



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF CLYDE
SANDUSKY COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

City of Clyde
Sandusky County
222 Main Street
Clyde, Ohio 43410-1655

To the Council:

We have audited the accompanying general-purpose financial statements of the City of Clyde (the City) as of and for the year ended December 31, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Clyde, Sandusky County, as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3A, the City made adjustments to properly state construction in progress and long-term debt.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2002 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

August 14, 2002

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**CITY OF CLYDE
SANDUSKY COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2001**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
ASSETS AND OTHER DEBITS			
Assets:			
Equity in pooled cash and cash equivalents	\$1,514,721	\$422,802	\$12,620
Investments			
Receivables (net of allowances for uncollectibles):			
Income taxes	802,532		
Real and other taxes	286,636	29,652	
Excise taxes			
Accounts	7,381	600	
Accrued interest	325,593	10,616	
Special assessments			2,384
Interfund receivable			
Due from other funds	47,860		115,222
Due from other governments	117,261	91,900	
Materials and supplies inventory	680		
Unamortized bond issue costs			
Deferred charges			
Property, plant and equipment (net of accumulated depreciation where applicable)			
Restricted assets:			
Equity in pooled cash and cash equivalents			
Other debits:			
Amount to be provided for retirement of general long-term obligations			
Total assets and other debits	\$3,102,664	\$555,570	\$130,226

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General LongTerm Obligations	
\$9,061,362	\$32,183	\$148,239			\$11,191,927
131,803					131,803
					802,532
					316,288
48,100					48,100
687,261					695,242
	509	407			337,125
					2,384
1,400,000					1,400,000
					163,082
					209,161
205,393	13,436				219,509
420,730					420,730
803,709					803,709
46,736,145	639,885		\$5,228,650		52,604,680
1,576,847					1,576,847
				\$3,603,653	3,603,653
\$61,071,350	\$686,013	\$148,646	\$5,228,650	\$3,603,653	\$74,526,772

(Continued)

**CITY OF CLYDE
SANDUSKY COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2001
(Continued)**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
LIABILITIES, EQUITY AND OTHER CREDITS			
Liabilities			
Accounts payable	\$27,071	\$2,155	\$15,985
Accrued wages and benefits	87,093	6,342	
Compensated absences payable	5,948	538	
Pension obligation payable	26,759	32,393	
Interfund payable			1,400,000
Due to other funds			
Due to other governments			
Deferred revenue	604,249	102,300	2,384
Deposits held and due to others			
Undistributed monies			
Accrued interest payable	330		22,421
Accrued pension liability payable			
Notes payable	131,803		
General obligation bonds payable			
Revenue bonds payable			
OWDA loan payable			
	883,253	143,728	1,440,790
Total liabilities			
Equity and other credits:			
Investment in general fixed assets			
Contributed capital			
Retained earnings:			
Reserved for debt service			
Unreserved			
Fund balances:			
Reserved for encumbrances	29,111	8,368	
Reserved for materials and supplies inventory	680		
Reserved for property taxes			
unavailable for appropriation	7,657	792	
Unreserved-undesignated	2,181,963	402,682	(1,310,564)
	2,219,411	411,842	(1,310,564)
Total equity and other credits			
Total liabilities, equity and other credits	\$3,102,664	\$555,570	\$130,226

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General LongTerm Obligations	
\$66,641	\$1,147				\$112,999
73,535	13,192				180,162
101,170	8,006			\$62,091	177,753
46,544	8,892				114,588
					1,400,000
163,082					163,082
240					240
	364	\$291			709,588
		9,222			9,222
		111,822			111,822
242,980					265,731
				82,562	82,562
1,400,000				1,254,000	2,785,803
5,445,000				805,000	6,250,000
8,830,000					8,830,000
225,374					225,374
16,594,566	31,601	121,335		2,203,653	21,418,926
			\$5,228,650		5,228,650
3,745,907					3,745,907
1,456,587					1,456,587
39,274,290	654,412				39,928,702
					37,479
					680
					8,449
		27,311			1,301,392
44,476,784	654,412	27,311	5,228,650		51,707,846
\$61,071,350	\$686,013	\$148,646	\$5,228,650	\$2,203,653	\$73,126,772

**CITY OF CLYDE
SANDUSKY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Municipal income tax	\$3,139,668	
Property and other taxes	483,270	\$28,839
Charges for services	85,514	31,689
Licenses, permits and fees	26,458	
Fines and forfeitures	28,227	3,744
Intergovernmental	440,875	176,281
Special assessments	23,053	
Investment income	564,704	18,529
Other	58,074	11,057
	<u>4,849,843</u>	<u>270,139</u>
Expenditures:		
Current Operations:		
General government	931,076	
Security of persons and property	1,621,351	64,852
Public health and welfare	76,558	9,488
Transportation		95,336
Community environment	269,879	
Leisure time activity		347,579
Other	105,918	103,229
Capital outlay		
Debt service:		
Principal retirement		1,102
Interest and fiscal charges	22,118	3,589
	<u>3,026,900</u>	<u>625,175</u>
Excess of revenues over (under) expenditures	<u>1,822,943</u>	<u>(355,036)</u>
Other financing sources (uses):		
Proceeds from sale of fixed assets	482,086	
Proceeds from notes		
Operating transfers in		308,000
Operating transfers out	(1,843,525)	(750)
	<u>(1,361,439)</u>	<u>307,250</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>461,504</u>	<u>(47,786)</u>
Fund balances, January 1 (restated)	1,757,227	459,628
Increase in reserve for inventory	680	
Fund balances, December 31	<u>\$2,219,411</u>	<u>\$411,842</u>

The notes to the general-purpose financial statements are an integral part of this statement.

<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
			\$3,139,668
			512,109
			117,203
			26,458
			31,971
	\$319,528		936,684
	23,515		46,568
	16,772	\$801	600,806
	415,918	170	485,219
	<u>775,733</u>	<u>971</u>	<u>5,896,686</u>
			931,076
			1,686,203
			86,046
			95,336
			269,879
			347,579
		23	209,170
	1,870,760		1,870,760
\$50,000	1,365,000		1,416,102
60,440	151,920		238,067
<u>110,440</u>	<u>3,387,680</u>	<u>23</u>	<u>7,150,218</u>
<u>(110,440)</u>	<u>(2,611,947)</u>	<u>948</u>	<u>(1,253,532)</u>
			482,086
	1,254,000		1,254,000
110,440	1,348,615		1,767,055
	(110,440)		(1,954,715)
<u>110,440</u>	<u>2,492,175</u>		<u>1,548,426</u>
	(119,772)	948	294,894
	(1,190,792)	26,363	1,052,426
			680
	<u>(\$1,310,564)</u>	<u>\$27,311</u>	<u>\$1,348,000</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	General		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Municipal income tax	\$5,308,461	\$4,999,461	(\$309,000)
Property and other taxes	276,800	276,369	(431)
Charges for services	81,500	250,165	168,665
Licenses, permits and fees	14,400	26,085	11,685
Fines and forfeitures	20,000	28,227	8,227
Intergovernmental	330,325	424,065	93,740
Special assessments		23,053	23,053
Investment income	500,000	508,821	8,821
Other	11,600	58,044	46,444
Total revenues	<u>6,543,086</u>	<u>6,594,290</u>	<u>51,204</u>
Expenditures:			
Current:			
General government	1,179,251	1,096,594	82,657
Security of persons and property	1,728,065	1,611,867	116,198
Public health and welfare	100,035	82,509	17,526
Transportation			
Community environment	315,650	267,458	48,192
Leisure time activity			
Capital outlay			
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>3,323,001</u>	<u>3,058,428</u>	<u>264,573</u>
Excess of revenues over (under) expenditures	<u>3,220,085</u>	<u>3,535,862</u>	<u>315,777</u>
Other financing sources (uses):			
Proceeds of note			
Proceeds on sale of assets	200	199	(1)
Operating transfers in	169,569	70,000	(99,569)
Operating transfers (out)	(4,156,723)	(4,018,484)	138,239
Other financing sources		156,635	156,635
Other financing uses	(8,769)	(62,869)	(54,100)
Total other financing sources (uses)	<u>(3,995,723)</u>	<u>(3,854,519)</u>	<u>141,204</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(775,638)</u>	<u>(318,657)</u>	<u>456,981</u>
Fund balances, January 1	1,711,897	1,711,897	
Prior year encumbrances appropriated	93,194	93,194	
Fund balances, December 31	<u>\$1,029,453</u>	<u>\$1,486,434</u>	<u>\$456,981</u>

Special Revenue			Debt Service		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$30,000	\$28,590	(\$1,410)			
33,036	31,689	(1,347)			
8,000	4,063	(3,937)			
204,000	204,376	376			
7,500	15,246	7,746			
4,957	10,652	5,695			
<u>287,492</u>	<u>294,616</u>	<u>7,124</u>			
44,717	41,081	3,636			
11,750	10,431	1,319			
18,000	17,376	624			
378,385	342,228	36,157			
			\$3,125,400	\$3,125,400	
			224,808	224,808	
<u>452,852</u>	<u>411,116</u>	<u>41,736</u>	<u>3,350,208</u>	<u>3,350,208</u>	
<u>(165,360)</u>	<u>(116,500)</u>	<u>48,860</u>	<u>(3,350,208)</u>	<u>(3,350,208)</u>	
307,536	308,000	464	226,440	3,350,208	\$3,123,768
<u>(269,042)</u>	<u>(181,938)</u>	<u>87,104</u>			
<u>38,494</u>	<u>126,062</u>	<u>87,568</u>	<u>226,440</u>	<u>3,350,208</u>	<u>3,123,768</u>
(126,866)	9,562	136,428	(3,123,768)		3,123,768
389,316	389,316				
19,830	19,830				
<u>\$282,280</u>	<u>\$418,708</u>	<u>\$136,428</u>	<u>(\$3,123,768)</u>		<u>\$3,123,768</u>

(Continued)

**CITY OF CLYDE
SANDUSKY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

	Capital Projects		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Municipal income tax			
Property and other taxes			
Charges for services			
Licenses, permits and fees			
Fines and forfeitures			
Intergovernmental	\$464,235	\$319,528	(\$144,707)
Special assessments	34,164	23,515	(10,649)
Investment income	24,368	16,772	(7,596)
Other	89,212	61,404	(27,808)
Total revenues	611,979	421,219	(190,760)
Expenditures:			
Current:			
General government			
Security of persons and property			
Public health and welfare			
Transportation			
Community environment			
Leisure time activity			
Capital outlay	2,952,280	951,508	2,000,772
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	2,952,280	951,508	2,000,772
Excess of revenues over (under) expenditures	(2,340,301)	(530,289)	1,810,012
Other financing sources (uses):			
Proceeds of note	3,855,936	2,654,000	(1,201,936)
Proceeds on sale of assets			
Operating transfers in	1,829,739	1,259,390	(570,349)
Operating transfers (out)	(4,512,540)	(4,423,275)	89,265
Other financing sources	515,065	354,514	(160,551)
Other financing uses			
Total other financing sources (uses)	1,688,200	(155,371)	(1,843,571)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(652,101)	(685,660)	(33,559)
Fund balances, January 1	11,000	11,000	
Prior year encumbrances appropriated	687,280	687,280	
Fund balances, December 31	\$46,179	\$12,620	(\$33,559)

The notes to the general-purpose financial statements are an integral part of this statement.

Total (Memorandum only)

Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$5,308,461	\$4,999,461	(\$309,000)
306,800	304,959	(1,841)
114,536	281,854	167,318
14,400	26,085	11,685
28,000	32,290	4,290
998,560	947,969	(50,591)
34,164	46,568	12,404
531,868	540,839	8,971
105,769	130,100	24,331
<u>7,442,557</u>	<u>7,310,125</u>	<u>(132,432)</u>
1,179,251	1,096,594	82,657
1,772,782	1,652,948	119,834
111,785	92,940	18,845
18,000	17,376	624
315,650	267,458	48,192
378,385	342,228	36,157
2,952,280	951,508	2,000,772
3,125,400	3,125,400	
224,808	224,808	
<u>10,078,341</u>	<u>7,771,260</u>	<u>2,307,081</u>
<u>(2,635,784)</u>	<u>(461,135)</u>	<u>2,174,649</u>
3,855,936	2,654,000	(1,201,936)
200	199	(1)
2,533,284	4,987,598	2,454,314
(8,669,263)	(8,441,759)	227,504
515,065	511,149	(3,916)
(277,811)	(244,807)	33,004
<u>(2,042,589)</u>	<u>(533,620)</u>	<u>1,508,969</u>
(4,678,373)	(994,755)	3,683,618
2,112,213	2,112,213	
800,304	800,304	
<u>(\$1,765,856)</u>	<u>\$1,917,762</u>	<u>\$3,683,618</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Types</u>		Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Operating revenues:			
Charges for services	\$10,646,738	\$435,611	\$11,082,349
Other operating revenues	25,207	159	25,366
Total operating revenues	<u>10,671,945</u>	<u>435,770</u>	<u>11,107,715</u>
Operating expenses:			
Personal services	1,925,666	398,880	2,324,546
Contract services	5,766,876	40,510	5,807,386
Materials and supplies	712,779	77,478	790,257
Depreciation	1,240,030	86,978	1,327,008
Other operating expense	223,288	97	223,385
Total operating expenses	<u>9,868,639</u>	<u>603,943</u>	<u>10,472,582</u>
Operating income (loss)	<u>803,306</u>	<u>(168,173)</u>	<u>635,133</u>
Nonoperating revenues (expenses):			
Loss on disposal of fixed asset	(156,416)		(156,416)
Interest expense and fiscal charges	(1,029,773)		(1,029,773)
Intergovernmental revenue	5,746		5,746
Investment earnings	149,878	1,003	150,881
Total nonoperating revenues (expenses)	<u>(1,030,565)</u>	<u>1,003</u>	<u>(1,029,562)</u>
Net loss before operating transfers	(227,259)	(167,170)	(394,429)
Operating transfers in	156,635	129,250	285,885
Operating transfers out	<u>(97,475)</u>	<u>(750)</u>	<u>(98,225)</u>
Net loss	(168,099)	(38,670)	(206,769)
Addback of depreciation on assets acquired from contributed capital	49,984		49,984
Retained earnings, January 1 (restated)	40,848,992	693,082	41,542,074
Retained earnings, December 31	<u>40,730,877</u>	<u>654,412</u>	<u>41,385,289</u>
Contributed capital at January 1	3,795,891		3,795,891
Depreciation on fixed assets acquired by contributed capital	<u>(49,984)</u>		<u>(49,984)</u>
Contributed capital at December 31	<u>3,745,907</u>		<u>3,745,907</u>
Total fund equity at December 31	<u><u>\$44,476,784</u></u>	<u><u>\$654,412</u></u>	<u><u>\$45,131,196</u></u>

The notes to the general-purpose financial statements are an integral part of this statement.

**CITY OF CLYDE
SANDUSKY COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Types</u>		Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Cash flows from operating activities:			
Cash received from customers	\$10,857,249	\$435,611	\$11,292,860
Cash received from other operations	25,187	159	25,346
Cash payments for personal services	(1,844,566)	(385,257)	(2,229,823)
Cash payments for contract services	(5,795,234)	(40,510)	(5,835,744)
Cash payments for materials and supplies	(540,104)	(81,607)	(621,711)
Cash payments for other expenses	(223,288)	(97)	(223,385)
Net cash provided by (used in) operating activities	<u>2,479,244</u>	<u>(71,701)</u>	<u>2,407,543</u>
Cash flows from noncapital financing activities:			
Cash received from operating grants	5,746		5,746
Transfers in from other funds	156,635	129,250	285,885
Transfers out to other funds	(97,475)	(750)	(98,225)
Net cash provided by noncapital financing activities	<u>64,906</u>	<u>128,500</u>	<u>193,406</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(1,871,127)	(77,741)	(1,948,868)
Payments received on internal borrowing	1,704,861		1,704,861
Proceeds from sale of fixed assets	1,071		1,071
Principal retirement	(505,000)		(505,000)
Interest paid	(828,264)		(828,264)
Net cash used in capital and related financing activities	<u>(1,498,459)</u>	<u>(77,741)</u>	<u>(1,576,200)</u>
Cash flows from investing activities:			
Interest received	<u>169,459</u>	<u>858</u>	<u>170,317</u>
Net cash provided by investing activities	<u>169,459</u>	<u>858</u>	<u>170,317</u>
Net increase (decrease) in cash and cash equivalents	1,215,150	(20,084)	1,195,066
Cash and cash equivalents at January 1	<u>9,423,059</u>	<u>52,267</u>	<u>9,475,326</u>
Cash and cash equivalents at December 31	<u>\$10,638,209</u>	<u>\$32,183</u>	<u>\$10,670,392</u>

(Continued)

**CITY OF CLYDE
SANDUSKY COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

	<u>Proprietary Fund Types</u>		Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$803,306	(\$168,173)	\$635,133
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	1,240,030	86,978	1,327,008
Changes in assets and liabilities:			
(Increase) decrease in			
materials and supplies inventory	20,295	(3,938)	16,357
Decrease in accounts receivable	210,491		210,491
Increase in accounts payable	28,556	308	28,864
Increase in accrued wages and benefits	50,180	9,260	59,440
Increase (decrease) in compensated absences payable	(8,421)	27	(8,394)
Decrease in due to other governments	(26,959)	(5,055)	(32,014)
Increase in due to other funds	161,766	8,892	170,658
Net cash provided by (used in) operating activities	<u>\$2,479,244</u>	<u>(\$71,701)</u>	<u>\$2,407,543</u>

The notes to the general-purpose financial statements are an integral part of this statement.

CITY OF CLYDE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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, waste water 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 general purpose financial statements (GPFS) of the City, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Under the provisions of GASB No. 20, the City has elected not to apply Financial Accounting Standards Board Statements and interpretations issued after November 30, 1989 to its proprietary activities. Election of this approach to accounting for proprietary activities by the City has required no change from prior years. The more significant of the City's accounting policies are described below:

This report includes all of the funds and account groups of the City. It includes all activities considered by management to be part of the City by virtue of the Section 2100, of the GASB.

A. Reporting Entity

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

CITY OF CLYDE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it. A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the entity.

The financial statements of the reporting entity allow the users to distinguish between the primary government and its component units. Most component units are included in the financial reporting entity by discrete presentation (one or more columns separate from the financial data of the primary government). Some component units are so intertwined with the primary government that they are reported in a manner similar to the balances and transactions of the primary government itself (this method is known as blending). Utilizing this criteria, the City has not included the City of Clyde School District as it has no control over operations.

Management believes the financial statements included in this report represent all of the funds of the City over which the City has the ability to exercise direct operating control.

B. Basic of Presentation - Fund Accounting

The accounts of the City are organized on the basis of fund or account groups, each of which is considered a separate account entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses, as appropriate. The various funds are summarized by type in the GPFS.

CITY OF CLYDE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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

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

GOVERNMENTAL FUNDS:

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

General Fund - This fund accounts for the general operating revenues and expenditures of the City not recorded elsewhere.

Special Revenue Funds - These funds are used to account for specific governmental revenues (other than for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

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

Capital Projects Funds - These funds are used to account for the acquisition or construction of major capital assets other than those financed by proprietary funds.

PROPRIETARY FUNDS:

The proprietary funds are used to account for the City's ongoing activities which are similar to those found in the private sector. The following are the City's proprietary fund types:

CITY OF CLYDE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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

Enterprise Funds - These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Funds - These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis.

FIDUCIARY FUNDS:

Trust and Agency Funds - These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include expendable trust funds and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. The agency funds are purely custodial in nature (assets equal liabilities) and thus do not involve the measurement of operations.

ACCOUNT GROUPS:

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

General Fixed Assets Account Group - This account group is used to present the general fixed assets of the City utilized in its general operations, exclusive of those accounted for in the enterprise funds. General fixed assets include land, buildings, building improvements, computer equipment, vehicles, and furniture and equipment owned by the City.

General Long-Term Obligations Account Group - This account group is used to account for all long-term obligations of the City, except that accounted for in the proprietary funds.

CITY OF CLYDE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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

C. Measurement Focus and Basis of Accounting

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

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

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Governmental and expendable trust funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting. The agency funds are presented on a budgetary basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual. Differences between the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the reporting of expenses and expenditures.

Revenues - Exchange and Non-exchange Transactions

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

CITY OF CLYDE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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 5). Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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: interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fines and forfeitures, licenses and permits, and fees for services.

Deferred Revenue

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

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of December 31, 2001, but which were levied to finance year 2002 operations, have been recorded as deferred revenues. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

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

CITY OF CLYDE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. On the modified accrual basis of accounting, 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.

D. Budgetary Process

The City follows these procedures in establishing the budgetary data reported in the combined financial statements:

TAX BUDGET

A tax budget of estimated revenue and expenditures for all funds 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. All funds, except agency funds, are legally required to be budgeted; however, only governmental funds are legally required to be reported.

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 revenues. The Commission certifies its actions to the City by September 1. As part of this certification the City receives an Official Certificate of Estimated Resources, the "Certificate," which states the projected revenue of each fund.

On or about January 1, the Certificate is amended to include any unencumbered fund balances at December 31. Further amendments may be made during the year if money from a new revenue source is received or if actual receipts exceed current estimates. The amounts set forth as "revised budget" revenues and other financing sources in the combined statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types represent estimates from the final amended official Certificate issued during 2001.

CITY OF CLYDE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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

APPROPRIATIONS

City Charter requires an annual appropriation resolution to control expenditures to be passed not less than forty-five (45) days before the end of the fiscal year. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations among departments within a fund may be modified during the year by a resolution of Council. Several supplemental appropriation resolutions were legally enacted by Council during the year. The budgeted figures which appear in the statement of budgetary comparisons represent the final appropriation amounts including all amendments and modifications.

BUDGETED LEVEL OF EXPENDITURES

Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance without authority from Council. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by Council. For all funds, Council appropriations are made by fund and department (i.e. police). This is known as the legal level of budgetary control. Any changes in appropriations outside of the legal level of budgetary control require the approval of Council by an appropriation amendment ordinance.

LAPSING OF APPROPRIATIONS

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

CITY OF CLYDE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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

ENCUMBRANCES

As a part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as a reduction of fund balance on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP-basis, encumbrances outstanding at year-end are reported as reservations of fund balances to indicate that a portion of fund balance has been segregated for expenditure on vendor performance.

E. Cash and Investments

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2001, investments were limited to the City's own securities, nonnegotiable certificates of deposit, federal agency securities, 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 certificates of deposit are reported at cost.

The City has invested funds in STAR Ohio during fiscal 2001. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes combine. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2001.

CITY OF CLYDE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. During fiscal 2001, interest revenue credited to the general fund amounted to \$564,704 which includes \$467,861 assigned from other City funds.

The City also maintains investments in the City's own securities. This is for the purpose of making loans to other funds within the City. These are reported in the enterprise funds as "Investments."

For purpose of presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

F. Inventories of Materials and Supplies

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in the proprietary funds when used. The total of inventories at year-end is reported as a reservation of fund balance in the governmental funds because it does not represent available, spendable resources.

CITY OF CLYDE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

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

G. Property, Plant, Equipment, and Depreciation

1. *General Fixed Assets Account Group*

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and disposals during the year in the general fixed assets account group. The City follows a policy of not capitalizing infrastructure, which is defined as assets that are immovable and of value only to the City, (i.e., roads, bridges, etc.). The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation is recognized for assets in the account group. Depreciation is computed using the estimates useful lives in Note 2.G.2. Interest on debt issued to construct general fixed assets is not capitalized in the account group. The City has established a capitalization threshold of \$500 for general fixed assets.

2. *Proprietary Fund Fixed Assets*

Property, plant, and equipment reflected in the proprietary funds are stated at cost (or estimated historical cost) and updated for the cost of additions and disposals during the year. Contributed fixed assets are recorded at their fair market value as of the date donated. Depreciation and amortization have been provided on a straight-line basis over the following estimated useful lives:

<u>Description</u>	<u>Estimated Life</u>
Vehicles	3 - 10
Equipment	8 - 10
Buildings	40
Infrastructure	80

The City capitalizes the cost of major renovations which extend the useful life of an asset or which enable it to perform new or more valuable services. Interest on tax exempt debt issued to construct enterprise fund fixed assets is capitalized, net of interest earned on the proceeds of such debt. The City has established a capitalization threshold of \$500 for proprietary fixed assets.

CITY OF CLYDE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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

H. 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 are attributable to services already rendered and are 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 fifty (50) or greater with at least ten (10) years of service or any employee with at least twenty (20) years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16. Sick leave benefits were accrued using the "vesting" method.

The total liability for vacation 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. Payment of vacation and sick leave recorded in the general long-term obligations account group is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payment of vacation and sick leave when such payments become due.

CITY OF CLYDE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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

Accumulated vacation and sick leave of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave benefits for employees meeting the above requirements who are paid from proprietary funds are recorded as an expense when earned, and the liability for unused amounts is shown as a fund liability.

I. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds. For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

J. Contributions of Capital

Contributions of capital in proprietary funds arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. In accordance with GASB Statement No. 33, capital contributions received in 2001 are recorded as revenue and a component of retained earnings at year-end. There were no capital contributions received by the enterprise funds in 2001. Contributed capital in the enterprise funds at December 31, 2001 is \$3,745,907.

CITY OF CLYDE, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

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

K. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers. Intrafund transfers have been eliminated for GAAP reporting.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund balances, related to changes for goods and services rendered, are reflected as "due to/from other funds."

See Note 8 for an analysis of the City's interfund transactions.

L. Fund Balance/Retained Earnings Reserves

Reserved fund balances/retained earnings 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 and proprietary funds are available for use within the specific purposes of the funds.

The City reports amounts representing material and supplies inventory, encumbrances outstanding and property taxes unavailable for appropriation as reservations of fund balance in the governmental funds.

The City reports amounts representing assets being held by a trustee to service principal and interest debt service in a bond reserve as a reservation of retained earnings in the enterprise funds. These amounts are required to be maintained by the trustee in accordance with the bond indenture.

CITY OF CLYDE, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

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

M. Restricted Assets

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

N. Memorandum Only - Total Columns

Total columns on the GPFS are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with GAAP. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

O. Estimates

The preparation of the GPFS in conformity with GAAP require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenues and expenditure/expenses during the reporting period. Actual results could differ from those estimates.

CITY OF CLYDE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Prior Period Adjustment

1. The City has presented a prior period adjustment to restate beginning fund balance in the general fund and retained earnings in the internal service fund. The adjustment is due to an advance made from the general fund to the internal service fund that will not be repaid and, therefore, should have been recorded as a transfer. The effect of the restatement is as follows:

	General	Internal Service
Fund balances/Retained earnings as previously reported	\$1,788,629	\$648,082
Effect of restatement	(45,000)	45,000
Restated fund balances/retained earnings as of January 1, 2001	\$1,743,629	\$693,082
Excess Revenues and Other Sources (Under) Expenditures and Other Uses / Net Income as previously reported	\$(15,719)	\$(55,895)
Effect of restatement	(45,000)	(45,000)
Excess Revenues and Other Sources (Under) Expenditures and Other Uses / Net Income as restated	\$(60,719)	\$(10,895)

2. A prior period adjustment is required to properly state Construction In Progress (CIP) reported in the general fixed assets account group (GFAAG). CIP previously reported included costs paid by the Permanent Improvement capital projects fund which will be repaid by the Water enterprise fund in 2001, costs of contributed capital in the Sewer enterprise fund and costs related to general government infrastructure acquisitions which the City does not report as a component of the GFAAG. The prior period adjustment had the following effect on fund balance and the GFAAG balance as previously reported at December 31, 2000:

	Capital Projects	GFAAG
Fund balance/account balance as previously reported	\$(3,587,832)	\$ 9,147,248
Restatement for CIP related to Water fund	1,032,040	(1,032,040)
Restatement for CIP related to Sewer fund	-	(1,855,775)
Restatement for CIP related to Infrastructure	-	(875,608)
Restated fund balance/account balance at January 1, 2001	\$(2,555,792)	\$ 5,383,825

CITY OF CLYDE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The CIP related to the Water enterprise fund has been reported as “due to/due from other funds” at December 31, 2000 and does not effect the income statements. The Permanent Improvement capital projects fund was reimbursed by the Water enterprise fund for these costs in 2001. Contributed capital and fund equity in the Sewer enterprise fund has been restated at December 31, 2000 from \$1,107,524 to \$2,963,299 and from \$19,197,834 to \$21,053,609, respectively, to properly report contributed assets from the Permanent Improvement capital projects fund in 2000.

3. A prior period adjustment is required to properly classify long-term debt from the capital projects fund to the general long term debt account group.

	<u>Capital Projects</u>
Fund balance as previously restated in Note 3.A.2.	\$(2,555,792)
Restatement for note proceeds	<u>1,365,000</u>
Restated fund balance at January 1, 2001	<u>\$(1,190,792)</u>
Excess Revenues and Other Sources (Under) Expenditures and Other Uses as previously reported	\$(3,282,238)
Effect of restatement	<u>1,365,000</u>
Excess Revenues and Other Sources (Under) Expenditures and Other Uses as restated	<u>\$(1,917,238)</u>

Notes payable and total liabilities for the general long-term debt account group was restated from \$1,007,751 to \$2,372,751 at December 31, 2001.

B. Change in Accounting Principle

GASB Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions”, and GASB Statement No. 36, “Recipient Reporting for Certain Shared Nonexchange Revenues”, were implemented during fiscal 2001. These statements pertain to the financial reporting of certain types of revenue received by the City for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions and voluntary nonexchange transactions. The adoption of this statement had the following effect on fund balances as previously reported by the City at December 31, 2000:

	<u>General</u>	<u>Special Revenue</u>
Fund balance as previously reported or as restated in Note 3.A.1.	\$1,743,629	\$415,214
GASB Statement No. 33 and No. 36 Implementation	<u>13,598</u>	<u>44,414</u>
Restated fund balance as of January 1, 2001	<u>\$1,757,227</u>	<u>\$459,628</u>

CITY OF CLYDE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Legal Compliance

1. The following fund had appropriations in excess of estimated resources available for expenditure as certified by the county budget commission at December 31, 2001, contrary to § 5705.39, Ohio Revised Code:

<u>FundType/Fund</u>	<u>Excess</u>
<u>Debt Service Funds</u>	
Woodland/Premier Note Retirement	\$3,123,987

2. The following funds had expenditures exceeding appropriations during September 2001, contrary to § 5705.41 (B), Ohio Revised Code:

<u>FundType/Fund</u>	<u>Excess</u>
<u>Debt Service Funds</u>	
Woodland/Premier Note Retirement	\$3,123,987
<u>Capital Projects Funds:</u>	
Permanent Improvements	3,080,380
<u>Enterprise Funds:</u>	
Water Operating	345,231

Supplemental appropriations were made by Council prior to year end to correct the excess.

D. Deficit Retained Earnings/Fund Balances

Fund balances at December 31, 2001 included the following individual fund deficits:

	<u>Deficit Fund Balances</u>
<u>Capital Projects Funds</u>	
Permanent Improvement	\$25,786
 <u>Special Revenue Funds</u>	
Recreation	1,838
Police Pension	17,522

This deficit is caused by the application of GAAP, and will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at December 31.

CITY OF CLYDE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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

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

Protection of the City's deposit 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.

The City may deposit or invest interim monies in the following securities:

1. Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency, or the Export-Import Bank of Washington;
3. Repurchase agreements in the securities enumerated above;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds.
6. The State Treasurer's investment pool (STAR Ohio);

CITY OF CLYDE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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

Cash on Hand: At year-end the City had \$390 in undeposited cash on hand which is included on the combined balance sheet of the City as part of "Equity in Pooled Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

Deposits: At year-end, the carrying amount of the City's deposits was \$9,582,810 and the bank balance was \$9,685,634. These balances include \$6,600,000 in nonnegotiable certificates of deposit. Of the bank balance:

1. \$500,000 was covered by federal depository insurance; and
2. \$9,185,634 was uninsured and uncollateralized as defined by GASB even though it was covered by collateral held by third party trustees pursuant to Section 135.81, Ohio Revised Code, in single institution collateral pools securing all public funds on deposit with specific depository institutions. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

CITY OF CLYDE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

Investments: The City’s investments are required to be categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City’s name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty’s trust department or agent in the City’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City’s name. STAR Ohio and U.S. government money market mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category			Reported	Fair
	1	2	3	Amount	Value
City’s own securities	\$131,803	\$ -	\$ -	\$ 131,803	\$ 131,803
Federal agency securities	-	499,225	-	499,225	499,225
	<u>\$131,803</u>	<u>\$499,225</u>	<u>\$ -</u>		
STAR Ohio				1,109,502	1,109,502
U.S. government money					
market mutual funds (restricted)				<u>1,576,847</u>	<u>1,576,847</u>
Total investments				<u>\$3,317,377</u>	<u>\$3,317,377</u>

The classification of cash and cash equivalents on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, “Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting”.

CITY OF CLYDE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$12,768,774	\$ 131,803
Investments of the cash management pool:		
STAR Ohio	(1,109,502)	1,109,502
U.S. government money market mutual funds	(1,576,847)	1,576,847
Federal agency securities	(499,225)	499,225
Cash on hand	(390)	-
GASB Statement No. 3	\$ 9,582,810	\$3,317,377

NOTE 5 - LOCAL INCOME TAXES

This locally levied tax of 1.5 percent applied to gross salaries, wages and other personal service compensation earned by residents both in and out of the City and to earnings of non residents (except certain transients) earned in the government. It also applies to net income to business organizations conducted within the City. Tax receipts are credited to the general fund and amounted to \$3,139,668 in 2001.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of the 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 revalued every six years. Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

CITY OF CLYDE, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 6 - PROPERTY TAXES - (Continued)

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20.

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 year preceding the tax collection year, the lien date. Public utility tangible personal property currently is assessed at 88% of true value for taxable transmission and distribution property and 25% of true value for all other taxable property. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for all City operations for the year ended December 31, 2001 was \$3.20 per \$1,000.00 of assessed value. The assessed values of real and tangible personal property upon which 2000 property tax receipts were based are as follows:

Real Property - 2000 Valuation:

Residential/Agricultural	\$ 44,944,763
Public Utilities	7,425
Commercial/Industrial	<u>24,052,417</u>
Total Real Property	<u>\$ 69,004,605</u>

Tangible Personal Property - 2001 Valuation:

General	\$ 33,097,825
Public Utilities	<u>3,367,765</u>
Total Personal Property	<u>36,465,590</u>
Total Assessed Valuation	<u>\$105,470,195</u>

CITY OF CLYDE, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable as of December 31, 2001. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not intended to finance 2001 operations. The receivable is therefore offset by a credit to deferred revenue.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2001, consisted of taxes, interest, accounts (billings for user charged services, including unbilled utility services) and intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considered collectable in full, including accounts receivable which, if delinquent, may be certified and collected as a special assessment, subject to foreclosure for nonpayment.

A summary of the principal items of receivables follows:

	<u>Amount</u>
<u>General Fund</u>	
Real and Other Taxes	\$286,636
Income Taxes	802,532
Accrued Interest Receivable	325,593
Due From Other Governments	117,261
<u>Special Revenue Funds</u>	
Real and Other Taxes	29,652
Due From Other Governments	122,703
<u>Enterprise Funds</u>	
Accounts Receivable	687,261

CITY OF CLYDE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 8 - INTERFUND TRANSACTIONS

A. A reconciliation of the City's operating transfers for 2001 is as follows:

	Transfers <u>In</u>	Transfers <u>(Out)</u>
General Fund	\$ -	\$1,843,525
<u>Special Revenue Funds</u>		
Recreation	295,000	750
Police Pension	13,000	-
<u>Debt Service Funds</u>		
Fire Truck Note	110,440	-
<u>Capital Projects Funds</u>		
Permanent Improvement	1,348,615	110,440
<u>Enterprise Funds</u>		
Water	-	90,725
Sewer	-	750
Electric	156,635	6,000
<u>Internal Service Fund</u>		
Service Department	115,000	750
Employee Benefits	<u>14,250</u>	<u>-</u>
 Total Transfers In/Out	 <u>\$2,052,940</u>	 <u>\$2,052,940</u>

B. A reconciliation of the City's due to/from other funds:

	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
General Fund	\$47,860	\$ -
<u>Capital Projects</u>		
Permanent Improvement Fund	115,222	
<u>Enterprise Funds</u>		
Electric Fund	-	47,860
Water Fund	<u>-</u>	<u>115,222</u>
	<u>\$163,082</u>	<u>\$163,082</u>

C. A reconciliation of the City's interfund receivables/payables:

	Interfund <u>Receivables</u>	Interfund <u>Payables</u>
<u>Enterprise Funds</u>		
Water Fund	\$1,400,000	\$ -
<u>Capital Projects</u>		
Permanent Improvement Fund	<u>-</u>	<u>1,400,000</u>
	<u>\$1,400,000</u>	<u>\$1,400,000</u>

CITY OF CLYDE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 9 - FIXED ASSETS

The following is a summary of changes in the general fixed assets account group during the fiscal year:

	Restated Balance <u>1/1/01</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>12/31/01</u>
Land	\$ 1,499,204	\$ -	\$(297,908)	\$ 1,201,296
Buildings	3,232,590	349,592	(101,148)	3,481,034
Land Improvements	229,181	-	-	229,181
Furniture, Machinery and Equipment	1,242,109	136,988	(21,917)	1,357,180
Vehicles	842,990	46,590	-	889,580
Total	<u>7,046,074</u>	<u>533,170</u>	<u>(420,973)</u>	<u>7,158,271</u>
Less: Accumulated Depreciation	<u>(1,662,249)</u>	<u>(311,330)</u>	<u>43,958</u>	<u>(1,929,621)</u>
Total Assets	<u>\$ 5,383,825</u>	<u>\$ 221,840</u>	<u>\$(377,015)</u>	<u>\$ 5,228,650</u>

The following is a summary of proprietary fund-type fixed assets at December 31, 2001:

	<u>Water</u>	Enterprise <u>Sewer</u>	<u>Electric</u>	<u>Total</u>	Internal <u>Service</u>
Land	\$1,602,020	\$ 321,141	\$ 126,491	\$ 2,049,652	\$ 39,086
Buildings	8,856,656	3,279,355	514,685	12,650,696	377,676
Buildings -					
Contributed Capital	54,189	1,000	-	55,189	-
Land Improvements	19,610	-	58,960	78,570	-
Equipment-Furniture	456,061	2,282,234	1,891,452	4,629,747	372,967
Vehicles	87,413	23,659	376,685	487,757	488,398
Construction in Progress	-	225,374	-	225,374	-
Infrastructure	7,672,030	14,334,303	10,183,085	32,189,418	-
Infrastructure -					
Contributed Capital	780,631	3,038,819	68,850	3,888,300	-
Total Fixed Assets	<u>19,528,610</u>	<u>23,505,885</u>	<u>13,220,208</u>	<u>56,254,703</u>	<u>1,278,127</u>
Less: Accumulated Depreciation	<u>(2,128,806)</u>	<u>(4,494,936)</u>	<u>(2,894,816)</u>	<u>(9,518,558)</u>	<u>(638,242)</u>
Net fixed assets	<u>\$17,399,804</u>	<u>\$19,010,949</u>	<u>\$10,325,392</u>	<u>\$46,736,145</u>	<u>\$ 639,885</u>

CITY OF CLYDE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 10 - DEBT OBLIGATIONS

	<u>Interest Rate</u>	<u>Balance 1/01/01</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/01</u>
<u>Enterprise Debt:</u>					
Electric System Mortgage Revenue Refunding Bonds, Series 1998	4.0%-5.25%	\$3,940,000	\$ -	\$(195,000)	\$3,745,000
Electric System Mortgage Revenue Refunding Bonds,	3.0%-6.3%	5,340,000	-	(255,000)	5,085,000
Water System Improvement Bond Anticipation Note	5.60%	1,600,000	1,400,000	(1,600,000)	1,400,000
Sewer Plant OWDA Loan	3.9%	-	225,374	-	225,374
Water Improvement Bonds, Series 1997	3.0%-6.30%	<u>5,500,000</u>	-	(55,000)	<u>5,445,000</u>
Total Enterprise Debt		<u>\$16,480,000</u>	<u>\$1,625,374</u>	<u>\$(2,105,000)</u>	<u>\$15,900,374</u>
<u>General Long-Term Obligation Debt:</u>					
Main Street Bonds	6.0%-7.2%	855,000	-	(50,000)	805,000
Various Purpose Bond Anticipation Notes	5.125%	1,365,000	1,254,000	(1,365,000)	1,254,000
<u>Other Obligations:</u>					
Police Pension Liability		83,664	-	(1,102)	82,562
Compensated Absences		<u>69,087</u>	-	(6,996)	<u>62,091</u>
Total General Long-Term Obligations		<u>\$2,372,751</u>	<u>\$ -</u>	<u>\$(1,423,098)</u>	<u>\$2,203,653</u>

CITY OF CLYDE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 10 - DEBT OBLIGATIONS - (Continued)

On September 21, 2000, the City issued \$110,400 in bond anticipation notes for the purpose of purchasing fire trucks. These notes had an annual interest rate of 4.15% and matured on September 21, 2001. The bond anticipation notes were retired at maturity and no notes were reissued. On June 20, 2000, the City issued \$1,365,000 and \$1,600,000 in bond anticipation notes which matured during 2001. The notes were retired with the proceeds of new notes issued on June 20, 2001, in the amounts of \$1,400,000 and \$1,254,000, respectively, which mature on June 20, 2002.

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.

On October 8, 1998, the City issued \$4,280,000 Electric System Mortgage Refunding Bonds to be financed with electric revenues with an average rate of 5.00% to advanced refund \$4,280,000 of Electric Mortgage Revenue Bonds, 1989 Series B.

The net proceeds of the bonds were used to purchase U.S. Government Securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments. As a result, the Electric Mortgage Revenue Bonds, Series B, are considered defeased and the liability for those bonds have been removed from the Electric fund. At December 31, 2001, \$4,000,000 of bonds outstanding are considered defeased. The economic gain on the transaction was \$837,394 and is being amortized using the straight-line method, the unamortized portion of which is shown on the balance sheet as deferred charges.

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

The City entered into an agreement with the Ohio Water Department Authority (OWDA) for sewer plant construction in 2001. The project is still outstanding at year-end; however, during 2001, \$225,374 was disbursed by OWDA and is an outstanding liability for the City.

Compensated Absences: Sick leave and vacation benefits are presented net of actual increases and decreases because of the practicality of determining these values. Compensated absences reported in the "compensated absences payable" account will be paid from the fund from which the employee's salaries are paid.

General Obligation Bonds: Outstanding general obligation bonds consist of Main Street Improvements. Principal payments are made from the Debt Service fund. General Obligation Bonds are direct obligations of the City of Clyde for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the City.

CITY OF CLYDE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 10 - DEBT OBLIGATIONS - (Continued)

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

The annual requirements to amortized general long-term obligations outstanding as of December 31, 2001, are as follows:

Year Ending	General Obligation Debt		Police Pension		Total
	Principal	Interest	Principal	Interest	Principal and Interest
2002	\$ 50,000	\$ 57,040	\$ 1,150	\$ 3,544	\$ 111,734
2003	55,000	53,640	1,199	3,496	113,335
2004	60,000	49,900	1,251	3,447	114,598
2005	65,000	45,820	1,304	3,395	115,519
2006	65,000	41,400	1,361	3,342	111,103
2007-2011	410,000	129,240	7,732	15,820	562,792
Thereafter	<u>100,000</u>	<u>7,200</u>	<u>68,565</u>	<u>43,396</u>	<u>219,161</u>
Total	<u>\$805,000</u>	<u>\$384,240</u>	<u>\$82,562</u>	<u>\$76,440</u>	<u>\$1,348,242</u>

The annual requirements to amortize enterprise fund obligations outstanding as of year-end are as follows:

Year Ending	Electric Revenue Bonds		Water Improvement G.O. Bonds	
	Principal	Interest	Principal	Interest
2002	\$ 475,000	\$ 531,091	\$ 60,000	\$ 271,500
2003	500,000	506,335	60,000	268,500
2004	525,000	479,412	60,000	265,500
2005	550,000	449,337	70,000	262,375
2006	585,000	417,470	70,000	258,875
2007-2011	3,520,000	1,502,122	405,000	1,238,000
2012-2016	2,675,000	336,796	525,000	1,123,625
2017-2021	-	-	675,000	976,375
2022-2026	-	-	860,000	787,625
2027-2031	-	-	1,100,000	546,250
2032-2036	-	-	1,405,000	239,125
2037	<u>-</u>	<u>-</u>	<u>155,000</u>	<u>3,875</u>
Total	<u>\$8,830,000</u>	<u>\$4,222,563</u>	<u>\$5,445,000</u>	<u>\$6,241,625</u>

CITY OF CLYDE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 11 - NOTES PAYABLE AND OTHER FUND OBLIGATIONS

	<u>Interest Rate</u>	<u>Balance 1/01/01</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/01</u>
<u>Capital Projects Fund</u>					
<i>General Obligation Bond Anticipation Notes- Payable To the Enterprise Funds</i>					
Various Purposes	3.0%	\$1,240,848	\$ -	\$(1,240,848)	\$ -
 <u>General Fund</u>					
<i>General Obligation Bonds- Payable to the Enterprise Funds</i>					
Land Acquisition	3.0%	\$ 595,816	\$ -	\$ (464,013)	\$131,803
 <i>General Obligation Bond Anticipation Note</i>					
Fire Truck	4.15%	\$ 110,400	\$ -	\$ (110,400)	\$ -

Bonds outstanding at December 31, 2001 are internal City bonds that represent amounts borrowed from other funds of the City. These bonds are structured in essentially the same manner as agreements with outside institutions. The Electric enterprise fund loaned the monies to the General fund and has reported "Investments" on the combined balance sheet for the principal amounts due at December 31, 2001.

The following is a summary of the City's future annual debt service and interest requirements for the bonds held by other City funds:

<u>Land Acquisition Bond Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$11,475	\$3,797	\$ 15,272
2003	11,824	3,448	15,272
2004	12,184	3,088	15,272
2005	12,555	2,718	15,273
2006	12,936	2,336	15,272
2007-2011	<u>70,829</u>	<u>5,534</u>	<u>76,363</u>
 Total	 <u>\$131,803</u>	 <u>\$20,921</u>	 <u>\$152,724</u>

CITY OF CLYDE, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 12 - RISK MANAGEMENT

A. Property and Casualty Insurance

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

PEP retains casualty risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

PEP retains property risks, including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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

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:

<u>Casualty Coverage</u>	<u>2001</u>
Assets	\$19,358,458
Liabilities	<u>8,827,588</u>
Retained earnings	<u>\$ 10,530,870</u>
<u>Property Coverage</u>	<u>2001</u>
Assets	\$ 1,890,323
Liabilities	<u>469,100</u>
Retained earnings	<u>\$ 1,421,223</u>

CITY OF CLYDE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 12 - RISK MANAGEMENT - (Continued)

B. Employee Health Insurance

The City participates with other cities in the Buckeye Ohio Risk Management Agency, Inc. (BORMA, Inc.), in a jointly funded risk financing program administered by Arthur J. Gallagher & Co. BORMA, 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 pool includes the following municipalities: Archbold, Bowling Green, Carey, Clyde, Defiance, Fayette, Hicksville, Napoleon, Oberlin, Sandusky, Upper Sandusky and Willard. As of December 31, 2001 the pool had cash reserves of \$1,798,957 which, in the opinion of management, is adequate for any claims against the pool.

BORMA, Inc. 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 have been reserved in the financial statements. Audited financial statements are maintained separately by BORMA, Inc.

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. There has been no significant reduction in coverage from the prior year.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

All City full-time employees, other than uniformed employees, participate in the Public Employees Retirement System of Ohio (PERS), a cost sharing multiple-employer public employee retirement system created by the State of Ohio. The PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

CITY OF CLYDE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 2001 was 8.5% for employees other than law enforcement. In January 2001, House Bill 416 divided the PERS law enforcement program into two separate divisions with separate employee contribution rates and benefits. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. All other members of the PERS law enforcement program were placed in a newly named public safety division and continued to contribute at 9%. The employer contribution rate for employees other than law enforcement was 13.55% of covered payroll; 9.25% was the portion used to fund pension obligations for 2001. The employer contribution rate for law enforcement and public safety divisions was 16.70% of covered payroll; 12.40% was the portion used to fund pension obligations for 2001. The City's contributions for pension obligations to the PERS for the years ended December 31, 2001, 2000, and 1999 were \$237,338, \$399,058, and \$249,879 respectively; 71% has been contributed for 2001 and 100% for 2000 and 1999. \$67,897, representing the unpaid contribution for 2001, is recorded as a liability within the respective funds.

B. Ohio Police and Fire Pension Fund

Full-time uniformed employees of the City participate in the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer defined benefit pension plan. The OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.0% for police officers and firefighters, respectively. The City's contributions for pension obligations to the OP&F for the years ended December 31, 2001, 2000, and 1999 were \$81,420, \$162,862, and \$102,358, respectively; 65% has been contributed for 2001 and 100% for the years 2000 and 1999. \$28,462, representing the unpaid contributions for 2001, is recorded as a liability within the respective funds.

CITY OF CLYDE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

The PERS provides post-retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. Health care funding is on a pay-as-you-go basis. The Ohio Revised Code provides statutory authority for employer contributions. The PERS law enforcement program was separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2001 employer contribution rate for local government employers was 13.55% of covered payroll; 4.30% was the portion that was used to fund health care for the year. The law enforcement employer rate for 2001 was 16.70% of covered payroll; 4.30% was the portion used to fund health care for the year.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to the PERS. The City's contribution actually made to fund postemployment benefits was \$89,578.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

As of December 31, 2000 (the latest information available), the unaudited estimated net assets available for future OPEB payments were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively, at December 31, 2000 (the latest information available). The number of benefit recipients eligible for OPEB at December 31, 2000 (the latest information available), was 411,076.

CITY OF CLYDE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

In January 2001, House Bill 416 divided the PERS law enforcement program into two separate divisions with separate employee contribution rates and benefits. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. All other members of the PERS law enforcement program were placed in a newly named public safety division and continue to contribute at 9.0%. The employer contribution rate for both the law enforcement and public safety divisions is 16.70%.

Law enforcement officer benefits permit age and service retirement at an earlier age with a different formula than that for PERS members not covered under this division.

Additional information on the PERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due is available in the PERS December 31, 2001, Comprehensive Annual Financial Report.

B. Ohio Police and Fire Pension Fund

The OP&F provides post-retirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides that health care cost paid from the funds of the OP&F shall be included in the employer's contribution rate. The total police officer employer contribution rate is 19.5% of covered payroll and the total firefighter's employer contribution rate is 24.0% of covered payroll. The Ohio Revised Code provides the authority allowing OP&F's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.0% and 7.25% of covered payroll in 2000 and 2001, respectively. The allocation is 7.75% in 2002. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

CITY OF CLYDE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

The number of participants eligible to receive health care benefits as of December 31, 2000 (the latest information available), is 12,853 for police officers and 10,037 for firefighters. The amount of employer contributions used to pay postemployment benefits for police officers and firefighters were \$18,583 and \$13,457, respectively. OP&F's total health care expenses for the year ending December 31, 2000 (the latest information available), was \$106,160,054, which was net of member contributions of \$5,657,431.

NOTE 15 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The City operates three enterprise fund which provide water, electric and disposal and treatment of sewage services. The key financial information for the year ended December 31, 2001 for this enterprise activity is as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Total</u>
Operating Revenues	\$ 1,826,973	\$ 1,738,570	\$ 7,106,402	\$10,671,945
Operating Expenses				
Before Depreciation	1,365,542	1,224,656	6,038,411	8,628,609
Depreciation Expense	369,719	528,912	341,399	1,240,030
Operating Income (Loss)	91,712	(14,998)	726,592	803,306
Operating Transfers:				
In	-	-	156,635	156,635
(Out)	(90,725)	(750)	(6,000)	(97,475)
Net Income (Loss)	(350,626)	(15,748)	198,275	(168,099)
Fixed Asset - Additions	291,216	242,371	327,664	861,251
Total Assets	21,942,930	21,284,991	17,843,429	61,071,350
Bonds and other Long-Term				
Liabilities	6,885,122	253,473	8,854,675	15,993,270
Net Working Capital	2,983,386	2,211,483	7,254,262	12,449,131
Total Equity	14,782,847	20,968,960	8,724,977	44,476,784
Encumbrances Outstanding	16,785	224,326	42,103	283,214

NOTE 16 - COMPENSATED ABSENCES

Employees earn vacation and sick leave at different rates which are also affected by length of service. Vacation can be carried over at different rates depending on the department. Employees may carry over 40 hours for use during the following year. Sick leave accrual is continuous. Overtime worked is always paid to employees on the paycheck for the period in which it was worked.

CITY OF CLYDE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 16 - COMPENSATED ABSENCES - (Continued)

Upon retirement, an employee can be paid for 40 percent of his/her accumulated hours of sick leave, except fire department employees, who are part time and do not accumulate sick leave. Upon retirement, termination, or death of the employee, accrued vacation is paid for time the employees have earned but not yet used.

As of December 31, 2001, the liability for unpaid compensated absences reported in the general long-term obligations account group was \$62,061. \$98,558 was the liability for the non-current portion of compensated absences in proprietary fund types. The total liability for the City's compensated absences (both current and non-current) for all fund types and account groups was \$177,753.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

The City's budgetary process is based upon accounting for transactions on a cash basis. The differences between the cash basis (budget basis) and the modified accrual basis (GAAP basis) are that revenues are recorded when actually received (budget) as opposed to when susceptible to accrual (GAAP) and the expenditures are recorded when paid (budget) as opposed to when incurred (GAAP). Additionally, the City reflects outstanding encumbrances as expenditures on the budgetary basis of accounting. Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the GAAP basis is as follows:

**EXCESS OF REVENUES AND OTHER FINANCING SOURCES
OVER/(UNDER) EXPENDITURES AND OTHER USES**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget Basis	\$ (318,657)	\$ 9,562	\$ 0	\$ (685,660)
Adjustments:				
Net Adjustment for Revenue Accruals	(1,572,818)	(24,477)	-	469,736
Net Adjustment for Expenditure Accruals	(203,938)	(140,195)	3,239,768	(1,297,395)
Net adjustment for Other Financing Sources/ (Uses) Accruals	2,528,630	103,229	(3,239,768)	1,393,547
Encumbrances	<u>28,287</u>	<u>4,095</u>	<u>-</u>	<u>-</u>
GAAP Basis	<u>\$ 461,504</u>	<u>\$ (47,786)</u>	<u>\$ 0</u>	<u>\$ (119,772)</u>

CITY OF CLYDE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 18 - CONTINGENCIES

A. Grants

The City receives financial assistance from numerous state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2001.

B. Litigation

The City has no pending lawsuits as of year-end.



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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

City of Clyde
Sandusky County
222 Main Street
Clyde, Ohio 43410-1655

To the Council:

We have audited the financial statements of the City of Clyde as of and for the year ended December 31, 2001, and have issued our report thereon dated August 14, 2002. As discussed in Note 3A, the City made adjustments to properly state construction in progress and long-term debt. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-20172-001 and 2001-20172-002. We also noted a certain immaterial instance of noncompliance that we have reported to management of the City of Clyde in a separate letter dated August 14, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that did not require inclusion in this report, that we have reported to management of the City of Clyde in a separate letter dated August 14, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

Jim Petro
Auditor of State

August 14, 2002

**CITY OF CLYDE
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001**

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

FINDING NUMBER 2001-20172-001

Noncompliance

Ohio Revised Code § 5705.39 states appropriations from each fund shall not exceed the estimated revenue available for expenditure as certified by the county budget commission. At December 31, 2001 appropriations (\$3,123,987) exceeded estimated resources (\$0) in the Woodland/Premier Note Retirement fund by \$3,123,987. This could result in a deficit fund balance. We recommend the Finance Director request an amended certificate prior to the revenue being received.

FINDING NUMBER 2001-20172-002

Noncompliance

Ohio Revised Code § 5705.41(B) states no subdivision shall make any expenditure of money unless it has been appropriated. Expenditures exceeded appropriations throughout the year in the following funds:

<u>Fund</u>	<u>Appropriation Amendment Month</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Variance Amount</u>
Fund 309 – Woodland/Premier Note Retirement	September	\$3,123,987		(\$3,123,987)
Fund 401 – Permanent Improvement	September	5,455,820	\$2,375,440	(3,080,380)
Fund 610 – Water Operating	September	2,418,760	2,073,529	(345,231)

This could result in overspending of the fund cash balance. We recommend the City refrain from making expenditures that exceed appropriations. The City should compare appropriation measures to the latest amended certificate of estimated resources and appropriate modifications should be made prior to submission to the County Auditor. Ten other funds had also had variances in smaller relative amounts.

**CITY OF CLYDE
SANDUSKY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-20172-001	Ohio Revised Code § 5705.39	No	Partially corrected. The City has continued to make improvements.



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OFFICE OF THE AUDITOR

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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
SEPTEMBER 17, 2002**