



**Mary Taylor, CPA**  
Auditor of State



**CITY OF CLYDE  
SANDUSKY COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	19
Statement of Activities .....	20
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	22
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	23
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	25
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund .....	26
Statement of Net Assets - Proprietary Funds .....	28
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds .....	30
Statement of Cash Flows - Proprietary Funds .....	32
Statement of Fiduciary Net Assets - Fiduciary Fund .....	36
Statement of Changes in Fiduciary Net Assets - Fiduciary Fund.....	37
Notes to the Basic Financial Statements .....	38
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> . .....	77

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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 City of Clyde, Sandusky County, Ohio (the City), as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Clyde, Sandusky County, Ohio, as of December 31, 2009, 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 November 8, 2010, 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 have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

November 8, 2010

**CITY OF CLYDE  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
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, 2009. 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 2009 are as follows:

- The total net assets of the City increased \$365,097. Net assets of governmental activities decreased \$397,651 or 2.70% under 2008 net assets and net assets of business-type activities increased \$762,748 or 2.60% over 2008 net assets.
- General revenues accounted for \$4,664,450 or 84.92% of total governmental activities revenue. Program specific revenues accounted for \$828,082 or 15.08% of total governmental activities revenue of \$5,492,532.
- The City had \$5,608,157 in expenses related to governmental activities; \$828,082 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$4,780,075 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$4,664,450.
- The general fund had revenues and other financing sources of \$5,675,548 in 2009. This represents a decrease of \$424,862 from 2008 revenues. The expenditures and other financing uses of the general fund, which totaled \$5,868,000 in 2009, represents a decrease of \$1,236,889 from 2008. The net decrease in fund balance for the general fund was \$192,452 or 31.26%.
- Net assets for the business-type activities, which are made up of the water, sewer, and electric enterprise funds, increased in 2009 by \$762,748. This increase in net assets was due primarily to transfers from governmental activities, which totaled \$282,026, and charges for services exceeding expenses in the electric fund by \$675,694.
- In the general fund, the actual revenues and other financing sources came in under the final budgeted revenues and other financing sources by \$546,452 and actual expenditures and other financing uses were \$678,961 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues and other financing sources decreased \$385,000 during the year. Budgeted expenditures and other financing uses decreased \$349,000 from the original to the final budget due primarily to a decrease in security of persons and property 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.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED  
(CONTINUED)**

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.

**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 2009?" 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.



**CITY OF CLYDE  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED  
(CONTINUED)**

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.

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 electric 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 fund 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, 2009  
UNAUDITED  
(CONTINUED)**

The following table provides a summary of the City's net assets for 2009 and 2008.

	Net Assets					
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	2009 Total	2008 Total
	2009	2009	2008	2008		
<b>Assets:</b>						
Current and other assets	\$ 2,948,474	\$ 12,280,901	\$ 2,768,185	\$ 11,844,178	\$ 15,229,375	\$ 14,612,363
Capital assets, net	<u>17,358,849</u>	<u>30,735,771</u>	<u>18,047,597</u>	<u>30,262,189</u>	<u>48,094,620</u>	<u>48,309,786</u>
Total assets	<u>20,307,323</u>	<u>43,016,672</u>	<u>20,815,782</u>	<u>42,106,367</u>	<u>63,323,995</u>	<u>62,922,149</u>
<b>Liabilities:</b>						
Long-term liabilities outstanding	5,201,934	12,294,804	5,470,543	12,021,217	17,496,738	17,491,760
Other liabilities	<u>795,005</u>	<u>575,631</u>	<u>637,204</u>	<u>701,661</u>	<u>1,370,636</u>	<u>1,338,865</u>
Total liabilities	<u>5,996,939</u>	<u>12,870,435</u>	<u>6,107,747</u>	<u>12,722,878</u>	<u>18,867,374</u>	<u>18,830,625</u>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	12,282,436	18,447,221	12,804,524	18,596,612	30,729,657	31,401,136
Restricted	1,396,552	1,625,130	1,221,980	1,630,289	3,021,682	2,852,269
Unrestricted	<u>631,396</u>	<u>10,073,886</u>	<u>681,531</u>	<u>9,156,588</u>	<u>10,705,282</u>	<u>9,838,119</u>
Total net assets	<u>\$ 14,310,384</u>	<u>\$ 30,146,237</u>	<u>\$ 14,708,035</u>	<u>\$ 29,383,489</u>	<u>\$ 44,456,621</u>	<u>\$ 44,091,524</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2009, the City's assets exceeded liabilities by \$44,456,621. At year-end, net assets were \$14,310,384 and \$30,146,237 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 75.95% 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, 2009, were \$12,282,436 and \$18,447,221 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.

As of December 31, 2009, 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, \$3,021,682, 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 \$631,396 in the governmental activities may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED  
(CONTINUED)**

The table below shows the changes in net assets for fiscal years 2009 and 2008.

	Change in Net Assets					
	Governmental Activities 2009	Business-type Activities 2009	Governmental Activities 2008	Business-type Activities 2008	2009 Total	2008 Total
	<b>Revenues</b>					
Program revenues:						
Charges for services	\$ 349,929	\$ 22,178,624	\$ 373,127	\$ 21,058,797	\$ 22,528,553	\$ 21,431,924
Operating grants and contributions	346,203		372,674		346,203	372,674
Capital grants and contributions	131,950		126,084	149,498	131,950	275,582
Total program revenues	<u>828,082</u>	<u>22,178,624</u>	<u>871,885</u>	<u>21,208,295</u>	<u>23,006,706</u>	<u>22,080,180</u>
General revenues:						
Property taxes	373,101		439,190		373,101	439,190
Income taxes	3,544,648		3,453,258		3,544,648	3,453,258
Other taxes	254,299		402,001		254,299	402,001
Unrestricted grants and entitlements	335,541		303,732		335,541	303,732
Investment earnings	122,238	1,348	294,317	31,209	123,586	325,526
Miscellaneous	34,623	32,543	54,308	16,003	67,166	70,311
Total general revenues	<u>4,664,450</u>	<u>33,891</u>	<u>4,946,806</u>	<u>47,212</u>	<u>4,698,341</u>	<u>4,994,018</u>
Total revenues	<u>5,492,532</u>	<u>22,212,515</u>	<u>5,818,691</u>	<u>21,255,507</u>	<u>27,705,047</u>	<u>27,074,198</u>
<b>Expenses:</b>						
General government	1,093,963		1,119,435		1,093,963	1,119,435
Security of persons and property	2,229,731		2,521,458		2,229,731	2,521,458
Public health and welfare	613,403		659,147		613,403	659,147
Transportation	783,888		723,295		783,888	723,295
Community environment	427,756		621,603		427,756	621,603
Leisure time activity	238,590		249,587		238,590	249,587
Interest and fiscal charges	220,826		230,579		220,826	230,579
Water		2,672,736		2,834,938	2,672,736	2,834,938
Sewer		1,936,441		2,069,221	1,936,441	2,069,221
Electric		17,122,616		16,351,092	17,122,616	16,351,092
Total expenses	<u>5,608,157</u>	<u>21,731,793</u>	<u>6,125,104</u>	<u>21,255,251</u>	<u>27,339,950</u>	<u>27,380,355</u>
Change in net assets before special items and transfers	(115,625)	480,722	(306,413)	256	365,097	(306,157)
Special item			127,590			127,590
Transfers	(282,026)	282,026	(424,398)	424,398		
Change in net assets	(397,651)	762,748	(603,221)	424,654	365,097	(178,567)
<b>Net assets at beginning of year</b>	<u>14,708,035</u>	<u>29,383,489</u>	<u>15,311,256</u>	<u>28,958,835</u>	<u>44,091,524</u>	<u>44,270,091</u>
<b>Net assets at end of year</b>	<u>\$ 14,310,384</u>	<u>\$ 30,146,237</u>	<u>\$ 14,708,035</u>	<u>\$ 29,383,489</u>	<u>\$ 44,456,621</u>	<u>\$ 44,091,524</u>

**CITY OF CLYDE  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED  
(CONTINUED)**

**Governmental Activities**

Governmental activities net assets decreased \$397,651 in 2009. The decrease is a result of decreasing property and other tax revenue and interest revenues outpacing decreased expenditures.

Security of persons and property, which primarily supports the operations of the police and fire departments, had expenses of \$2,229,731, which accounted for 39.76% of the total governmental activities expenses of the City. These expenses were partially funded by \$152,797 in direct charges to users of the services. General government expenses totaled \$1,093,963, which was partially funded by \$66,494 in direct charges to users of the services and \$40,535 in capital grants and contributions.

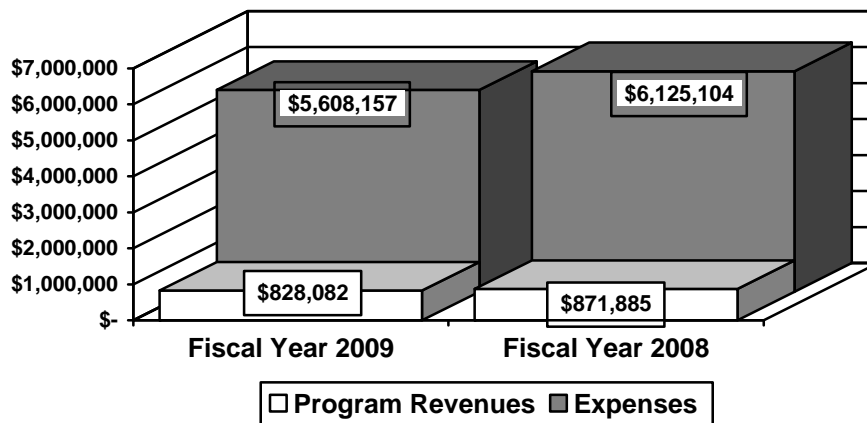
The State and federal government contributed to the City a total of \$346,203 in operating grants and contributions and \$131,950 in capital grants and contributions. These revenues are restricted to a particular program or purpose. \$291,931 of the operating grants and contributions received subsidized transportation programs.

General revenues totaled \$4,664,450 and amounted to 84.92% of total governmental revenues. These revenues primarily consist of property, kilowatt hour and income tax revenue of \$4,172,048. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government revenue and property tax reimbursements, making up \$335,541.

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 2009 and 2008.

**Governmental Activities – Program Revenues vs. Total Expenses**



**CITY OF CLYDE  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED  
(CONTINUED)**

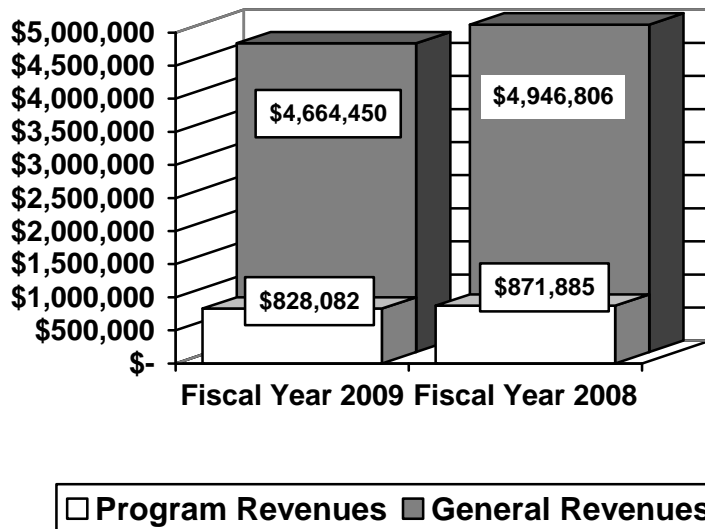
The following table shows the cost of services and net cost of services of the governmental activities for 2009 and 2008.

	<b>Governmental Activities</b>			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2009	2009	2008	2008
<b>Program expenses:</b>				
General government	\$ 1,093,963	\$ 986,934	\$ 1,119,435	\$ 967,366
Security of persons and property	2,229,731	2,046,065	2,521,458	2,375,415
Public health and welfare	613,403	544,761	659,147	586,626
Transportation	783,888	491,957	723,295	398,318
Community environment	427,756	335,830	621,603	554,469
Leisure time activity	238,590	153,702	249,587	140,446
Interest and fiscal charges	220,826	220,826	230,579	230,579
<b>Total</b>	<b>\$ 5,608,157</b>	<b>\$ 4,780,075</b>	<b>\$ 6,125,104</b>	<b>\$ 5,253,219</b>

The dependence upon general revenues for governmental activities is apparent, with 85.24% and 85.77% of expenses supported through taxes and other general revenues for 2009 and 2008, respectively.

The following graph shows general and program revenues of governmental activities for 2009 and 2008.

**Governmental Activities – General and Program Revenues**



**CITY OF CLYDE  
SANDUSKY COUNTY**

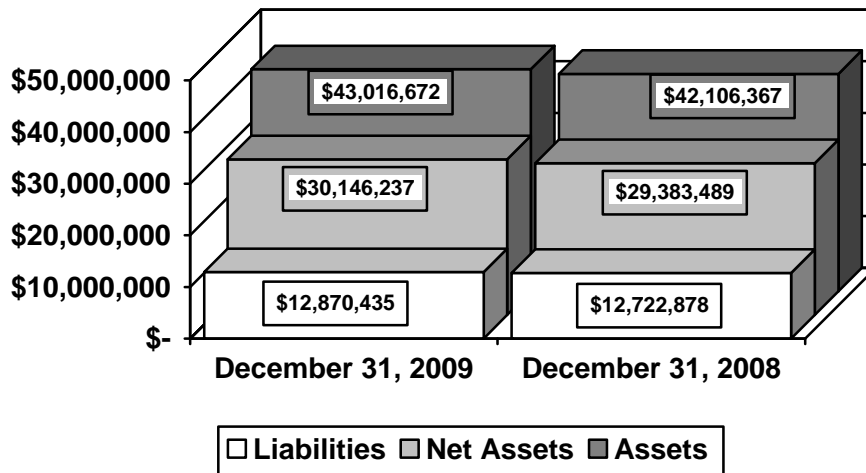
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED  
(CONTINUED)**

**Business-type Activities**

Business-type activities include the water, sewer, and electric enterprise funds. These programs had program revenues of \$22,178,624, general revenues of \$33,891, transfers and capital contributions from governmental activities of \$282,026 and expenses of \$21,731,793 for 2009. The water fund had expenses of \$2,672,736, which were 98.77% funded by user charges for services of \$2,639,820. The sewer fund had expenses of \$1,936,441, which were 89.89% funded by user charges for services of \$1,740,494. The sewer fund also received capital contributions from governmental funds for \$10,332. The electric fund had expenses of \$17,122,616, which were fully funded by user charges for services of \$17,798,310. The electric fund also received transfers from the governmental funds totaling \$271,694.

The graph below shows the business-type activities assets, liabilities and net assets at December 31, 2009 and 2008.

**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.

The City's governmental funds reported a combined fund balance of \$1,577,787 which is \$2,619 less than last year's total of \$1,580,406. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2009 for all major and nonmajor governmental funds.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED  
(CONTINUED)**

	<u>Fund Balances 12/31/09</u>	<u>Fund Balances 12/31/08</u>	<u>Increase (Decrease)</u>
<b>Major fund:</b>			
General	\$ 423,208	\$ 615,660	\$ (192,452)
Nonmajor governmental funds	<u>1,154,579</u>	<u>964,746</u>	<u>189,833</u>
 Total	 <u>\$ 1,577,787</u>	 <u>\$ 1,580,406</u>	 <u>\$ (2,619)</u>

**General Fund**

The City's general fund balance decreased \$192,452, primarily due to a decrease in revenues during the year. The table that follows assists in illustrating the revenues of the general fund.

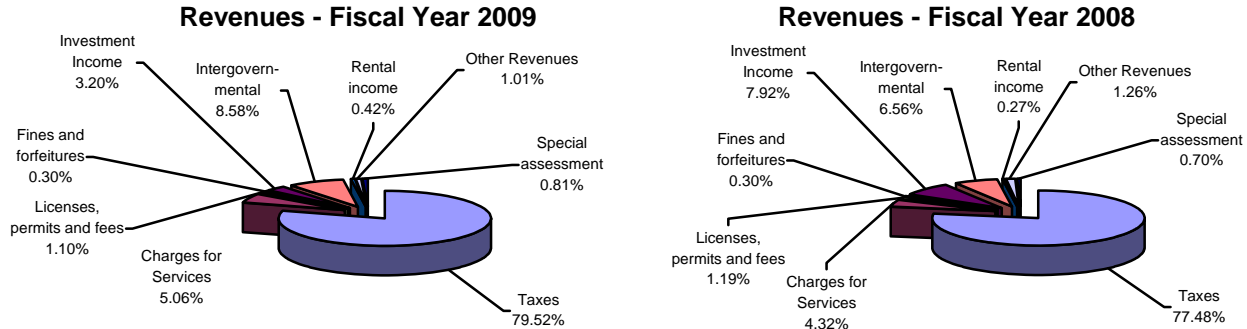
	<u>2009 Amount</u>	<u>2008 Amount</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Taxes	\$ 3,081,763	\$ 3,355,047	(8.15) %
Charges for services	196,337	187,307	4.82 %
Licenses, permits and fees	42,474	51,722	(17.88) %
Fines and forfeitures	11,475	12,744	(9.96) %
Special assessments	31,399	29,957	4.81 %
Intergovernmental	332,555	284,177	17.02 %
Investment income	124,386	343,330	(63.77) %
Rental income	16,224	11,374	42.64 %
Other	<u>37,282</u>	<u>54,911</u>	(32.10) %
 Total	 <u>\$ 3,873,895</u>	 <u>\$ 4,330,569</u>	 (10.55) %

Tax revenue represents 79.55% of all general fund revenue. The City had a decrease in tax collections during 2009. This is primarily due to a decrease in income tax collections related to the increase in unemployment during the current recession. The decrease in investment income is due to decreases in interest rates. The increase in intergovernmental revenues is due to increased reimbursements received from the State for the phase-out of the tangible personal property tax. 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, 2009  
UNAUDITED  
(CONTINUED)**

The following charts show general fund revenues for 2009 and 2008.



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

	<u>2009 Amount</u>	<u>2008 Amount</u>	<u>Percentage Change</u>
<b>Expenditures:</b>			
General government	\$ 1,041,221	\$ 1,060,650	(1.83) %
Security of persons and property	1,950,692	2,169,933	(10.10) %
Public health and welfare	438,207	490,645	(10.69) %
Community environment	265,556	425,698	(37.62) %
Capital outlay		2,242,778	(100.00) %
Debt service	<u>1,725,630</u>	<u>191,534</u>	800.95 %
<b>Total</b>	<u><u>\$ 5,421,306</u></u>	<u><u>\$ 6,581,238</u></u>	(17.62) %

The most significant increase occurred in the debt service expenditure line item. This increase is due to expenditures relating to the retirement of the 2008 bond anticipation note. Capital outlay expenditures also decreased due to the completion of the new municipal swimming pool during 2008. Community environment expenditures decreased due to a decrease in expenditures made for snow removal and other curbside services. Other general fund expenditures decreased due to tight cost controls during a period of decreasing revenue.

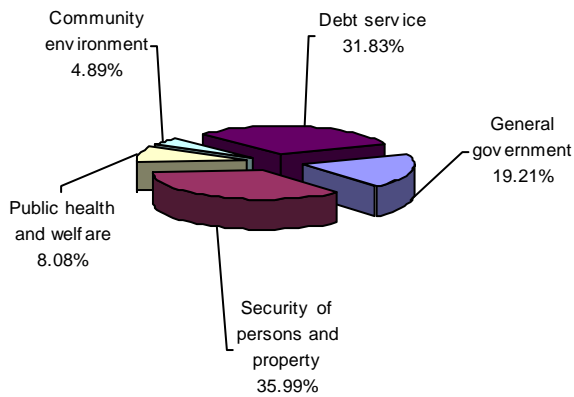


**CITY OF CLYDE  
SANDUSKY COUNTY**

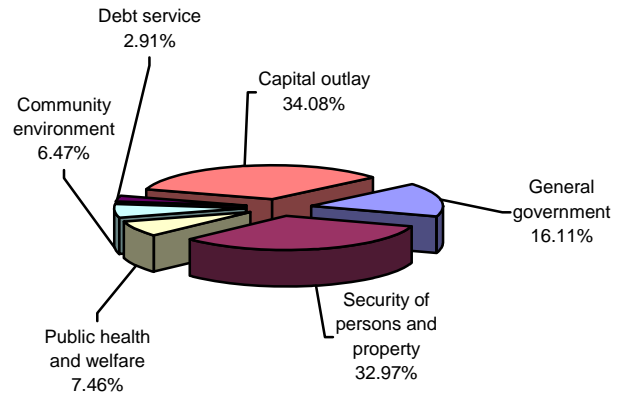
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED  
(CONTINUED)**

The following charts show general fund expenditures for 2009 and 2008.

**Expenditures - Fiscal Year 2009**



**Expenditures - Fiscal Year 2008**



***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, which decreased \$349,000. Original appropriations of \$6,943,582 were decreased to \$6,594,582 primarily due to decreases in security of persons and property and public health and welfare. Actual revenues and other financing sources of \$5,799,354 came in under the final budgeted revenues and other financing sources by \$546,452. Actual expenditures and other financing uses came in \$678,961 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, 2009  
UNAUDITED  
(CONTINUED)**

The City's proprietary funds, consisting of the enterprise funds water, sewer and electric, reported a combined increase in net assets of \$766,205. The most significant change in net assets occurred in the electric fund, which increased \$1,049,416 over 2008. The electric fund had an increase in operating revenues of \$827,556 or 4.87% over 2008 and an increase in operating expenses of \$880,550 or 5.63%, both increases were primarily due to the increased demand for electric services for industry.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2009 the City had \$48,094,620 (net of accumulated depreciation) invested in land, construction in progress, buildings and improvements, land improvements, equipment, vehicles and infrastructure. Of this total, \$17,358,849 was reported in governmental activities and \$30,735,771 was reported in business-type activities. The following table shows fiscal 2009 balances compared to 2008:

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

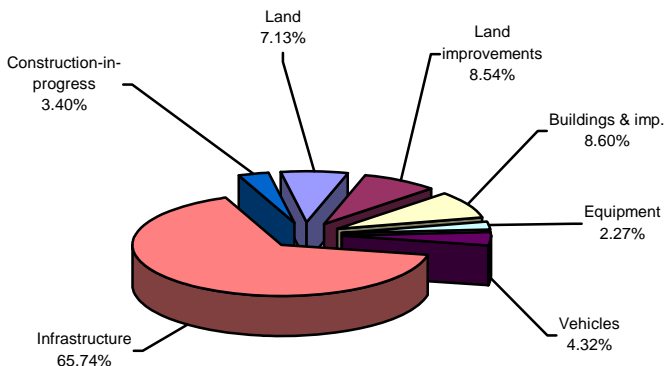
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$ 1,238,507	\$ 1,238,507	\$ 795,093	\$ 795,093	\$ 2,033,600	\$ 2,033,600
Construction-in-progress	590,173	479,224	418,314	2,260,134	1,008,487	2,739,358
Land improvements	1,481,790	1,556,085	96,144	104,904	1,577,934	1,660,989
Buildings and improvements	1,492,459	1,573,011	9,470,370	7,442,667	10,962,829	9,015,678
Equipment	394,808	407,213	1,801,592	1,702,704	2,196,400	2,109,917
Vehicles	750,608	931,157	73,413	114,519	824,021	1,045,676
Infrastructure	<u>11,410,504</u>	<u>11,862,400</u>	<u>18,080,845</u>	<u>17,842,168</u>	<u>29,491,349</u>	<u>29,704,568</u>
Totals	<u>\$ 17,358,849</u>	<u>\$ 18,047,597</u>	<u>\$ 30,735,771</u>	<u>\$ 30,262,189</u>	<u>\$ 48,094,620</u>	<u>\$ 48,309,786</u>

**CITY OF CLYDE  
SANDUSKY COUNTY**

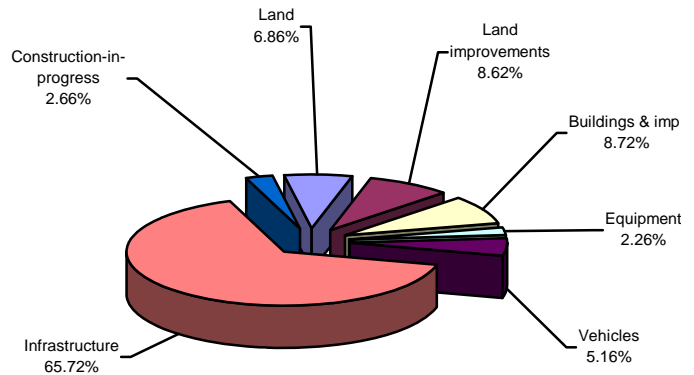
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED  
(CONTINUED)**

The following graphs show the breakdown of governmental capital assets by category for 2009 and 2008.

**Capital Assets - Governmental Activities  
2009**



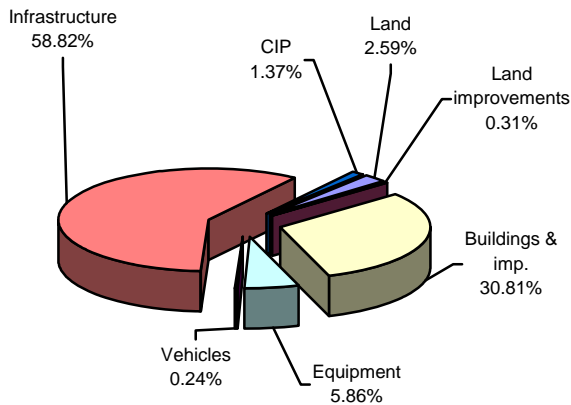
**Capital Assets - Governmental Activities  
2008**



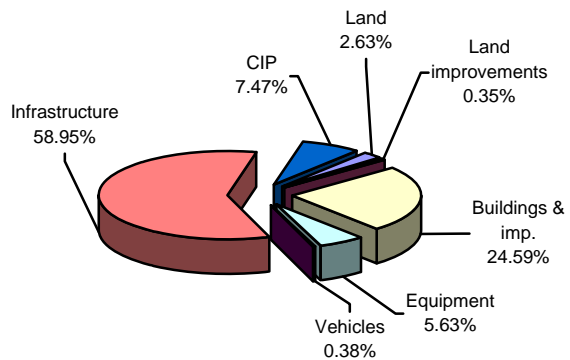
The City's largest capital asset category is infrastructure which includes roads, bridges, and sidewalks. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant.

The following graphs show the breakdown of business-type capital assets by category for 2009 and 2008.

**Capital Assets - Business-type Activities  
2009**



**Capital Assets - Business-type Activities  
2008**



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 58.82% 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, 2009  
UNAUDITED  
(CONTINUED)**

***Debt Administration***

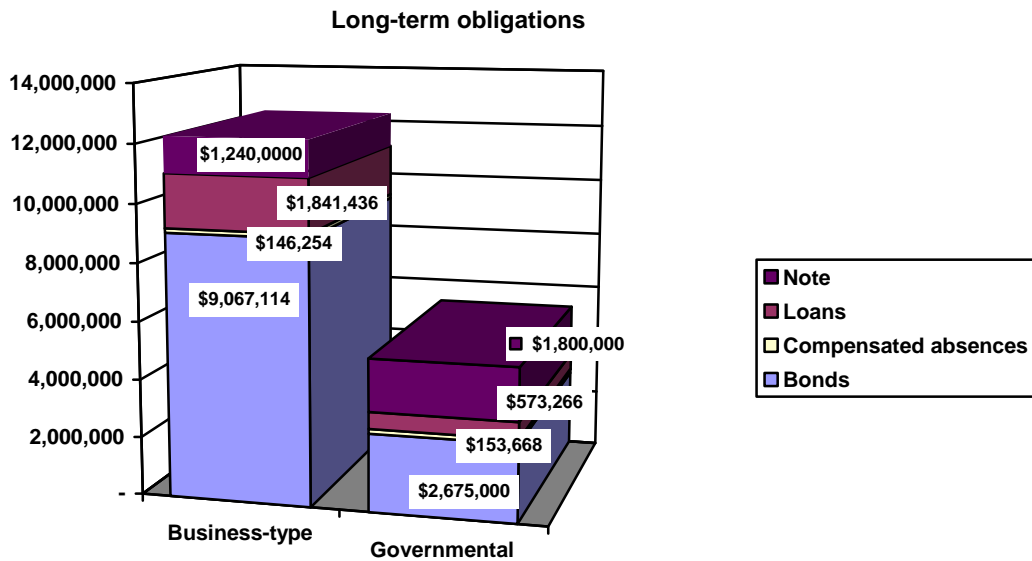
The City had the following long-term obligations outstanding at December 31, 2009 and 2008:

	Governmental Activities	
	2009	2008
General obligation bonds payable	\$ 2,675,000	\$ 2,980,000
Police pension liability	71,853	73,397
Fire rescue truck loan	131,497	182,479
Fire pumper truck loan	256,689	310,753
Land loan	113,227	169,841
Bond anticipation note	1,800,000	1,600,000
Compensated absences	153,668	154,073
Total long-term obligations	<u>\$ 5,201,934</u>	<u>\$ 5,470,543</u>
	Business-type Activities	
	2009	2008
Revenue bonds	\$ 2,270,000	\$ 2,715,000
General obligation bonds	7,000,000	7,460,000
Deferred charges/unamortized premium	(202,886)	(244,152)
Total bonds	9,067,114	9,930,848
OWDA Loans	1,841,436	1,951,903
Bond anticipation note	1,240,000	
Compensated absences	146,254	138,466
Total long-term obligations	<u>\$12,294,804</u>	<u>\$12,021,217</u>

**CITY OF CLYDE  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED  
(CONTINUED)**

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



**Economic Conditions and Outlook**

The year 2009 was a rough one for all cities in this country including the City of Clyde. Our city income tax collections fell by \$576,000 (on a cash-basis) or 14.18%. Our investment income fell by \$264,000 (on a cash-basis) or 67.53%. We balanced our budget using a number of strategies. We cut all capital items from the budget, such as road improvements, police cars and dump trucks. We cut our seasonal employees, lost two policemen due to attrition and asked our employees to forgo their wage increases. The sidewalk program, spring clean up program, and landscaping contracts were dropped, and yard waste pickup was curtailed. For the coming year 2010 we balanced the budget by retaining up to \$250,000 of kilowatt tax monies in the general fund. Two things that we did not cut were the community parades and 4<sup>th</sup> of July fireworks, as City Council feels that celebrations of pride in our community and country should not be discontinued.

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. During 2009, Whirlpool added a line of front loading washing machines to their plant in Clyde, and installed new energy efficient automatic washer platforms for both the front and top loading lines. They invested \$175 million in these projects which went online in the spring of 2010 and added approximately 90 – 100 jobs.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED  
(CONTINUED)**

Two industrial projects were built in the City during 2009. The first is an addition to the Revere Plastics factory in the amount of \$1,350,000. The second is a new building and fence for Williams Communications in the amount of \$165,500. Commercial projects in 2010 were mainly school projects. A new middle school is being built on Limerick Road in the amount of \$7,233,000 and an addition is being built to the South Main Elementary School in the amount of \$4 million. Two new 105 foot diameter grain bins are being built at Sunrise Cooperative, Inc. in the amount of \$2,500,000. A new Subway Sandwich shop was built on Route 20 in the amount of \$60,000 and a new storage building at Kristine Wott's facility on Maple Street was built in the amount of \$75,000. The total valuation of industrial permits was \$1,523,873 and commercial building and additions were valued at \$13,895,500.

Residential development is also continuing, at about the same pace as previous years. During 2009 there were five single family residential home permits issued for a valuation of \$945,000, twelve residential additions permits issued for a valuation of \$104,813 and eighty-four accessory structure permits issued for a valuation of \$182,454.

Due to the severe decline in income tax collections during 2009 the City suspended most permanent improvement fund projects involving City streets. We did hire an engineer to design an intersection upgrade to the South Main/Limerick Road intersection. This upgrade is necessary to improve traffic flow and provide a safe crosswalk for students walking to the new middle school, which is under construction now and will open in the Fall of 2010.

The City made application to and was awarded some funding from the Ohio Public Works Commission (OPWC) to complete Phase III of the Buckeye Road Sewer Separation and Street Reconstruction project. Phase I and Phase II were completed in 2006 and 2007. The City will go out for bid on Phase III during 2010 and construction should be complete by the end of the year. Over the next two years the City will apply again to OPWC for the West and East Forest Street sewer separation and road reconstruction projects.

A portion of Resco Drive in the City's Industrial Park was extended approximately one thousand feet to accommodate a forty thousand square foot expansion at the Revere Plastics factory. The roadway was extended to service the new loading docks for the facility. The City received a \$50,000 grant from the Ohio Department of Development to help offset the cost of this project.

**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, OHIO  
SANDUSKY COUNTY**

STATEMENT OF NET ASSETS  
DECEMBER 31, 2009

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 1,365,866	\$ 7,148,810	\$ 8,514,676
Receivables (net of allowances for uncollectibles):			
Income taxes . . . . .	601,352		601,352
Real and other taxes . . . . .	318,182	67,044	385,226
Accounts . . . . .	19,913	2,995,995	3,015,908
Due from other governments . . . . .	257,909		257,909
Special assessments . . . . .	209,878		209,878
Accrued interest . . . . .	42,465		42,465
Internal balances . . . . .	68,963	(68,963)	
Prepayments . . . . .	25,836	23,916	49,752
Materials and supplies inventory . . . . .	38,110	299,875	337,985
Unamortized bond issue costs . . . . .		189,094	189,094
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .		1,625,130	1,625,130
Capital assets:			
Land and construction-in-progress . . . . .	1,828,680	1,213,407	3,042,087
Depreciable capital assets, net . . . . .	15,530,169	29,522,364	45,052,533
Total capital assets, net . . . . .	<u>17,358,849</u>	<u>30,735,771</u>	<u>48,094,620</u>
Total assets . . . . .	<u>20,307,323</u>	<u>43,016,672</u>	<u>63,323,995</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	101,965	44,076	146,041
Contracts payable . . . . .		48,493	48,493
Accrued wages and benefits . . . . .	193,067	147,861	340,928
Pension obligation payable . . . . .	56,083	50,119	106,202
Due to other governments . . . . .		330	330
Accrued interest payable . . . . .	54,958	144,752	199,710
Notes payable . . . . .	100,000	140,000	240,000
Unearned revenue . . . . .	288,932		288,932
Long-term liabilities:			
Due within one year . . . . .	502,155	1,095,144	1,597,299
Due in more than one year . . . . .	4,699,779	11,199,660	15,899,439
Total liabilities . . . . .	<u>5,996,939</u>	<u>12,870,435</u>	<u>18,867,374</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt . . . . .	12,282,436	18,447,221	30,729,657
Restricted for:			
Capital projects . . . . .	761,342		761,342
Debt service . . . . .		1,625,130	1,625,130
Transportation . . . . .	481,922		481,922
Security of persons and property . . . . .	73,896		73,896
Other purposes . . . . .	79,392		79,392
Unrestricted . . . . .	<u>631,396</u>	<u>10,073,886</u>	<u>10,705,282</u>
Total net assets . . . . .	<u>\$ 14,310,384</u>	<u>\$ 30,146,237</u>	<u>\$ 44,456,621</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE, OHIO  
SANDUSKY COUNTY**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2009

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government . . . . .	\$ 1,093,963	\$ 66,494		\$ 40,535
Security of persons and property. . . . .	2,229,731	152,797	\$ 1,869	29,000
Public health and welfare . . . . .	613,403	25,679	42,963	
Transportation . . . . .	783,888		291,931	
Community environment. . . . .	427,756	23,125	6,386	62,415
Leisure time activity. . . . .	238,590	81,834	3,054	
Interest and fiscal charges. . . . .	220,826			
Total governmental activities . . . . .	5,608,157	349,929	346,203	131,950
<b>Business-type activities:</b>				
Water . . . . .	2,672,736	2,639,820		
Sewer . . . . .	1,936,441	1,740,494		
Electric . . . . .	17,122,616	17,798,310		
Total business-type activities . . . . .	21,731,793	22,178,624		
Total primary government. . . . .	\$ 27,339,950	\$ 22,528,553	\$ 346,203	\$ 131,950

**General revenues:**

Property taxes levied for:	
General purposes. . . . .	
Police and fire pension. . . . .	
Income taxes levied for:	
General purposes. . . . .	
Capital projects . . . . .	
Other taxes:	
Kilowatt hour taxes. . . . .	
Grants and entitlements not restricted to specific programs . . . . .	
Investment earnings . . . . .	
Miscellaneous . . . . .	
 Total general revenues . . . . .	
 Transfers . . . . .	
 Change in net assets . . . . .	
 <b>Net assets at beginning of year . . . . .</b>	
 <b>Net assets at end of year . . . . .</b>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**Net (Expense) Revenue and Changes in Net Assets**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (986,934)		\$ (986,934)
(2,046,065)		(2,046,065)
(544,761)		(544,761)
(491,957)		(491,957)
(335,830)		(335,830)
(153,702)		(153,702)
(220,826)		(220,826)
(4,780,075)		(4,780,075)
	\$ (32,916)	(32,916)
	(195,947)	(195,947)
	675,694	675,694
	446,831	446,831
(4,780,075)	446,831	(4,333,244)
338,220		338,220
34,881		34,881
2,531,640		2,531,640
1,013,008		1,013,008
254,299		254,299
335,541		335,541
122,238	1,348	123,586
34,623	32,543	67,166
4,664,450	33,891	4,698,341
(282,026)	282,026	
(397,651)	762,748	365,097
14,708,035	29,383,489	44,091,524
\$ 14,310,384	\$ 30,146,237	\$ 44,456,621

**CITY OF CLYDE, OHIO  
SANDUSKY COUNTY**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2009

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . . . .	\$ 267,031	\$ 1,045,084	\$ 1,312,115
Receivables (net of allowance for uncollectibles):			
Income taxes . . . . .	420,946	180,406	601,352
Real and other taxes . . . . .	288,353	29,829	318,182
Accounts . . . . .	19,826	87	19,913
Due from other governments. . . . .	131,524	126,385	257,909
Special assessments . . . . .	88,933	120,945	209,878
Accrued interest . . . . .	40,546	1,758	42,304
Due from other funds. . . . .	66,714		66,714
Prepayments. . . . .	24,206	452	24,658
Materials and supplies inventory. . . . .	5,129		5,129
Total assets . . . . .	<u>\$ 1,353,208</u>	<u>\$ 1,504,946</u>	<u>\$ 2,858,154</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 20,238	\$ 59,297	\$ 79,535
Accrued wages and benefits. . . . .	154,394	4,657	159,051
Pension obligation payable . . . . .	45,772	1,591	47,363
Accrued interest payable. . . . .	2,333		2,333
Notes payable. . . . .	100,000		100,000
Deferred revenue . . . . .	345,418	257,735	603,153
Unearned revenue. . . . .	261,845	27,087	288,932
Total liabilities . . . . .	<u>930,000</u>	<u>350,367</u>	<u>1,280,367</u>
<b>Fund balances:</b>			
Reserved for encumbrances. . . . .	24,244	17,447	41,691
Reserved for prepayments. . . . .	24,206	452	24,658
Reserved for materials and supplies inventory . . . . .	5,129		5,129
Unreserved, undesignated, reported in:			
General fund . . . . .	369,629		369,629
Special revenue funds . . . . .		557,281	557,281
Debt service funds . . . . .		5,424	5,424
Capital projects funds . . . . .		573,975	573,975
Total fund balances . . . . .	<u>423,208</u>	<u>1,154,579</u>	<u>1,577,787</u>
Total liabilities and fund balances. . . . .	<u>\$ 1,353,208</u>	<u>\$ 1,504,946</u>	<u>\$ 2,858,154</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE, OHIO  
SANDUSKY COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2009

<b>Total governmental fund balances</b>		\$ 1,577,787
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities (excluding internal service funds capital assets) are not financial resources and therefore are not reported in the funds.		16,997,679
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes receivable	\$ 29,250	
Income taxes receivable	163,249	
Special assessments receivable	209,878	
Intergovernmental revenues receivable	175,546	
Interest receivable	25,230	
Total	603,153	603,153
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 \$2,249) are included in governmental activities on the statement of net assets.		379,041
On the statement of net assets interest is accrued on outstanding bonds and loans payable, whereas in governmental funds, interest is accrued when due.		(52,625)
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	(2,675,000)	
Police pension liability	(71,853)	
Fire rescue truck loan payable	(131,497)	
Fire pumper truck loan payable	(256,689)	
Land loan payable	(113,227)	
Bond anticipation note payable	(1,800,000)	
Compensated absences payable	(146,385)	
Total	(5,194,651)	(5,194,651)
<b>Net assets of governmental activities</b>		<b>\$ 14,310,384</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE, OHIO  
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Income taxes . . . . .	\$ 2,491,668	\$ 995,877	\$ 3,487,545
Real and other taxes . . . . .	590,095	34,630	624,725
Charges for services . . . . .	196,337	81,834	278,171
Licenses, permits and fees . . . . .	42,474		42,474
Fines and forfeitures . . . . .	11,475	1,585	13,060
Intergovernmental . . . . .	332,555	296,001	628,556
Special assessments . . . . .	31,399	18,663	50,062
Investment income . . . . .	124,386	5,176	129,562
Rental income . . . . .	16,224		16,224
Contributions and donations . . . . .	6,386	86,552	92,938
Other . . . . .	30,896	2,073	32,969
<b>Total revenues . . . . .</b>	<b>3,873,895</b>	<b>1,522,391</b>	<b>5,396,286</b>
<b>Expenditures:</b>			
Current:			
General government . . . . .	1,041,221		1,041,221
Security of persons and property . . . . .	1,950,692	36,838	1,987,530
Public health and welfare . . . . .	438,207	39,941	478,148
Transportation . . . . .		309,430	309,430
Community environment . . . . .	265,556	100,919	366,475
Leisure time activity . . . . .		238,562	238,562
Capital outlay . . . . .		249,152	249,152
Debt service:			
Principal retirement . . . . .	1,705,046	363,158	2,068,204
Interest and fiscal charges . . . . .	20,584	169,558	190,142
<b>Total expenditures . . . . .</b>	<b>5,421,306</b>	<b>1,507,558</b>	<b>6,928,864</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	(1,547,411)	14,833	(1,532,578)
<b>Other financing sources (uses):</b>			
Sale of capital assets . . . . .	1,653		1,653
Sale of notes . . . . .	1,800,000		1,800,000
Transfers in . . . . .		613,163	613,163
Transfers out . . . . .	(446,694)	(438,163)	(884,857)
<b>Total other financing sources (uses) . . . . .</b>	<b>1,354,959</b>	<b>175,000</b>	<b>1,529,959</b>
Net change in fund balances . . . . .	(192,452)	189,833	(2,619)
<b>Fund balances at beginning of year . . . . .</b>	<b>615,660</b>	<b>964,746</b>	<b>1,580,406</b>
<b>Fund balances at end of year . . . . .</b>	<b>\$ 423,208</b>	<b>\$ 1,154,579</b>	<b>\$ 1,577,787</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE, OHIO  
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, 2009

**Net change in fund balances - total governmental funds** \$ (2,619)

*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 depreciation exceeded capital outlays in the current period.

Capital asset additions	\$ 155,604	
Current year depreciation	(788,814)	
<b>Total</b>	<b>(633,210)</b>	<b>(633,210)</b>

Proceeds of notes are reported as an other financing source in the governmental funds, but as an increase in liabilities in governmental activities. (1,800,000)

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

Property taxes	2,675	
Income taxes	57,103	
Special assessments	12,353	
Intergovernmental revenues	(4,295)	
Interest	(2,821)	
<b>Total</b>	<b>65,015</b>	<b>65,015</b>

Repayment of bonds, loans, notes and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 2,068,204

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. (30,684)

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. (1,452)

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 \$3,457, is allocated among the governmental activities. (62,905)

**Change in net assets of governmental activities** \$ (397,651)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE, OHIO  
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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Income taxes . . . . .	\$ 2,992,150	\$ 2,821,000	\$ 2,497,757	\$ (323,243)
Real and other taxes . . . . .	850,127	801,500	607,490	(194,010)
Charges for services . . . . .	199,936	188,500	188,985	485
Licenses, permits and fees . . . . .	46,670	44,000	42,041	(1,959)
Fines and forfeitures . . . . .	19,092	18,000	11,330	(6,670)
Intergovernmental . . . . .	362,066	341,356	336,235	(5,121)
Special assessments . . . . .	21,213	20,000	31,399	11,399
Investment income . . . . .	159,100	150,000	121,060	(28,940)
Rental income . . . . .	10,608	10,000	16,499	6,499
Contributions and donations . . . . .	15,910	15,000	6,386	(8,614)
Other . . . . .	38,661	36,450	38,519	2,069
<b>Total revenues.</b> . . . .	<u>4,715,533</u>	<u>4,445,806</u>	<u>3,897,701</u>	<u>(548,105)</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	1,200,074	1,180,074	1,040,480	139,594
Security of persons and property . . . . .	2,541,470	2,378,470	2,124,352	254,118
Public health and welfare . . . . .	677,823	592,823	436,415	156,408
Community environment . . . . .	389,215	258,215	267,680	(9,465)
Debt service:				
Principal retirement . . . . .	1,600,000	1,600,000	1,600,000	
<b>Total expenditures</b> . . . . .	<u>6,408,582</u>	<u>6,009,582</u>	<u>5,468,927</u>	<u>540,655</u>
<b>Excess of expenditures over revenues.</b> . . . .	<u>(1,693,049)</u>	<u>(1,563,776)</u>	<u>(1,571,226)</u>	<u>(7,450)</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets . . . . .			1,653	1,653
Sale of notes . . . . .	2,015,273	1,900,000	1,900,000	
Transfers out . . . . .	(535,000)	(585,000)	(446,694)	138,306
<b>Total other financing sources (uses).</b> . . . . .	<u>1,480,273</u>	<u>1,315,000</u>	<u>1,454,959</u>	<u>139,959</u>
<b>Net change in fund balance.</b> . . . .	(212,776)	(248,776)	(116,267)	132,509
<b>Fund balance at beginning of year</b> . . . . .	298,335	298,335	298,335	
<b>Prior year encumbrances appropriated</b> . . . .	57,460	57,460	57,460	
<b>Fund balance at end of year</b> . . . . .	<u>\$ 143,019</u>	<u>\$ 107,019</u>	<u>\$ 239,528</u>	<u>\$ 132,509</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF CLYDE, OHIO  
SANDUSKY COUNTY**

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2009

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Electric</b>
<b>Assets:</b>			
Current assets:			
Equity in pooled cash and cash equivalents . . . . .	\$ 1,140,847	\$ 793,948	\$ 5,214,015
Receivables (net of allowance for uncollectibles):			
Real and other taxes . . . . .			67,044
Accounts . . . . .	297,952	181,796	2,516,247
Accrued interest . . . . .			
Prepayments . . . . .	11,055	2,626	10,235
Materials and supplies inventory . . . . .	44,825	20,486	234,564
Unamortized bond issuance costs . . . . .	38,547		150,547
Total current assets . . . . .	<u>1,533,226</u>	<u>998,856</u>	<u>8,192,652</u>
Noncurrent assets:			
Restricted:			
Cash and cash equivalents . . . . .	892,815		732,315
Capital assets:			
Land and construction-in-progress . . . . .	497,238	692,825	23,344
Depreciable capital assets, net . . . . .	12,073,514	5,981,420	11,467,430
Total capital assets . . . . .	<u>12,570,752</u>	<u>6,674,245</u>	<u>11,490,774</u>
Total noncurrent assets . . . . .	<u>13,463,567</u>	<u>6,674,245</u>	<u>12,223,089</u>
Total assets . . . . .	<u>14,996,793</u>	<u>7,673,101</u>	<u>20,415,741</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable . . . . .	6,035	29,520	8,521
Contracts payable . . . . .			48,493
Accrued wages and benefits . . . . .	47,873	45,357	54,631
Pension obligation payable . . . . .	17,688	15,286	17,145
Compensated absences . . . . .	15,148	11,239	10,249
Due to other funds . . . . .			66,714
Due to other governments . . . . .			330
Accrued interest payable . . . . .	75,474	15,353	53,925
Notes payable . . . . .			140,000
OWDA loans payable - current . . . . .	66,458	47,050	
Payable from restricted assets:			
Current portion of revenue bonds . . . . .			315,000
Current portion of general obligation bonds . . . . .	240,000		390,000
Total current liabilities . . . . .	<u>468,676</u>	<u>163,805</u>	<u>1,105,008</u>
Long-term liabilities:			
Compensated absences . . . . .	53,301	35,357	20,960
Notes payable . . . . .			1,240,000
Revenue bonds payable . . . . .			1,460,000
General obligation bonds payable . . . . .	5,150,000		1,512,114
OWDA loans payable . . . . .	909,770	818,158	
Total long-term liabilities . . . . .	<u>6,113,071</u>	<u>853,515</u>	<u>4,233,074</u>
Total liabilities . . . . .	<u>6,581,747</u>	<u>1,017,320</u>	<u>5,338,082</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt . . . . .	6,204,524	5,809,037	6,433,660
Restricted for debt service . . . . .	892,815		732,315
Unrestricted . . . . .	1,317,707	846,744	7,911,684
Total net assets . . . . .	<u>\$ 8,415,046</u>	<u>\$ 6,655,781</u>	<u>\$ 15,077,659</u>

Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.  
Net assets of business-type activities.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 7,148,810	\$ 53,751
67,044	
2,995,995	
	161
23,916	1,178
299,875	32,981
189,094	
<u>10,724,734</u>	<u>88,071</u>
1,625,130	
1,213,407	
<u>29,522,364</u>	<u>361,170</u>
<u>30,735,771</u>	<u>361,170</u>
<u>32,360,901</u>	<u>361,170</u>
<u>43,085,635</u>	<u>449,241</u>
44,076	22,430
48,493	
147,861	34,016
50,119	8,720
36,636	2,009
66,714	
330	
144,752	
140,000	
113,508	
315,000	
630,000	
<u>1,737,489</u>	<u>67,175</u>
109,618	5,274
1,240,000	
1,460,000	
6,662,114	
1,727,928	
<u>11,199,660</u>	<u>5,274</u>
<u>12,937,149</u>	<u>72,449</u>
18,447,221	361,170
1,625,130	
10,076,135	15,622
30,148,486	<u>\$ 376,792</u>
(2,249)	
<u>\$ 30,146,237</u>	

**CITY OF CLYDE, OHIO  
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Electric</b>
<b>Operating revenues:</b>			
Charges for services . . . . .	\$ 2,639,820	\$ 1,740,494	\$ 17,798,310
Other operating revenues . . . . .	5,853	8,083	17,983
<b>Total operating revenues . . . . .</b>	<b>2,645,673</b>	<b>1,748,577</b>	<b>17,816,293</b>
<b>Operating expenses:</b>			
Personal services . . . . .	1,060,259	967,795	1,065,403
Contract services . . . . .	370,238	486,567	14,792,627
Materials and supplies . . . . .	344,837	170,413	305,522
Depreciation . . . . .	592,936	265,456	362,111
Other operating expenses . . . . .	5,804	5,779	5,126
<b>Total operating expenses . . . . .</b>	<b>2,374,074</b>	<b>1,896,010</b>	<b>16,530,789</b>
<b>Operating income (loss) . . . . .</b>	<b>271,599</b>	<b>(147,433)</b>	<b>1,285,504</b>
<b>Nonoperating revenues (expenses):</b>			
Interest expense and fiscal charges . . . . .	(291,303)	(31,118)	(315,947)
Gain from disposal of capital assets . . . . .			624
Interest revenue . . . . .	715		633
Excise tax expense . . . . .			(273,092)
Other nonoperating expenses . . . . .	(7,001)	(9,002)	
<b>Total nonoperating revenues (expenses) . . . . .</b>	<b>(297,589)</b>	<b>(40,120)</b>	<b>(587,782)</b>
<b>Income (loss) before contributions and transfers . . . . .</b>	<b>(25,990)</b>	<b>(187,553)</b>	<b>697,722</b>
Capital contributions . . . . .		10,332	
Transfers in . . . . .			351,694
Transfers out . . . . .	(56,000)	(24,000)	
<b>Changes in net assets . . . . .</b>	<b>(81,990)</b>	<b>(201,221)</b>	<b>1,049,416</b>
<b>Net assets at beginning of year . . . . .</b>	<b>8,497,036</b>	<b>6,857,002</b>	<b>14,028,243</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 8,415,046</b>	<b>\$ 6,655,781</b>	<b>\$ 15,077,659</b>

Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.  
Changes in net assets of business-type activities.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 22,178,624	\$ 787,844
31,919	
22,210,543	787,844
3,093,457	527,399
15,649,432	58,552
820,772	206,490
1,220,503	61,881
16,709	462
20,800,873	854,784
1,409,670	(66,940)
(638,368)	
624	
1,348	578
(273,092)	
(16,003)	
(925,491)	578
484,179	(66,362)
10,332	
351,694	
(80,000)	
766,205	(66,362)
	443,154
	\$ 376,792
(3,457)	
\$ 762,748	

**CITY OF CLYDE, OHIO  
SANDUSKY COUNTY**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Electric</b>
<b>Cash flows from operating activities:</b>			
Cash received from charges for services . . . . .	\$ 2,598,631	\$ 1,695,281	\$ 17,075,426
Cash received from other operations. . . . .	5,853	8,083	17,983
Cash payments for personal services . . . . .	(1,060,147)	(971,122)	(1,054,874)
Cash payments for contract services. . . . .	(369,935)	(463,892)	(14,793,966)
Cash payments for materials and supplies. . . . .	(348,498)	(173,534)	(279,722)
Cash payments for other expenses. . . . .	(5,804)	(5,779)	(6,123)
Net cash provided by operating activities. . . . .	<u>820,100</u>	<u>89,037</u>	<u>958,724</u>
<b>Cash flows from noncapital financing activities:</b>			
Cash payments for excise taxes . . . . .			(273,092)
Transfers in from other funds . . . . .			351,694
Transfers out to other funds . . . . .	(56,000)	(24,000)	
Net cash provided by (used in) noncapital financing activities . . . . .	<u>(56,000)</u>	<u>(24,000)</u>	<u>78,602</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets . . . . .	(50,776)	(32,286)	(1,910,183)
Gain on sale of capital assets. . . . .			624
Cash received from sale of notes. . . . .			1,380,000
Cash payments for principal retirement. . . . .	(295,149)	(45,318)	(675,000)
Cash payments for interest and fiscal charges . . . . .	(294,020)	(31,948)	(220,890)
Net cash used in capital and related financing activities . . . . .	<u>(639,945)</u>	<u>(109,552)</u>	<u>(1,425,449)</u>
<b>Cash flows from investing activities:</b>			
Interest received. . . . .	715		633
Net increase (decrease) in cash and cash equivalents . . . . .	124,870	(44,515)	(387,490)
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<u>1,908,792</u>	<u>838,463</u>	<u>6,333,820</u>
<b>Cash and cash equivalents at end of year. . . . .</b>	<u>\$ 2,033,662</u>	<u>\$ 793,948</u>	<u>\$ 5,946,330</u>

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 21,369,338	\$ 787,844
31,919	
(3,086,143)	(517,524)
(15,627,793)	(58,185)
(801,754)	(194,095)
(17,706)	(462)
<hr/>	<hr/>
1,867,861	17,578
<hr/>	<hr/>
(273,092)	
351,694	
(80,000)	
<hr/>	<hr/>
(1,398)	
<hr/>	<hr/>
(1,993,245)	(6,343)
624	
1,380,000	
(1,015,467)	
(546,858)	
<hr/>	<hr/>
(2,174,946)	(6,343)
<hr/>	<hr/>
1,348	567
<hr/>	<hr/>
(307,135)	11,802
<hr/>	<hr/>
9,081,075	41,949
<hr/>	<hr/>
\$ 8,773,940	\$ 53,751
<hr/>	<hr/>

(Continued)

**CITY OF CLYDE, OHIO**  
**SANDUSKY COUNTY**  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss) . . . . .	\$ 271,599	\$ (147,433)	\$ 1,285,504
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation . . . . .	592,936	265,456	362,111
Changes in assets and liabilities:			
(Increase) in accounts receivable . . . . .	(41,189)	(45,213)	(722,884)
(Increase) decrease in materials and supplies inventory. . . . .	5,112	(706)	24,603
(Increase) decrease in prepayments. . . . .	2	1,144	3,696
Increase (decrease) in accounts payable . . . . .	(8,686)	18,900	(5,154)
Increase (decrease) in accrued wages and benefits. . . . .	(4,885)	(908)	3,553
Increase (decrease) in compensated absences payable. . . . .	4,372	(3,110)	6,526
Increase in pension obligation payable. . . . .	839	907	769
Net cash provided by operating activities . . . . .	<u>\$ 820,100</u>	<u>\$ 89,037</u>	<u>\$ 958,724</u>

At December 31, 2009 and December 31, 2008, the electric fund purchased \$48,493 and \$341,982, respectively, in capital assets on account. The sewer fund received \$10,332 in capital contributions from other funds.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 1,409,670	\$ (66,940)
1,220,503	61,881
(809,286)	
29,009	(3,236)
4,842	(202)
5,060	18,523
(2,240)	8,689
7,788	(1,857)
2,515	720
<u>\$ 1,867,861</u>	<u>\$ 17,578</u>

**CITY OF CLYDE, OHIO  
SANDUSKY COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
DECEMBER 31, 2009

		<u>Private-Purpose Trust</u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents. . . . .	\$	7,335
Receivables:		
Accrued interest. . . . .		35
		<hr/>
Total assets . . . . .		7,370
		<hr/>
<b>Liabilities:</b>		
Accounts payable. . . . .		37
		<hr/>
<b>Net assets:</b>		
Held in trust for private cemetery care . . . . .	\$	7,333
		<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CITY OF CLYDE, OHIO  
SANDUSKY COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009

	<b>Private-Purpose Trust</b>
<b>Additions:</b>	
Interest . . . . .	\$ 106
<b>Deductions:</b>	
Cemetery care . . . . .	93
Changes in net assets. . . . .	13
<b>Net assets at the beginning of the year. . . . .</b>	<b>7,320</b>
<b>Net assets at the end of the year . . . . .</b>	<b>\$ 7,333</b>

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, 2009**

**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) guidance issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided it does not conflict with or contradict GASB pronouncements. The City has the option to also apply FASB guidance 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 this FASB guidance. 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, 2009  
(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, 2009. Financial information may be obtained from Arthur J. Gallagher & Co., Crown Centre Building, 5505 Rockside Road, 10<sup>th</sup> Floor, Cleveland, Ohio 44131-2157.

North Central Ohio Municipal Finance Officers' 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, 2009  
(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) grants and other resources whose use is restricted to a particular purpose.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

***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.

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

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

***Electric fund*** - The electric 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 fund is 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.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

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.

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 Nonexchange Transactions*** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, are 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.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

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.

***Unearned Revenue and Deferred Revenue*** - Unearned revenue and 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, 2009, but which were levied to finance year 2010 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as unearned 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, 2009, are recorded as deferred revenue in the governmental funds.

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. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

**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 budgetary 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.

**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. On or before 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 of Estimated Resources 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 and 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.



**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

***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, except cash held by 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 2009, 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).

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 2009. 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 shares price which is the price the investment could be sold for on December 31, 2009.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2009 amounted to \$124,386, which included \$120,383 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, purchased inventories are presented at the lower of cost or market. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

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. 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.

**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, traffic signals, water and sewer lines, electric transmission, overhead and underground lines, electric transformers, substations and street lights. 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.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

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 is not contingent on a specific event that is outside the control of the City and the employee.

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 50 or greater with at least 10 years of service or any employee with at least 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.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

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, 2009, 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 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.

**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.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

**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.

**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 contributions of capital assets 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 2009, the enterprise funds received \$10,332 in capital contributions from governmental funds.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

**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 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 propriety funds. For the City, these revenues are charged for services for water, sewer and electric programs. Operating expenses are necessary costs incurred to provide goods or services 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 or special items during 2009.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Changes in Accounting Principles**

For 2009, the City has implemented GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards", and GASB Statement No. 57 "Other Postemployment Benefit (OPEB) Measurements by Agent Employers and Agent Multiple-Employers".

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the City.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the City.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the City.

GASB Statement No. 57 establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total plan members and by the agent multiple-employer OPEB plans in which they participate. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the City.

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

Interim monies 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;

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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;
3. Obligations of the City.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the 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.

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".



**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Deposits with Financial Institutions**

At December 31, 2009, the carrying amount of all City deposits was \$8,503,644. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2009, \$7,330,018 of the City's bank balance of \$8,396,125 was exposed to custodial risk as discussed below, while \$1,066,107 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. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

**C. Investments**

As of December 31, 2009, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> <u>6 months or less</u>
STAR Ohio	\$ 294,990	\$ 294,990
U.S. Government Money Market Mutual Funds	<u>1,348,147</u>	<u>1,348,147</u>
	<u>\$ 1,643,137</u>	<u>\$ 1,643,137</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.

*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.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*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, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 294,990	17.95%
U.S. Government money market mutual funds	<u>1,348,147</u>	<u>82.05%</u>
	<u>\$ 1,643,137</u>	<u>100.00%</u>

**D. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 8,503,644
Investments	1,643,137
Cash on hand	<u>360</u>
Total	<u>\$ 10,147,141</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 1,365,866
Business-type activities	8,773,940
Private-purpose trust fund	<u>7,335</u>
Total	<u>\$ 10,147,141</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

**A.** Interfund transfers for the year ended December 31, 2009, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:	
General fund	\$ 175,000
Nonmajor governmental fund	<u>438,163</u>
Total transfers to nonmajor governmental funds	<u>613,163</u>
Transfers to electric fund from:	
General fund	271,694
Water fund	56,000
Sewer fund	<u>24,000</u>
Total transfers to electric fund	<u>351,694</u>
Total transfers	<u>\$ 964,857</u>

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

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 enterprise funds are also eliminated on the government wide-statements. Transfers between governmental and business-type activities in the amount of \$282,026 appear on the statement of activities, which includes transfers of capital assets from governmental funds to proprietary funds in the amount of \$10,332.

- B.** Due from/to other funds consisted of the following at December 31, 2009, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Electric	\$ 66,714

The balance 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.

**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility 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 the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. The last revaluation was completed in 2009. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility 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. 2009 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 6 - PROPERTY TAXES - (Continued)**

Beginning in calendar year 2009 tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property tax collections in calendar year 2009 represent delinquent collections.

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 was 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 2009-2010, 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 of Clyde. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2009 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2009 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The full tax rate for all City operations for the year ended December 31, 2009 was \$3.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 71,518,320
Commercial/industrial/mineral	30,747,200
<u>Public utility</u>	
Real	9,410
Personal	<u>1,606,740</u>
Total assessed value	\$ <u>103,881,670</u>

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 7 - LOCAL INCOME TAX**

This City locally levied tax of 1.5% 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 of 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 2009 was \$3,487,545 as reported in the fund financial statements.

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2009, 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, 2009, as well as intended to finance 2009 operations.

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

**Governmental activities:**

Income taxes	\$ 601,352
Real and other taxes	318,182
Accounts	19,913
Due from other governments	257,909
Special assessments	209,878
Accrued interest	42,465

**Business-type activities:**

Real and other taxes	67,044
Accounts	2,995,995

Receivables have been disaggregated on the face of the basic financial statements. The only receivable not expected to be collected within the subsequent year is 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, 2009  
(Continued)**

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2009 was as follows:

<b><u>Governmental activities:</u></b>	<u>Balance</u> <u>12/31/08</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/09</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,238,507			\$ 1,238,507
Construction in progress	479,224	\$ 110,949		590,173
Total capital assets, not being depreciated	<u>1,717,731</u>	<u>110,949</u>		<u>1,828,680</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,368,024			2,368,024
Buildings and improvements	3,164,360			3,164,360
Equipment	983,976	50,998		1,034,974
Vehicles	2,694,628		\$ (14,209)	2,680,419
Infrastructure	17,708,849			17,708,849
Total capital assets, being depreciated	<u>26,919,837</u>	<u>50,998</u>	<u>(14,209)</u>	<u>26,956,626</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(811,939)	(74,295)		(886,234)
Buildings and improvements	(1,591,349)	(80,552)		(1,671,901)
Equipment	(576,763)	(63,403)		(640,166)
Vehicles	(1,763,471)	(180,549)	14,209	(1,929,811)
Infrastructure	(5,846,449)	(451,896)		(6,298,345)
Total accumulated depreciation	<u>(10,589,971)</u>	<u>(850,695)</u>	<u>14,209</u>	<u>(11,426,457)</u>
Total capital assets, being depreciated, net	<u>16,329,866</u>	<u>(799,697)</u>		<u>15,530,169</u>
Governmental activities capital assets, net	<u>\$ 18,047,597</u>	<u>\$ (688,748)</u>		<u>\$ 17,358,849</u>

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

	Balance			Balance
<b><u>Business-type activities:</u></b>	<u>12/31/08</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/09</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 795,093			\$ 795,093
Construction in progress	2,260,134	\$ 1,520,320	\$ (3,362,140)	418,314
Total capital assets, not being depreciated	<u>3,055,227</u>	<u>1,520,320</u>	<u>(3,362,140)</u>	<u>1,213,407</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	580,128	7,856		587,984
Buildings and improvements	12,794,207	2,469,919		15,264,126
Equipment	6,482,500	368,278	(19,500)	6,831,278
Vehicles	674,381		(76,036)	598,345
Infrastructure	22,729,055	689,852		23,418,907
Total capital assets, being depreciated	<u>43,260,271</u>	<u>3,535,905</u>	<u>(95,536)</u>	<u>46,700,640</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(475,224)	(16,616)		(491,840)
Buildings and improvements	(5,351,540)	(442,216)		(5,793,756)
Equipment	(4,779,796)	(269,390)	19,500	(5,029,686)
Vehicles	(559,862)	(41,106)	76,036	(524,932)
Infrastructure	(4,886,887)	(451,175)		(5,338,062)
Total accumulated depreciation	<u>(16,053,309)</u>	<u>(1,220,503)</u>	<u>95,536</u>	<u>(17,178,276)</u>
Total capital assets, being depreciated, net	<u>27,206,962</u>	<u>2,315,402</u>		<u>29,522,364</u>
Business-type activities capital assets, net	<u>\$ 30,262,189</u>	<u>\$ 3,835,722</u>	<u>\$ (3,362,140)</u>	<u>\$ 30,735,771</u>

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(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	\$ 20,454
Security of persons and property	183,758
Public health and welfare	126,912
Transportation	451,896
Community environment	5,794
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	61,881
Total depreciation expense - governmental activities	\$ 850,695

**Business-type activities:**

Water	\$ 592,936
Sewer	265,456
Electric	362,111
Total depreciation expense - business-type activities	\$ 1,220,503

**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 unused vacation leave. The total obligation for vacation leave for the City as a whole amounted to \$31,521 at December 31, 2009. 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 \$29,724 at December 31, 2009. 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 one and one-fourth days per month up to 120 hours per year. Upon retirement a nonunion employee is paid for forty percent of accumulated sick leave up to a maximum equal to 130 days or 1,040 hours. A union employee is paid fifty percent of accumulated sick leave up to a maximum of 150 days or 1,200 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 \$238,677 at December 31, 2009. 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, 2009  
(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS**

- A. During fiscal year 2009, the following changes occurred in the City's governmental activities long-term obligations:

<b>Governmental activities:</b>	<u>Interest Rate</u>	<u>Balance 12/31/08</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/09</u>	<u>Amount Due in One Year</u>
<u>General obligation bonds:</u>						
Woodland/Premier	2.00% -					
General obligation bonds	4.15%	\$ 415,000		\$ (100,000)	\$ 315,000	\$ 100,000
Vine/Main Street improvements	1.70% -					
General obligation bonds	5.00%	2,565,000		(205,000)	2,360,000	210,000
Total general obligation debt		2,980,000		(305,000)	2,675,000	310,000
<u>Loans:</u>						
Fire rescue truck loan	3.84%	182,479		(50,982)	131,497	52,954
Fire pumper truck loan	4.14%	310,753		(54,064)	256,689	56,369
Land loan	5.00%	169,841		(56,614)	113,227	56,613
Total loans		663,073		(161,660)	501,413	165,936
<u>Other long-term obligations:</u>						
Police pension liability	N/A	73,397		(1,544)	71,853	1,610
Bond anticipation note	3.50%	1,600,000	\$ 1,800,000	(1,600,000)	1,800,000	
Compensated absences		154,073	63,019	(63,424)	153,668	24,609
Total other obligations		1,827,470	1,863,019	(1,664,968)	2,025,521	26,219
Total governmental activities long-term obligations		\$ 5,470,543	\$ 1,863,019	\$ (2,131,628)	\$ 5,201,934	\$ 502,155

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. Principal and interest payments of the Vine/Main Street general obligation bonds are made from the Vine/Main Street debt service fund, a nonmajor governmental fund. Principal and interest payments of the Woodland/Premier general obligation bonds are made from the Woodland/Premier debt service fund, a nonmajor governmental fund.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

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, 2009, \$285,000 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 and interest payments are made from the police and fire pension fund, a nonmajor governmental fund.

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 loan bears an interest rate of 3.84%. 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 loan bears an interest rate of 4.14%. The principal and interest payments are made from the general fund.

Land Loan: During 2008, the City issued a loan for the purchase of land in the amount of \$169,841. Loan payments are due on August 1 of 2009, 2010 and 2011. The loan bears an interest rate of 5.0%. The principal and interest payments are made from the permanent improvement fund, a nonmajor governmental fund.

Bond Anticipation Note: On November 12, 2008, the City issued a \$1,600,000 bond anticipation note. This note matured on May 12, 2009 and bore an interest rate of 3.1%. The principal on this note was retired from the general fund while the interest was paid from the permanent improvement fund, a nonmajor governmental fund.

On May 11, 2009, the City issued a \$1,900,000 bond anticipation note, the proceeds of which were used to retire the note described above. Since \$1,800,000 of this note has been refinanced before the issuance of the financial statements (see Note 19), that portion of the note is reported as a long-term obligation. The remaining portion of \$100,000 is recorded as a liability in the general fund (see Note 12). This note matures on May 11, 2010 and bears an interest rate of 3.5%. Payment of this note will be made from the general fund, which is the fund that received the proceeds.

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 is primarily the general fund.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

B. The annual requirements amortize governmental activities long-term obligations outstanding as of December 31, 2009, are as follows:

Year Ending December 31,	Land Loan		
	Principal	Interest	Total
2010	\$ 56,613	\$ 5,661	\$ 62,274
2011	56,614	2,831	59,445
Total	<u>\$ 113,227</u>	<u>\$ 8,492</u>	<u>\$ 121,719</u>

Year Ending December 31,	Police Pension			Fire Rescue/Pumper Truck Loans		
	Principal	Interest	Total	Principal	Interest	Total
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	1,827	2,820	4,647	63,891	2,370	66,261
2014	1,905	2,742	4,647	16,395	170	16,565
2015 - 2019	10,826	12,408	23,234			
2020 - 2024	13,358	9,876	23,234			
2025 - 2029	16,484	6,748	23,232			
2030 - 2034	20,341	2,892	23,233			
2035	2,072	44	2,116			
Total	<u>\$ 71,853</u>	<u>\$ 46,431</u>	<u>\$ 118,284</u>	<u>\$ 388,186</u>	<u>\$ 31,260</u>	<u>\$ 419,446</u>

Year Ending December 31,	Vine/Main Street G.O. Bonds			Woodland/Premier G.O. Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 210,000	\$ 108,442	\$ 318,442	\$ 100,000	\$ 12,822	\$ 112,822
2011	220,000	99,937	319,937	100,000	8,823	108,823
2012	225,000	90,697	315,697	115,000	4,773	119,773
2013	140,000	81,248	221,248			
2014	145,000	75,088	220,088			
2015 - 2019	820,000	269,919	1,089,919			
2020 - 2022	600,000	60,810	660,810			
Total	<u>\$ 2,360,000</u>	<u>\$ 786,141</u>	<u>\$ 3,146,141</u>	<u>\$ 315,000</u>	<u>\$ 26,418</u>	<u>\$ 341,418</u>

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

C. During fiscal year 2009, the following changes occurred in the City's business-type activities long-term obligations:

<b>Business-type activities:</b>	Interest Rate	Balance 12/31/08	Additions	Retirements	Balance 12/31/09	Amount Due in One Year
<u>Mortgage revenue bonds:</u>						
Electric system mortgage revenue refunding bonds, series 1998	4.00%- 5.25%	\$ 2,070,000		\$ (295,000)	\$ 1,775,000	\$ 315,000
Total mortgage revenue bonds		2,070,000		(295,000)	1,775,000	315,000
<u>OWDA loans:</u>						
Sewer plant OWDA loan	3.90%	422,166		(24,290)	397,876	25,246
Sewer sludge dewatering improvements	3.25%	488,360		(21,028)	467,332	21,804
Water system OWDA loan	2.00%	1,041,377		(65,149)	976,228	66,458
Total OWDA loans		1,951,903		(110,467)	1,841,436	113,508
<u>General obligation bonds:</u>						
Water system general obligation bonds series 1997	3.00%- 6.30%	4,975,000		(80,000)	4,895,000	85,000
Electric system G.O. refunding bonds	2.00%- 4.125%	2,485,000		(380,000)	2,105,000	390,000
Total general obligation bonds		7,460,000		(460,000)	7,000,000	475,000
<u>Revenue bonds:</u>						
Water system improvement revenue bonds	2.10%- 4.65%	645,000		(150,000)	495,000	155,000
Total revenue bonds		645,000		(150,000)	495,000	155,000
<u>Bond anticipation note:</u>						
Electric system note	3.50%		\$ 1,240,000		1,240,000	
Total bond anticipation notes			1,240,000		1,240,000	
<u>Other obligations:</u>						
Compensated absences		138,466	118,195	(110,407)	146,254	36,636
Total other obligations		138,466	118,195	(110,407)	146,254	36,636
Total business-type activities long-term obligations		\$ 12,265,369	\$ 1,358,195	\$ (1,125,874)	12,497,690	\$ 1,095,144
Unamortized deferred charges on refundings					(212,663)	
Unamortized premium on bonds					9,777	
Total on statement of net assets					\$ 12,294,804	

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

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 are 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.

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, 2009 \$2,435,000 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 \$2,106,500. Principal and interest paid for the current year and total customer net revenues were \$295,000 and \$124,200, 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. 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, 2009 was \$2,105,000 and \$4,895,000, 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.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

OWDA loans: The City has entered into debt financing arrangements through the Ohio Water Development Authority (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, 2009, the City has outstanding borrowings of \$1,841,436.

Bond Anticipation Note: On May 11, 2009, the City issued \$1,380,000 in bond anticipation notes for the purpose of the construction, furnishing and equipping of a municipal building for use by the City's electric utility. Since \$1,240,000 of this note has been refinanced before the issuance of the financial statements (see Note 19), that portion of the note is reported as a long-term obligation. The remaining portion of \$140,000 is recorded as a short-term obligation (see Note 12). The notes bear an interest rate of 3.5% and mature on May 11, 2010. The notes are recorded as a liability in the electric fund, which is the fund that received the proceeds.

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.

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 \$530,054. Principal and interest paid for the current year and total customer net revenues were \$150,000 and \$25,768, respectively.

- D.** The annual requirements amortize business-type activities long-term obligations outstanding as of December 31, 2009, are as follows:

Year Ending December 31,	Electric Revenue Bonds			OWDA Loans		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 315,000	\$ 106,500	\$ 421,500	\$ 113,508	\$ 49,481	\$ 162,989
2011	335,000	87,600	422,600	116,554	46,435	162,989
2012	355,000	67,500	422,500	119,688	43,301	162,989
2013	375,000	46,200	421,200	122,914	40,075	162,989
2014	395,000	23,700	418,700	126,235	36,753	162,988
2015 - 2019				684,545	130,401	814,946
2020 - 2024				504,515	37,827	542,342
2025 - 2026				53,477	1,747	55,224
Total	<u>\$ 1,775,000</u>	<u>\$ 331,500</u>	<u>\$ 2,106,500</u>	<u>\$ 1,841,436</u>	<u>\$ 386,020</u>	<u>\$ 2,227,456</u>

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

Year Ending December 31,	Electric General			Water Improvement		
	Obligation Refunding Bonds			General Obligation Bonds		
	Principal	Interest	Interest	Principal	Interest	Interest
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	435,000	36,169	471,169	100,000	230,000	330,000
2014	455,000	18,769	473,769	105,000	225,000	330,000
2015 - 2019				610,000	1,039,750	1,649,750
2020 - 2024				780,000	868,625	1,648,625
2025 - 2029				1,000,000	650,000	1,650,000
2030 - 2034				1,270,000	371,000	1,641,000
2035 - 2037				760,000	57,625	817,625
<b>Total</b>	<b>\$ 2,105,000</b>	<b>\$ 260,060</b>	<b>\$ 2,365,060</b>	<b>\$ 4,895,000</b>	<b>\$ 4,160,000</b>	<b>\$ 9,055,000</b>

Year Ending December 31,	Water System		
	Improvement Revenue Bonds		
	Principal	Interest	Interest
2010	\$ 155,000	\$ 19,093	\$ 174,093
2011	165,000	11,891	176,891
2012	175,000	4,070	179,070
<b>Total</b>	<b>\$ 495,000</b>	<b>\$ 35,054</b>	<b>\$ 530,054</b>

**E. 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, 2009, the City's total debt margin was \$8,249,627 and the unvoted debt margin was \$5,719,583.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 12 - NOTES PAYABLE**

Changes in the City's note activity for the year ended December 31, 2009, were as follows:

	Balance 12/31/2008	Issued	Retired	Balance 12/31/2009
<u>Governmental fund note:</u>				
Swimming pool note - 3.50%		\$ 100,000		\$ 100,000
	Balance 12/31/2008	Issued	Retired	Balance 12/31/2009
<u>Enterprise fund note:</u>				
Electric system note - 3.50%		\$ 140,000		\$ 140,000

All notes were backed by the full faith and credit of the City and mature within one year (see Note 11). The note liability is reflected in the fund which received the proceeds. The notes were issued in anticipation of long-term bond financing and will be refinanced until such funds are issued.

**NOTE 13 - 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 coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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 and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2009, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.



**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 13 - RISK MANAGEMENT - (Continued)**

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

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, 2009 and 2008:

<u>Casualty &amp; Property Coverage</u>	<u>2009</u>	<u>2008</u>
Assets	\$ 36,374,898	\$ 35,769,535
Liabilities	<u>(15,256,862)</u>	<u>(15,310,206)</u>
Retained earnings	<u>\$ 21,118,036</u>	<u>\$ 20,459,329</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The assets above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the City's share of these unpaid claims collectible in future years is approximately \$105,000.

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.

Contributions to PEP

2007	\$	107,176
2008	\$	94,211
2009	\$	114,497

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. 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, 2009  
(Continued)**

**NOTE 13 - 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, 2008 (latest information available), the pool had cash reserves of \$5,078,352 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 14 - 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. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 14 - PENSION PLANS - (Continued)**

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the 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.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2009 member contribution rates were 10% for members in State and local classifications. Public safety and law enforcement members contributed 10.1%. The City's contribution rate for 2009 was 14 %, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.63% of covered payroll.

The City's contribution rate for pension benefits for 2009 was 7% from January 1 through March 31, 2009 and 8.5% from April 1 through December 31, 2009, except for those plan members in law enforcement and public safety. For those classifications, pension contributions were 10.63% from January 1 through March 31, 2009 and 12.13% from April 1 through December 31, 2009. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2009, 2008, and 2007 were \$268,084, \$205,065, and \$237,155, respectively; 87.13% has been contributed for 2009 and 100% has been contributed for 2008 and 2007.

**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 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 statements 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% of their annual covered salary, while the City is required to contribute 19.5% and 24% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2009, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$84,211 and \$8,708 for the year ended December 31, 2009, \$90,758 and \$18,974 for the year ended December 31, 2008, and \$54,584 and \$47,144, for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. 86.25% has been contributed for 2009 with the remainder being recorded as a liability within the respective funds.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 15 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

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

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

Disclosures for the healthcare plan are presented separately in the OPERS financial report which 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.

The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, local government employers contributed 14% of covered payroll (17.63% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for 2009 was 7% from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008, and 2007 were \$188,652, \$205,065, and \$156,210, respectively; 87.13% has been contributed for 2009 and 100% has been contributed for 2008 and 2007.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

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 for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

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

The City contributes to the OP&F Pension Fund sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-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.

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

OP&F issues a publicly available financial report that includes financial statements 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.

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2009, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$44,582 and \$3,408 for the year ended December 31, 2009, \$48,048 and \$7,424 for the year ended December 31, 2008, and \$28,897 and \$18,448, for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. 86.25% has been contributed for 2009 with the remainder being recorded as a liability within the respective funds.

**NOTE 16 - 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 and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP);
2. Expenditures/expenses and other financing uses 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); and,
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.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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**

	General
Budget basis	\$ (116,267)
Net adjustment for revenue accruals	(23,806)
Net adjustment for expenditure accruals	20,118
Net adjustment for other sources/uses	(100,000)
Adjustment for encumbrances	27,503
GAAP basis	\$ (192,452)

**NOTE 17 - 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, 2009.

**B. Litigation**

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

**NOTE 18 - 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, 2009 the principal outstanding aggregated \$8,723,448.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 19 – SUBSEQUENT EVENT**

On May 6, 2010, the City issued a bond anticipation note in the amount of \$3,040,000. \$1,800,000 was used to retire the governmental activities bond anticipation note described in Note 11.A. The remaining proceeds of \$1,240,000 were used to retire the business-type activities bond anticipation note described in Note 11.C. The note bears an interest rate of 2.25% and matures on May 5, 2011.





# 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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **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 matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated November 8, 2010.

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

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

**Mary Taylor, CPA**  
Auditor of State

November 8, 2010



**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 23, 2010**