointly funded risk financing program administered by Core Source, Inc.

The pool is for employee benefits and includes life insurance, accidental death and dismemberment insurance, health insurance and prescription drug insurance. Each member has an option on the coverage it has elected to provide for its employees. The City provides, to its employees, all available options offered by the pool. The employee benefits pools include the following municipalities: Archbold, Bowling Green, Carey, Clyde, Defiance, Fayette, Hicksville, Napoleon, Oberlin, Sandusky, Upper Sandusky and Willard. As of December 31, 2006 (latest information available), the pool had cash reserves of \$2,495,854 which, in the opinion of management, is adequate for any claims against the pool.

BORMA has the ability to require the member cities to make supplemental payments in the event reserves are not adequate to cover claims. The probability of this occurring is considered remote due to the adequacy of the pool reserves and premium levels, therefore, no amount has been reserved in the financial statements. Audited financial statements are maintained separately by BORMA.

The City continues to carry commercial insurance for all other risks of loss, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in coverage from the prior year.

NOTE 15 - PENSION PLANS

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 15 - PENSION PLANS – (Continued)

For the year ended December 31, 2007, the members of all three plans, except those in law enforcement under the Traditional Pension Plan, were required to contribute 9.5% of their annual covered salaries. Members participating in the Traditional Pension Plan that were in law enforcement contributed 10.1% of their annual covered salary. The City's contribution rate for pension benefits for 2007 was 13.85% of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rate was 17.17%. The Ohio Revised Code provides statutory authority for member and employer contributions. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2007, 2006, and 2005, were \$237,155, \$252,521, and \$265,310, respectively; 89.43% has been contributed for 2007 and 100% has been contributed for 2006 and 2005. Contributions to the member-directed plan for 2007 were \$7,912 made by the City and \$5,427 made by plan members.

B. Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer 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 the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to OP&F for the years ending December 31, 2007, 2006, and 2005, were \$54,584 and \$47,144 for the year ended December 31, 2007, \$50,378 and \$44,440 for the year ended December 31, 2006, and \$48,708 and \$42,967 for the year ended December 31, 2005. The full amount has been contributed for 2006 and 2005. 85.17% has been contributed for 2007 with the remainder being reported as a liability in the respective funds.

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 16 - POST-EMPLOYMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-employment health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the Traditional Pension or Combined Plans. Health care coverage for disability recipients and qualified survivor recipients is available. Members of the Member-Directed Plan do not qualify for post-employment health care coverage. The health care coverage provided by OPERS is considered an Other Post-employment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Post-employment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the Traditional Pension or Combined Plans is set aside for the funding of post-employment health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85% of covered payroll (17.17% for public safety and law enforcement); 5.00% of covered payroll was the portion that was used to fund health care for the period January 1, 2007, through June 30, 2007, and 6.00% of covered payroll was the portion that was used to fund health care for the period July 1, 2007 through December 31, 2007.

Benefits are advance-funded using the entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.30% based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate (4.00%) plus an additional factor ranging from .50% to 5.00% for the next eight years. In subsequent years, (nine and beyond) health care costs were assumed to increase at 4.00%.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

The number of active contributing participants in the Traditional Pension and Combined Plans was 374,979 as of December 31, 2007. The City's actual employer contributions for 2007 which were used to fund post-employment benefits were \$156,210. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006 (the latest information available) were \$12.0 billion. At December 31, 2006 (the latest information available), the actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 16 - POST-EMPLOYMENT BENEFIT PLANS – (Continued)

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by OP&F is considered an Other Post-employment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Post-employment Benefits other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides the authority allowing the OP&F's Board of Trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 6.75% of covered payroll was applied to the post-employment health care program during 2007. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2007 that were used to fund post-employment benefits were \$28,897 for police officers and \$18,448 for firefighters. The OP&F's total health care expense for the year ended December 31, 2006 (the latest information available) was \$120,373,722, which was net of member contributions of \$58,532,848. The number of OP&F participants eligible to receive health care benefits as of December 31, 2006 (the latest information available), was 14,120 for police officers and 10,563 for firefighters.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented.

Net Change in Fund Balance

	<u>General</u>
Budget basis	\$ (138,009)
Net adjustment for revenue accruals	118,456
Net adjustment for expenditure accruals	(48,003)
Net adjustment for other sources/uses	(1,640,738)
Adjustment for encumbrances	<u>1,599,419</u>
GAAP basis	<u>\$ (108,875)</u>

NOTE 18 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous 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 any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2007.

B. Litigation

The City is currently not involved in pending litigation at year-end.

NOTE 19 - MASTER LEASE-PURCHASE AND SUBLEASE PURCHASE AGREEMENT

To provide for the acquisition, construction, equipping, improvement and installing of a new hospital in Bellevue, Ohio and to retire the Bellevue Hospital Series 2002 note, the City has authorized a master lease-purchase and sublease-purchase agreement dated July 1, 2003, with Fifth Third Bank, and the Bellevue Hospital in a principal amount of \$10,000,000. The agreement includes a statement to the effect that the City's obligations thereunder, which constitute "revenue obligations" within the meaning of Section 140.06 of the Act, are not obligations, debt or bonded indebtedness of the City. As of December 31, 2007, the principal outstanding aggregated \$9,318,632.

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 20 – CONTRACTUAL COMMITMENT

The City has an active construction project as of December 31, 2007. The project includes the construction of a public pool. At year end the City's commitment with contractor is for \$1,692,374.

NOTE 21 – SUBSEQUENT EVENT

On November 15, 2007, the City issued \$1,600,000 in General Obligation Bond Anticipation Notes to construct a new swimming pool. These notes bear an interest rate of 3.70% and mature November 13, 2008.

On July 2008, the City contacted their bond counsel to initiate procedures to issue General Obligation Bonds upon maturity of their Bond Anticipation Notes. The City has exceeded the combined indirect debt limitation, as per the Ohio Constitution, Article XII, Sections 2 and 11 and is unable to issue General Obligation Bonds. In the combined indirect debt limitation, debt issued by any political subdivision in the county is considered in the calculation of debt limit. This limit has been reached by the debt issued in May 2008 by the Clyde-Green Springs EVSD in the amount of \$29 million in General Obligation Bonds.

The City's bond counsel has suggested issue Revenue Anticipation Bonds instead, at a higher interest rate. The City has not reached a decision on the type of bonds it will issue. Final decision will be approved by Council before the maturity notes date.

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Mary Taylor, CPA

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 Clyde
Sandusky County
222 Main Street
Clyde, Ohio 43410-1637

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clyde, Sandusky County, (the City) as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 7, 2008, which was qualified due to our inability to obtain sufficient evidential matter supporting infrastructure capital assets, accumulated depreciation, depreciation expense, and related net asset restrictions of the business-type activities and the Electric Fund. Except as discussed in the preceding sentence, 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 expressing our opinion on the financial statements, but not to opine 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

One Government Center / Suite 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the 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 the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiencies described above are also material weaknesses.

We also noted certain internal control matters that we reported to the City's management in a separate letter dated October 7, 2008.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance matters that we reported to the City's management in a separate letter dated October 7, 2008.

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



Mary Taylor, CPA
Auditor of State

October 7, 2008

**CITY OF CLYDE
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007**

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

FINDING NUMBER 2007-001

Capital Assets – Material Weakness

The City does not maintain an adequate detailed capital asset listing for infrastructure for its business-type activities and the Electric Fund. The failure to maintain an accurate capital asset listing could increase the risk that capital assets may be inaccurate for reporting and insurance purposes and increase the possibility of theft or loss without detection.

We recommend the City obtain a capital asset listing for its infrastructure Electric Fund capital assets. The capital asset listing should include opening balances, additions and deletions by category and fund, ending balances, current and accumulated depreciation (if applicable), carrying amounts for all assets, location and purchase date. The capital asset system should also assign each asset to a functional category so that the City can allocate depreciation expense to proper functions. The capital asset procedures should include documents for the addition and deletion of capital assets with approval signatures of the responsible officials and a procedure to report this information to the Finance Director.

FINDING NUMBER 2007-002

Financial Reporting – Material Weakness

As a result of the audit procedures performed, an error was noted in the financial statements that required a material audit adjustment in the sewer fund for infrastructure recorded twice in the amount of \$115,313.

Sound financial reporting is the responsibility of the Finance Director and the City's Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the City's financial statements and notes to the statements are complete and accurate, the Council should adopt policies and procedures, including a final review of the statements and notes by the Finance Director to identify and correct errors and omissions.

Officials' Response: We did not receive a response from Officials to the findings reported above.

CITY OF CLYDE
SANDUSKY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Material Weakness – Capital Assets	No	Repeated as Finding # 2007-001 in this report.



Mary Taylor, CPA
Auditor of State

CITY OF CLYDE

SANDUSKY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 6, 2008**