



Dave Yost • Auditor of State

**CITY OF CLYDE
SANDUSKY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clyde, Sandusky County, Ohio (the City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clyde, Sandusky County, Ohio, as of December 31, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparisons for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Dave Yost
Auditor of State

November 29, 2011

**CITY OF CLYDE
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

The management's discussion and analysis of the City of Clyde's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2010. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- The total net assets of the City increased \$174,149. Net assets of governmental activities increased \$302,386 or 2.11% over 2009 net assets and net assets of business-type activities decreased \$128,237 or 0.43% from 2009 net assets.
- General revenues accounted for \$5,343,882 or 83.51% of total governmental activities revenue. Program specific revenues accounted for \$1,055,251 or 16.49% of total governmental activities revenue of \$6,399,133.
- The City had \$5,264,637 in expenses related to governmental activities; \$1,055,251 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$4,209,386 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$5,343,882.
- The general fund had revenues and other financing sources of \$4,555,814 in 2010. This represents a decrease of \$1,119,734 from 2009 revenues. The expenditures and other financing uses of the general fund, which totaled \$3,752,666 in 2010, represent a decrease of \$2,115,334 from 2009. The net increase in fund balance for the general fund was \$803,148 or 189.78%.
- The permanent improvement fund had revenues and other financing sources of \$3,161,806 in 2010. This represents an increase of \$2,106,731 over 2009 revenues. The expenditures and other financing uses of the permanent improvement fund, which totaled \$3,238,556 in 2010, represent an increase of \$2,360,416 over 2009 expenditures and other financing uses. The net decrease in fund balance for the permanent improvement fund was \$76,750 or 13.22%.
- Net assets for the business-type activities, which are made up of the water, sewer, and electric enterprise funds, decreased in 2010 by \$128,237.
- In the general fund, the actual revenues and other financing sources came in over the final budgeted revenues and other financing sources by \$89,179 and actual expenditures and other financing uses were \$580,653 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues increased \$27,500 during the year. Budgeted expenditures and other financing uses increased \$2,500 from the original to the final budget due primarily to an increase in community environment expenditures.

The Basic Financial Statements

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

**CITY OF CLYDE
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
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(CONTINUED)**

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

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The statement of net assets and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

**CITY OF CLYDE
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
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Governmental Funds

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

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

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

Proprietary Funds

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

Fiduciary Funds

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

Notes to the Basic Financial Statements

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

Government-wide Financial Analysis

The following table provides a summary of the City's net assets for 2010 and 2009.

**CITY OF CLYDE
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(CONTINUED)**

Net Assets

	Governmental Activities 2010	Business-type Activities 2010	Governmental Activities 2009	Business-type Activities 2009	2010 Total	2009 Total
Assets:						
Current and other assets	\$ 3,593,246	\$ 12,375,870	\$ 2,948,474	\$ 12,280,901	\$ 15,969,116	\$ 15,229,375
Capital assets, net	<u>16,312,235</u>	<u>30,338,922</u>	<u>17,358,849</u>	<u>30,735,771</u>	<u>46,651,157</u>	<u>48,094,620</u>
Total assets	<u>19,905,481</u>	<u>42,714,792</u>	<u>20,307,323</u>	<u>43,016,672</u>	<u>62,620,273</u>	<u>63,323,995</u>
Liabilities:						
Long-term liabilities outstanding	4,615,791	11,136,521	5,201,934	12,294,804	15,752,312	17,496,738
Other liabilities	<u>676,920</u>	<u>1,560,271</u>	<u>795,005</u>	<u>575,631</u>	<u>2,237,191</u>	<u>1,370,636</u>
Total liabilities	<u>5,292,711</u>	<u>12,696,792</u>	<u>5,996,939</u>	<u>12,870,435</u>	<u>17,989,503</u>	<u>18,867,374</u>
Net assets:						
Invested in capital assets, net of related debt	11,811,758	19,207,616	12,282,436	18,447,221	31,019,374	30,729,657
Restricted	1,344,929	1,631,346	1,396,552	1,625,130	2,976,275	3,021,682
Unrestricted	<u>1,456,083</u>	<u>9,179,038</u>	<u>631,396</u>	<u>10,073,886</u>	<u>10,635,121</u>	<u>10,705,282</u>
Total net assets	<u>\$ 14,612,770</u>	<u>\$ 30,018,000</u>	<u>\$ 14,310,384</u>	<u>\$ 30,146,237</u>	<u>\$ 44,630,770</u>	<u>\$ 44,456,621</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2010, the City's assets exceeded liabilities by \$44,630,770. At year-end, net assets were \$14,612,770 and \$30,018,000 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net assets. At year-end, capital assets represented 74.50% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2010, were \$11,811,758 and \$19,207,616 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2010, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's net assets, \$2,976,275, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$1,456,083 in the governmental activities may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF CLYDE
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(CONTINUED)**

The table below shows the changes in net assets for fiscal year 2010 and 2009.

	Change in Net Assets					
	Governmental Activities 2010	Business-type Activities 2010	Governmental Activities 2009	Business-type Activities 2009	2010 Total	2009 Total
Revenues						
Program revenues:						
Charges for services	\$ 368,721	\$ 21,932,198	\$ 349,929	\$ 22,178,624	\$ 22,300,919	\$ 22,528,553
Operating grants and contributions	384,294		346,203		384,294	346,203
Capital grants and contributions	302,236		131,950		302,236	131,950
Total program revenues	<u>1,055,251</u>	<u>21,932,198</u>	<u>828,082</u>	<u>22,178,624</u>	<u>22,987,449</u>	<u>23,006,706</u>
General revenues:						
Property taxes	391,024		373,101		391,024	373,101
Income taxes	4,141,865		3,544,648		4,141,865	3,544,648
Other taxes	257,696		254,299		257,696	254,299
Unrestricted grants and entitlements	360,232		335,541		360,232	335,541
Investment earnings	70,931	2	122,238	1,348	70,933	123,586
Miscellaneous	60,098	29,557	34,623	32,543	89,655	67,166
Gain on sale of capital assets	62,036				62,036	
Total general revenues	<u>5,343,882</u>	<u>29,559</u>	<u>4,664,450</u>	<u>33,891</u>	<u>5,311,405</u>	<u>4,698,341</u>
Total revenues	<u>6,399,133</u>	<u>21,961,757</u>	<u>5,492,532</u>	<u>22,212,515</u>	<u>28,298,854</u>	<u>27,705,047</u>
Expenses:						
General government	1,032,261		1,093,963		1,032,261	1,093,963
Security of persons and property	2,004,026		2,229,731		2,004,026	2,229,731
Public health and welfare	633,989		613,403		633,989	613,403
Transportation	764,255		783,888		764,255	783,888
Community environment	388,025		427,756		388,025	427,756
Leisure time activity	234,876		238,590		234,876	238,590
Interest and fiscal charges	207,205		220,826		207,205	220,826
Water		2,627,814		2,672,736	2,627,814	2,672,736
Sewer		1,933,086		1,936,441	1,933,086	1,936,441
Electric		18,361,204		17,122,616	18,361,204	17,122,616
Total expenses	<u>5,264,637</u>	<u>22,922,104</u>	<u>5,608,157</u>	<u>21,731,793</u>	<u>28,186,741</u>	<u>27,339,950</u>
Change in net assets before transfers	1,134,496	(960,347)	(115,625)	480,722	174,149	365,097
Transfers	(832,110)	832,110	(282,026)	282,026		
Change in net assets	302,386	(128,237)	(397,651)	762,748	174,149	365,097
Net assets at beginning of year	<u>14,310,384</u>	<u>30,146,237</u>	<u>14,708,035</u>	<u>29,383,489</u>	<u>44,456,621</u>	<u>44,091,524</u>
Net assets at end of year	<u>\$ 14,612,770</u>	<u>\$ 30,018,000</u>	<u>\$ 14,310,384</u>	<u>\$ 30,146,237</u>	<u>\$ 44,630,770</u>	<u>\$ 44,456,621</u>

Governmental Activities

Governmental activities net assets increased \$302,386 in 2010. The increase is a result of increasing income tax revenue and cuts the City has made to various departments, which decreased expenses.

Security of persons and property, which primarily supports the operations of the police and fire departments, had expenses of \$2,004,026, which accounted for 38.07% of the total governmental activities expenses of the City. These expenses were partially funded by \$148,050 in direct charges to

**CITY OF CLYDE
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
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(CONTINUED)**

users of the services. General government expenses totaled \$1,032,261, which was partially funded by \$80,859 in direct charges to users of the services and \$41,568 in capital grants and contributions.

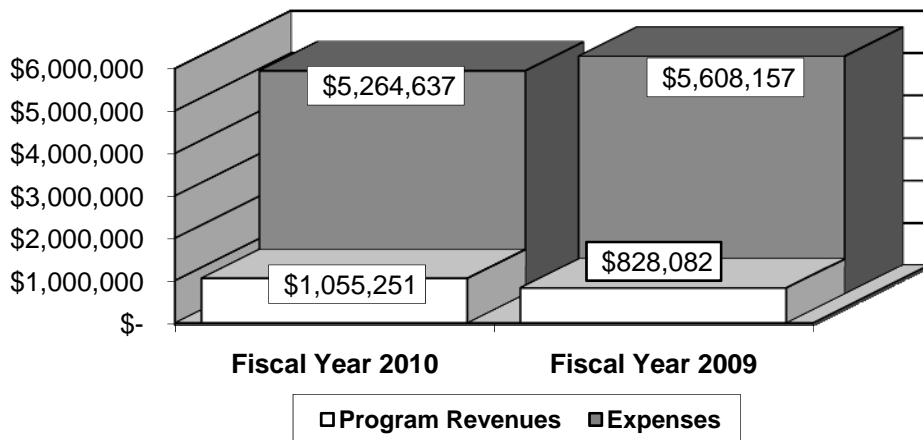
The State and federal government contributed to the City a total of \$384,294 in operating grants and contributions and \$302,236 in capital grants and contributions. These revenues are restricted to a particular program or purpose. \$248,728 of the capital grants and contributions and \$334,421 of the operating grants and contributions received subsidized transportation programs.

General revenues totaled \$5,343,882 and amounted to 83.51% of total governmental revenues. These revenues primarily consist of property, kilowatt hour and income tax revenue of \$4,790,585. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government revenue and property tax reimbursements, making up \$360,232.

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

The following graph shows program revenues and total expenses of the governmental activities for 2010 and 2009.

Governmental Activities – Program Revenues vs. Total Expenses



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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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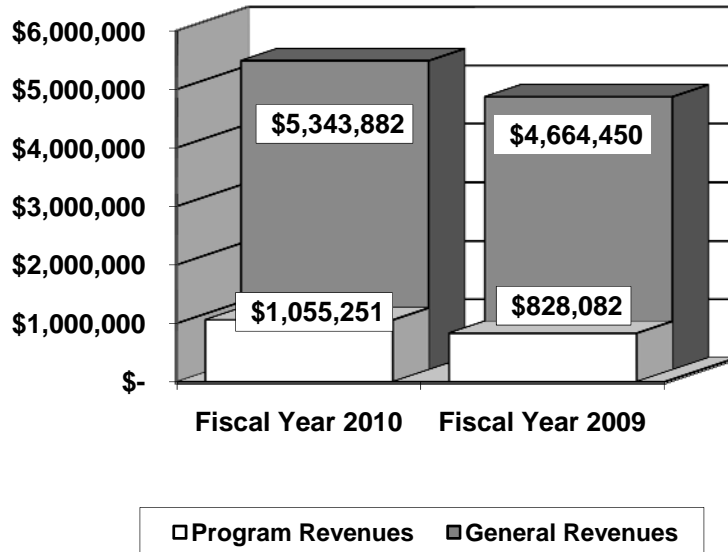
The following table shows the cost of services and net cost of services of the governmental activities for 2010 and 2009.

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2010</u>	<u>2010</u>	<u>2009</u>	<u>2009</u>
Program expenses:				
General government	\$ 1,032,261	\$ 909,834	\$ 1,093,963	\$ 986,934
Security of persons and property	2,004,026	1,855,821	2,229,731	2,046,065
Public health and welfare	633,989	573,508	613,403	544,761
Transportation	764,255	181,106	783,888	491,957
Community environment	388,025	344,861	427,756	335,830
Leisure time activity	234,876	137,051	238,590	153,702
Interest and fiscal charges	<u>207,205</u>	<u>207,205</u>	<u>220,826</u>	<u>220,826</u>
Total	<u>\$ 5,264,637</u>	<u>\$ 4,209,386</u>	<u>\$ 5,608,157</u>	<u>\$ 4,780,075</u>

The dependence upon general revenues for governmental activities is apparent, with 79.96% and 85.24% of expenses supported through taxes and other general revenues for 2010 and 2009, respectively.

The following graph shows general and program revenues of governmental activities for 2010 and 2009.

Governmental Activities – General and Program Revenues



**CITY OF CLYDE
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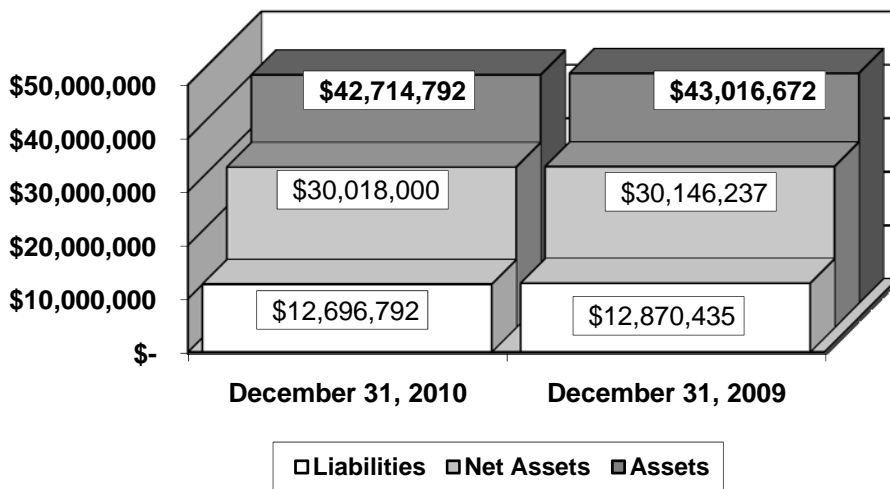
**MANAGEMENT'S DISCUSSION AND ANALYSIS
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(CONTINUED)**

Business-type Activities

Business-type activities include the water, sewer, and electric enterprise funds. These programs had program revenues of \$21,932,198, general revenues of \$29,559, transfers and capital contributions from governmental activities of \$832,110 and expenses of \$22,922,104 for 2010. The water fund had expenses of \$2,627,814, which were fully funded by user charges for services of \$2,671,021. The sewer fund had expenses of \$1,933,086, which were 92.48% funded by user charges for services of \$1,787,774. The sewer fund also received capital contributions from governmental funds for \$830,162. The electric fund had expenses of \$18,361,204, which were 95.16% funded by user charges for services of \$17,473,403. The electric fund also received transfers from the governmental funds totaling \$87,448.

The graph below shows the business-type activities assets, liabilities and net assets at December 31, 2010 and 2009.

Net Assets in Business-type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds reported a combined fund balance of \$2,316,112 which is \$738,325 more than last year's total of \$1,577,787. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2010 for all major and nonmajor governmental funds.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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	Fund Balances <u>12/31/10</u>	Fund Balances <u>12/31/09</u>	Increase <u>(Decrease)</u>
Major fund:			
General	\$ 1,226,356	\$ 423,208	\$ 803,148
Permanent improvement	503,672	580,422	(76,750)
Nonmajor governmental funds	<u>586,084</u>	<u>574,157</u>	<u>11,927</u>
Total	<u>\$ 2,316,112</u>	<u>\$ 1,577,787</u>	<u>\$ 738,325</u>

General Fund

The City's general fund balance increased \$803,148, primarily due to a decrease in expenditures during the year. The table that follows assists in illustrating the revenues of the general fund.

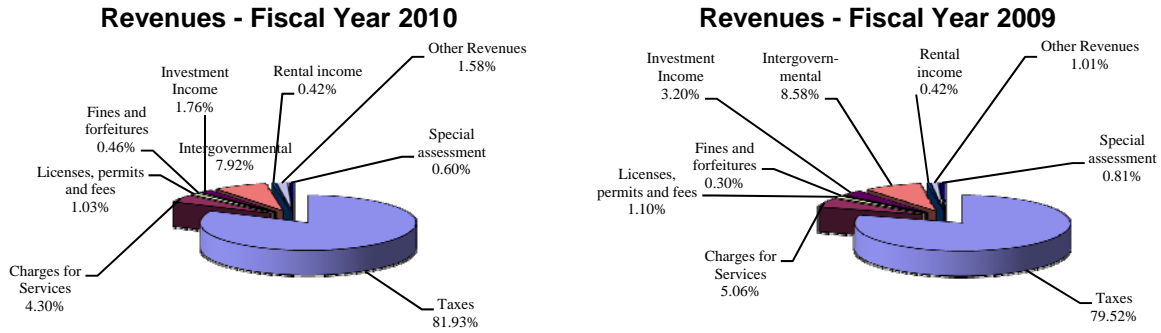
	<u>2010 Amount</u>	<u>2009 Amount</u>	<u>Percentage Change</u>
Revenues:			
Taxes	\$ 3,588,339	\$ 3,081,763	16.44 %
Charges for services	188,459	196,337	(4.01) %
Licenses, permits and fees	45,050	42,474	6.06 %
Fines and forfeitures	20,060	11,475	74.81 %
Special assessments	26,148	31,399	(16.72) %
Intergovernmental	346,758	332,555	4.27 %
Investment income	77,031	124,386	(38.07) %
Rental income	18,404	16,224	13.44 %
Other	<u>69,248</u>	<u>37,282</u>	85.74 %
Total	<u>\$ 4,379,497</u>	<u>\$ 3,873,895</u>	13.05 %

Tax revenue represents 81.94% of all general fund revenue. The City had an increase in tax collections during 2010. This is primarily due to an increase in income tax collections related to the decrease in unemployment. The decrease in investment income is due to decreases in interest rates. The increase in intergovernmental revenues is due to increased reimbursements received from the State for the phase-out of the tangible personal property tax. All other revenues remained consistent with the prior year.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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The following charts show general fund revenues for 2010 and 2009.



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

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Expenditures:			
General government	\$ 1,003,248	\$ 1,041,221	(3.65) %
Security of persons and property	1,777,797	1,950,692	(8.86) %
Public health and welfare	431,721	438,207	(1.48) %
Community environment	282,988	265,556	6.56 %
Debt service	<u>124,464</u>	<u>1,725,630</u>	(92.79) %
Total	<u>\$ 3,620,218</u>	<u>\$ 5,421,306</u>	(33.22) %

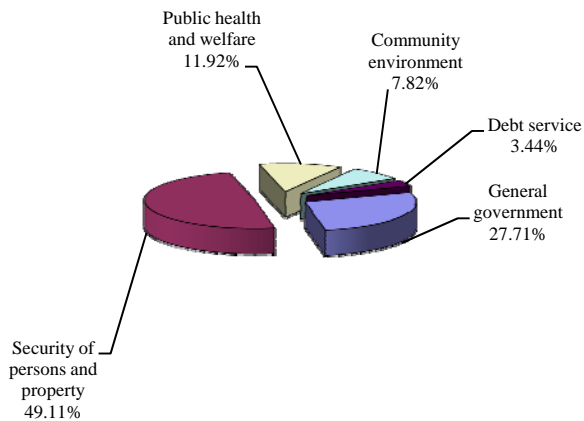
The most significant decrease occurred in the debt service expenditure line item. This decrease is due to expenditures relating to the retirement of the 2008 swimming pool bond anticipation note. The City decided to retire the swimming pool bond anticipation notes from the permanent improvement fund during 2010. Community environment expenditures increased due to an increase in expenditures made for snow removal and other curbside services. Security of persons and property expenditures also decreased during 2010. This was primarily due to cuts made to the City's police department. Other general fund expenditures decreased due to tight cost controls during a period of uncertain income tax collections.

**CITY OF CLYDE
SANDUSKY COUNTY**

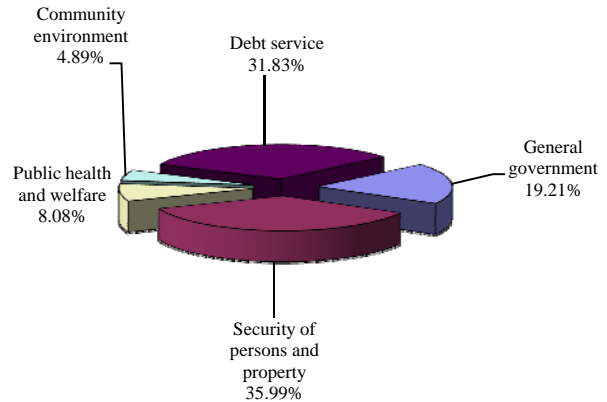
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(CONTINUED)**

The following charts show general fund expenditures for 2010 and 2009.

Expenditures - Fiscal Year 2010



Expenditures - Fiscal Year 2009



Permanent Improvement Fund

The permanent improvement fund had revenues and other financing sources of \$3,161,806 in 2010. This represents an increase of \$2,106,731 from 2009 revenues. The expenditures and other financing uses of the permanent improvement fund, which totaled \$3,238,556 in 2010, represent an increase of \$2,360,416 from 2009. The net decrease in fund balance for the permanent improvement fund was \$76,750 or 13.22%. The increase in revenue and expenditures was due to the issuance of a bond anticipation note and the related expenditures.

Budgeting Highlights – General Fund

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

Budgetary information is presented for the general fund only. Original appropriations of \$4,433,314 were increased to \$4,435,814 primarily due to increases in general government expenses and community environment expenses. Actual revenues and other financing sources of \$4,413,199 came in over the final budgeted revenues and other financing sources by \$89,179. Actual expenditures and other financing uses came in \$580,653 less than the final budgeted amounts.

**CITY OF CLYDE
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(CONTINUED)**

Proprietary Funds

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

The City's proprietary funds, consisting of the enterprise funds water, sewer and electric, reported a combined decrease in net assets of \$130,407. The most significant change in net assets occurred in the electric fund, which decreased \$796,580 over 2009. The electric fund had a decrease in operating revenues of \$331,927 or 1.86% over 2009 and an increase in operating expenses of \$1,282,335 or 7.76%. The increase in electric fund operating expenses is due to increased costs for purchased power.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2010 the City had \$46,651,157 (net of accumulated depreciation) invested in land, construction in progress, buildings and improvements, land improvements, equipment, vehicles and infrastructure. Of this total, \$16,312,235 was reported in governmental activities and \$30,338,922 was reported in business-type activities. The following table shows fiscal 2010 balances compared to 2009:

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

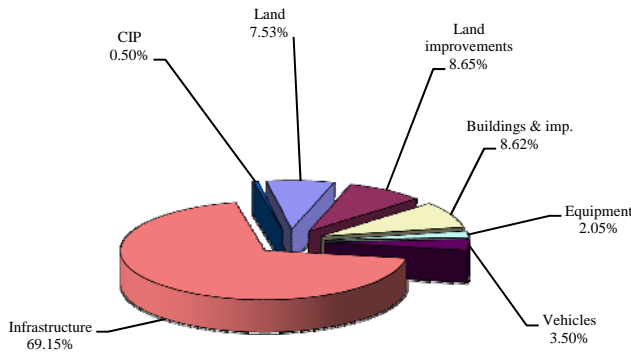
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 1,228,132	\$ 1,238,507	\$ 795,093	\$ 795,093	\$ 2,023,225	\$ 2,033,600
Construction-in-progress	81,094	590,173		418,314	81,094	1,008,487
Land improvements	1,410,876	1,481,790	80,197	96,144	1,491,073	1,577,934
Buildings and improvements	1,406,509	1,492,459	8,992,310	9,470,370	10,398,819	10,962,829
Equipment	334,721	394,808	1,510,422	1,801,592	1,845,143	2,196,400
Vehicles	570,216	750,608	48,915	73,413	619,131	824,021
Infrastructure	<u>11,280,687</u>	<u>11,410,504</u>	<u>18,911,985</u>	<u>18,080,845</u>	<u>30,192,672</u>	<u>29,491,349</u>
Totals	<u>\$ 16,312,235</u>	<u>\$ 17,358,849</u>	<u>\$ 30,338,922</u>	<u>\$ 30,735,771</u>	<u>\$ 46,651,157</u>	<u>\$ 48,094,620</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

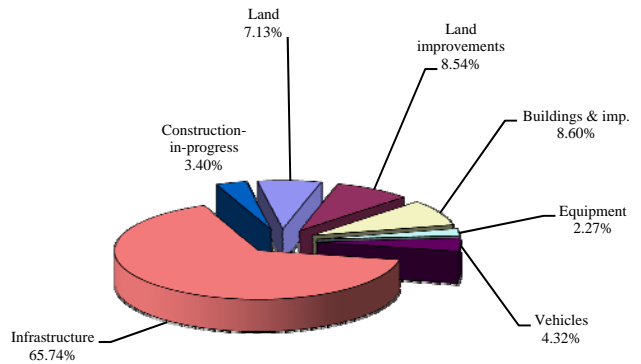
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(CONTINUED)**

The following graphs show the breakdown of governmental capital assets by category for 2010 and 2009.

**Capital Assets - Governmental Activities
2010**



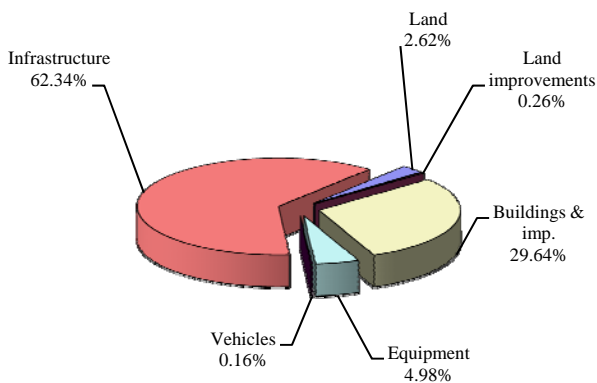
**Capital Assets - Governmental Activities
2009**



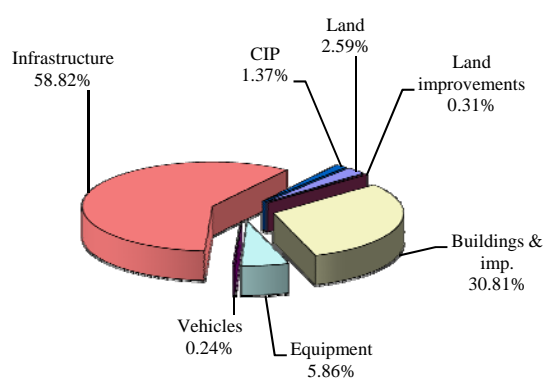
The City's largest capital asset category is infrastructure which includes roads, bridges, and sidewalks. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant.

The following graphs show the breakdown of business-type capital assets by category for 2010 and 2009.

**Capital Assets - Business-type Activities
2010**



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



The City's largest business-type capital asset category is infrastructure that primarily includes water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 62.34% of the City's total business-type capital assets.

**CITY OF CLYDE
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(CONTINUED)**

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2010 and 2009:

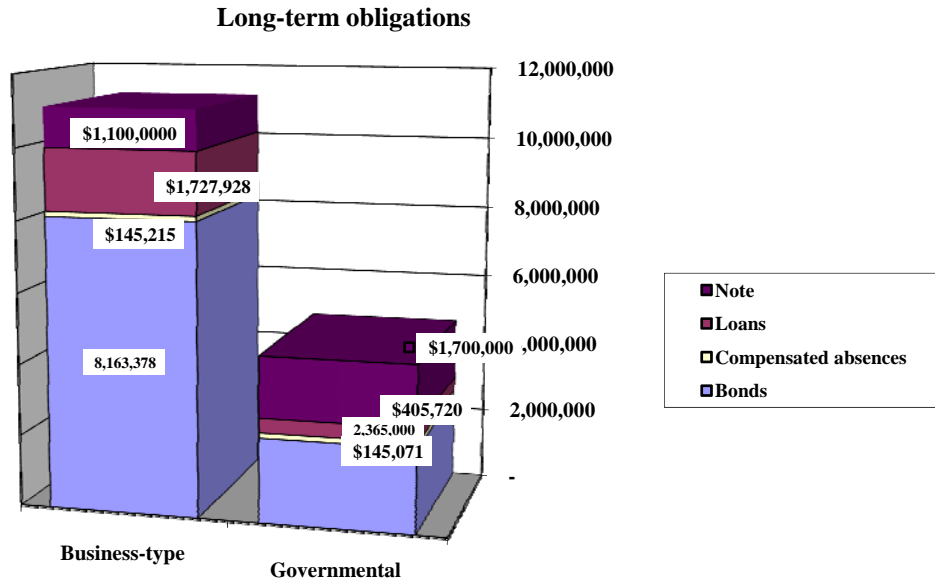
	Governmental Activities	
	2010	2009
General obligation bonds payable	\$ 2,365,000	\$ 2,675,000
Police pension liability	70,243	71,853
Fire rescue truck loan	78,543	131,497
Fire pumper truck loan	200,320	256,689
Land loan	56,614	113,227
Bond anticipation note	1,700,000	1,800,000
Compensated absences	145,071	153,668
Total long-term obligations	<u>\$ 4,615,791</u>	<u>\$ 5,201,934</u>

	Business-type Activities	
	2010	2009
Revenue bonds	\$ 1,800,000	\$ 2,270,000
General obligation bonds	6,525,000	7,000,000
Deferred charges/unamortized premium	(161,622)	(202,886)
Total bonds	8,163,378	9,067,114
OWDA Loans	1,727,928	1,841,436
Bond anticipation note	1,100,000	1,240,000
Compensated absences	145,215	146,254
Total long-term obligations	<u>\$ 11,136,521</u>	<u>\$ 12,294,804</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(CONTINUED)**

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



Economic Conditions and Outlook

The year 2010 was much better than the previous year for the City of Clyde. Income tax collections fell by \$576,000 (cash basis) or 14.18% in 2009, but then increased by \$565,000 (cash basis) or 17.72% in 2010. We balanced our budget during 2009 and 2010 by using a number of strategies. We cut all capital items from the budget, such as road improvements, police cars and dump trucks. We cut our seasonal employees, lost two policemen due to attrition and asked our employees to forgo their wage increases. The sidewalk program, spring clean-up program, and landscaping contracts were dropped, and yard waste pickup was curtailed. For 2010 we balanced the budget by retaining up to \$250,000 of kilowatt hour tax monies in the general fund. Two things that we did not cut were the community parades and 4th of July fireworks, as City Council feels that celebrations of pride in our community and country should not be discontinued.

The vast majority of jobs in the City are in manufacturing, and fortunately, the manufacturing and commercial base continues to show strength. The City's largest employer, the Whirlpool Corporation continues to be recognized as a strong employer providing community growth and producing a quality product. Whirlpool added a line of front loading washing machines to their plant in Clyde, and installed new energy efficient automatic washer platforms for both the front and top loading lines. They invested \$175 million in these projects which went online in the spring of 2010 and added approximately 90 – 100 jobs. Looking forward to 2011, we are certain to see continued investment by Whirlpool Corporation, as they work to complete what has been described as one of the largest strategic investments in their company's history.

The Clydescope Economic Development Corporation is working to establish a revolving loan fund program to directly assist local businesses, in an attempt to keep businesses and to lure new businesses to Clyde.

During 2010 there were five industrial permits issued for a valuation of \$329,900. There were four permits issued for commercial projects for a valuation of \$13,218.

**CITY OF CLYDE
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(CONTINUED)**

Residential development is also continuing, at about the same pace as previous years. During 2010 there were four single family residential home permits issued for a valuation of \$504,000, nineteen residential additions permits issued for a valuation of \$205,200 and seventy-two accessory structure permits issued for a valuation of \$160,058.

The City made application to and was awarded some funding from the Ohio Public Works Commission to complete Phase III of the Buckeye Road Sewer Separation and Street Reconstruction project. Phase I and Phase II were completed in 2006 and 2007. The City completed Phase III during 2010. This project involved the area of Buckeye Street from Main Street to George Street and included the improvement of the Main/Buckeye Intersection. Over the next two years the City will apply again to Ohio Public Works Commission for the West and East Forest Street sewer separation and for the South Main/Limerick Road Intersection project, which is necessary to improve traffic flow and provide a safe crosswalk for students walking to the new middle school, which opened in time for fall classes during 2010.

A portion of Resco Drive in the City's Industrial Park was extended approximately one thousand feet in 2010 to accommodate a forty thousand square foot expansion at the Revere Plastics factory. The roadway was extended to service the new loading docks for the facility. The City received a \$50,000 grant from the Ohio Department of Development to help offset the cost of this project.

During 2010 long-time City Manager Dan Weaver retired after almost fifteen years. His legacy was defined by stability and countless infrastructure improvements. The new City Manager, Paul Fiser, comes with twenty years of public service with the Sandusky County Engineer's Office and with the Fire Department of the City of Clyde, where he served as Fire Chief prior to his appointment. He is proud to serve the citizens of his hometown.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact Craig Davis, Finance Director, City of Clyde, 222 N. Main Street, Clyde, Ohio 43410-1637.

**CITY OF CLYDE
SANDUSKY COUNTY**

STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents.	\$ 1,941,821	\$ 7,225,960	\$ 9,167,781
Receivables (net of allowances for uncollectibles):			
Income taxes	687,236		687,236
Real and other taxes.	328,918	67,307	396,225
Accounts	13,439	3,029,805	3,043,244
Due from other governments.	283,225		283,225
Special assessments	175,537		175,537
Accrued interest.	26,511		26,511
Internal balances.	67,041	(67,041)	
Prepayments	23,272	24,542	47,814
Materials and supplies inventory.	46,246	303,927	350,173
Unamortized bond issue costs.		160,024	160,024
Restricted assets:			
Equity in pooled cash and cash equivalents		1,631,346	1,631,346
Capital assets:			
Land and construction-in-progress	1,309,226	795,093	2,104,319
Depreciable capital assets, net	15,003,009	29,543,829	44,546,838
Total capital assets, net.	<u>16,312,235</u>	<u>30,338,922</u>	<u>46,651,157</u>
Total assets.	<u>19,905,481</u>	<u>42,714,792</u>	<u>62,620,273</u>
Liabilities:			
Accounts payable.	16,818	1,146,892	1,163,710
Accrued wages and benefits.	159,565	102,305	261,870
Pension obligation payable.	50,146	47,324	97,470
Due to other governments		345	345
Accrued interest payable	51,722	123,405	175,127
Notes payable.	100,000	140,000	240,000
Unearned revenue.	298,669		298,669
Long-term liabilities:			
Due within one year.	520,503	1,151,114	1,671,617
Due in more than one year.	4,095,288	9,985,407	14,080,695
Total liabilities.	<u>5,292,711</u>	<u>12,696,792</u>	<u>17,989,503</u>
Net assets:			
Invested in capital assets, net of related debt	11,811,758	19,207,616	31,019,374
Restricted for:			
Capital projects	680,217		680,217
Debt service.		1,631,346	1,631,346
Transportation	515,265		515,265
Security of persons and property.	69,960		69,960
Other purposes	79,487		79,487
Unrestricted.	<u>1,456,083</u>	<u>9,179,038</u>	<u>10,635,121</u>
Total net assets	<u>\$ 14,612,770</u>	<u>\$ 30,018,000</u>	<u>\$ 44,630,770</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE
SANDUSKY COUNTY**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government.	\$ 1,032,261	\$ 80,859		\$ 41,568
Security of persons and property	2,004,026	148,050	\$ 155	
Public health and welfare	633,989	24,596	35,885	
Transportation.	764,255		334,421	248,728
Community environment	388,025	19,704	11,520	11,940
Leisure time activity.	234,876	95,512	2,313	
Interest and fiscal charges.	207,205			
Total governmental activities	5,264,637	368,721	384,294	302,236
Business-type activities:				
Water.	2,627,814	2,671,021		
Sewer	1,933,086	1,787,774		
Electric	18,361,204	17,473,403		
Total business-type activities	22,922,104	21,932,198		
Total primary government.	\$ 28,186,741	\$ 22,300,919	\$ 384,294	\$ 302,236

General revenues:

- Property taxes levied for:
 - General purposes
 - Police and fire pension.
- Income taxes levied for:
 - General purposes
 - Capital projects
- Other taxes:
 - Kilowatt hour taxes.
- Grants and entitlements not restricted to specific programs
- Investment earnings
- Miscellaneous
- Gain on sale of capital assets

Total general revenues

Transfers

Change in net assets

Net assets at beginning of year.

Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-type Activities	Total
\$ (909,834)		\$ (909,834)
(1,855,821)		(1,855,821)
(573,508)		(573,508)
(181,106)		(181,106)
(344,861)		(344,861)
(137,051)		(137,051)
(207,205)		(207,205)
<u>(4,209,386)</u>		<u>(4,209,386)</u>
	\$ 43,207	43,207
	(145,312)	(145,312)
	<u>(887,801)</u>	<u>(887,801)</u>
	<u>(989,906)</u>	<u>(989,906)</u>
<u>(4,209,386)</u>	<u>(989,906)</u>	<u>(5,199,292)</u>
354,454		354,454
36,570		36,570
2,986,470		2,986,470
1,155,395		1,155,395
257,696		257,696
360,232		360,232
70,931	2	70,933
60,098	29,557	89,655
<u>62,036</u>		<u>62,036</u>
5,343,882	29,559	5,373,441
<u>(832,110)</u>	<u>832,110</u>	
302,386	(128,237)	174,149
<u>14,310,384</u>	<u>30,146,237</u>	<u>44,456,621</u>
<u>\$ 14,612,770</u>	<u>\$ 30,018,000</u>	<u>\$ 44,630,770</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 884,311	\$ 451,994	\$ 554,864	\$ 1,891,169
Receivables (net of allowance for uncollectibles):				
Income taxes	481,065	206,171		687,236
Real and other taxes	298,082		30,836	328,918
Accounts	13,439			13,439
Due from other governments	148,259		134,966	283,225
Special assessments	62,985	112,552		175,537
Accrued interest	25,344		1,079	26,423
Due from other funds	66,962			66,962
Prepayments	22,020		370	22,390
Materials and supplies inventory	6,552			6,552
Total assets	<u>\$ 2,009,019</u>	<u>\$ 770,717</u>	<u>\$ 722,115</u>	<u>\$ 3,501,851</u>
Liabilities:				
Accounts payable	\$ 12,558		\$ 17	\$ 12,575
Accrued wages and benefits	121,161		12,784	133,945
Pension obligation payable	41,502		1,016	42,518
Accrued interest payable		\$ 1,500		1,500
Notes payable		100,000		100,000
Deferred revenue	336,773	165,545	94,214	596,532
Unearned revenue	270,669		28,000	298,669
Total liabilities	<u>782,663</u>	<u>267,045</u>	<u>136,031</u>	<u>1,185,739</u>
Fund balances:				
Reserved for encumbrances	52,387	29,567		81,954
Reserved for prepayments	22,020		370	22,390
Reserved for materials and supplies inventory	6,552			6,552
Unreserved, undesignated, reported in:				
General fund	1,145,397			1,145,397
Special revenue funds			569,290	569,290
Debt service funds			5,424	5,424
Capital projects funds		474,105	11,000	485,105
Total fund balances	<u>1,226,356</u>	<u>503,672</u>	<u>586,084</u>	<u>2,316,112</u>
Total liabilities and fund balances	<u>\$ 2,009,019</u>	<u>\$ 770,717</u>	<u>\$ 722,115</u>	<u>\$ 3,501,851</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE
SANDUSKY COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2010

Total governmental fund balances	\$	2,316,112
 <i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities (excluding internal service funds capital assets) are not financial resources and therefore are not reported in the funds.		16,015,151
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Income taxes receivable	\$ 176,643	
Real and other taxes receivable	30,249	
Special assessments receivable	175,537	
Intergovernmental receivable	195,580	
Accrued interest receivable	18,523	
Total	596,532	596,532
The internal service funds are used by management to charge the costs of employee benefits and service department to individual funds. The assets and liabilities of the internal service funds (including internal balances of \$79) are included in governmental activities on the statement of net assets.		343,477
On the statement of net assets interest is accrued on outstanding bonds and loans payable, whereas in governmental funds, interest is accrued when due.		(50,222)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities (excluding amounts reported in internal service funds) are as follows:		
General obligation bonds	(2,365,000)	
Police pension liability	(70,243)	
Fire rescue truck loan payable	(78,543)	
Fire pumper truck loan payable	(200,320)	
Land loan payable	(56,614)	
Bond anticipation notes payable	(1,700,000)	
Compensated absences payable	(137,560)	
Total	(4,608,280)	(4,608,280)
Net assets of governmental activities	\$	14,612,770

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Income taxes	\$ 2,977,094	\$ 1,151,377		\$ 4,128,471
Real and other taxes.	611,245		\$ 36,476	647,721
Charges for services.	188,459		95,512	283,971
Licenses, permits and fees.	45,050			45,050
Fines and forfeitures.	20,060		1,236	21,296
Intergovernmental	346,758	248,728	324,892	920,378
Special assessments.	26,148	20,133		46,281
Investment income	77,031		3,415	80,446
Rental income.	18,404			18,404
Contributions and donations.	11,520	41,568	38,198	91,286
Other.	57,728		1,964	59,692
Total revenues	<u>4,379,497</u>	<u>1,461,806</u>	<u>501,693</u>	<u>6,342,996</u>
Expenditures:				
Current:				
General government.	1,003,248			1,003,248
Security of persons and property	1,777,797		34,697	1,812,494
Public health and welfare	431,721		39,145	470,866
Transportation			301,478	301,478
Community environment.	282,988	68,668		351,656
Leisure time activity			234,799	234,799
Capital outlay.		708,345		708,345
Debt service:				
Principal retirement	109,323	1,856,613	311,610	2,277,546
Interest and fiscal charges	15,141	70,165	124,302	209,608
Total expenditures.	<u>3,620,218</u>	<u>2,703,791</u>	<u>1,046,031</u>	<u>7,370,040</u>
Excess (deficiency) of revenues over (under) expenditures	<u>759,279</u>	<u>(1,241,985)</u>	<u>(544,338)</u>	<u>(1,027,044)</u>
Other financing sources (uses):				
Note issuance.		1,700,000		1,700,000
Sale of capital assets	72,817			72,817
Transfers in	103,500		556,265	659,765
Transfers (out)	(132,448)	(534,765)		(667,213)
Total other financing sources (uses)	<u>43,869</u>	<u>1,165,235</u>	<u>556,265</u>	<u>1,765,369</u>
Net change in fund balances.	803,148	(76,750)	11,927	738,325
Fund balances at beginning of year	<u>423,208</u>	<u>580,422</u>	<u>574,157</u>	<u>1,577,787</u>
Fund balances at end of year	<u>\$ 1,226,356</u>	<u>\$ 503,672</u>	<u>\$ 586,084</u>	<u>\$ 2,316,112</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE
SANDUSKY COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Net change in fund balances - total governmental funds	\$	738,325
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (excluding internal service funds) is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Capital asset additions	\$ 466,825	
Current year depreciation	<u>(783,164)</u>	
Total		(316,339)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(666,189)
Proceeds of notes are reported as an other financing source in the governmental funds, but as an increase in liabilities in governmental activities.		
		(1,700,000)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	999	
Income taxes	13,394	
Special assessments	(34,341)	
Intergovernmental revenues	20,034	
Interest	<u>(6,707)</u>	
Total		(6,621)
Repayment of bonds, loans, notes and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		2,277,546
In the statement of activities, interest is accrued on outstanding bonds and loans payable, whereas in governmental funds, an interest expenditure is reported when due.		
		2,403
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		8,825
The internal service fund used by management to charge the costs of insurance and the City service department to individual funds are not reported in the statement of activities. Governmental fund expenditures and the related internal service funds revenues are eliminated. The net revenue (expense) of the internal service funds, including internal balances of (\$2,170), is allocated among the governmental activities.		
		<u>(35,564)</u>
Change in net assets of governmental activities	\$	<u>302,386</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Income taxes	\$ 2,983,000	\$ 3,008,000	\$ 2,926,351	\$ (81,649)
Real and other taxes.	529,920	529,920	610,997	81,077
Charges for services.	204,900	204,900	195,739	(9,161)
Licenses, permits and fees	42,000	42,000	44,516	2,516
Fines and forfeitures	10,000	10,000	18,228	8,228
Intergovernmental.	327,250	327,250	343,461	16,211
Special assessments	20,000	20,000	26,148	6,148
Investment income.	100,000	100,000	85,817	(14,183)
Rental income	11,000	11,000	18,404	7,404
Contributions and donations.	15,000	15,000	11,520	(3,480)
Other	53,450	55,950	59,201	3,251
Total revenues	<u>4,296,520</u>	<u>4,324,020</u>	<u>4,340,382</u>	<u>16,362</u>
Expenditures:				
Current:				
General government	1,155,687	1,158,187	1,040,060	118,127
Security of persons and property	2,348,427	2,328,427	1,952,617	375,810
Public health and welfare.	559,500	559,500	446,299	113,201
Community environment	244,700	264,700	283,737	(19,037)
Total expenditures	<u>4,308,314</u>	<u>4,310,814</u>	<u>3,722,713</u>	<u>588,101</u>
Excess/deficiency of revenues over/under expenditures.	<u>(11,794)</u>	<u>13,206</u>	<u>617,669</u>	<u>604,463</u>
Other financing sources (uses):				
Sale of capital assets.			72,817	72,817
Transfers (out).	(125,000)	(125,000)	(132,448)	(7,448)
Total other financing sources (uses)	<u>(125,000)</u>	<u>(125,000)</u>	<u>(59,631)</u>	<u>65,369</u>
Net change in fund balances	(136,794)	(111,794)	558,038	669,832
Fund balances at beginning of year	239,528	239,528	239,528	
Prior year encumbrances appropriated	27,503	27,503	27,503	
Fund balance at end of year	<u>\$ 130,237</u>	<u>\$ 155,237</u>	<u>\$ 825,069</u>	<u>\$ 669,832</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF CLYDE
SANDUSKY COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010

Business-type Activities - Enterprise Funds

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents . . .	\$ 1,399,960	\$ 878,789	\$ 4,947,211
Receivables (net of allowance for uncollectibles):			
Real and other taxes			67,307
Accounts	281,811	160,412	2,587,582
Accrued interest			
Prepayments	8,405	4,754	11,383
Materials and supplies inventory	42,427	9,048	252,452
Unamortized bond issue costs	37,906		122,118
Total current assets	<u>1,770,509</u>	<u>1,053,003</u>	<u>7,988,053</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	900,026		731,320
Capital assets:			
Land	497,238	274,511	23,344
Depreciable capital assets, net	11,485,995	6,930,083	11,127,751
Total capital assets, net	<u>11,983,233</u>	<u>7,204,594</u>	<u>11,151,095</u>
Total noncurrent assets	<u>12,883,259</u>	<u>7,204,594</u>	<u>11,882,415</u>
Total assets	<u>14,653,768</u>	<u>8,257,597</u>	<u>19,870,468</u>
Liabilities:			
Current liabilities:			
Accounts payable	1,220	1,607	1,144,065
Accrued wages and benefits	26,724	34,131	41,450
Pension obligation payable	14,879	13,410	19,035
Compensated absences	16,291	13,189	10,080
Due to other funds			66,962
Due to other governments			345
Accrued interest payable	71,915	14,506	36,984
Notes payable			140,000
OWDA loans payable - current	67,794	48,760	
Payable from restricted assets:			
Current portion of general obligation bonds	255,000		405,000
Current portion of revenue bonds			335,000
Total current liabilities	<u>453,823</u>	<u>125,603</u>	<u>2,198,921</u>
Long-term liabilities:			
Compensated absences	53,686	34,879	17,090
Notes payable			1,100,000
General obligation bonds	4,895,000		1,148,378
Revenue bonds payable			1,125,000
OWDA loans payable	841,976	769,398	
Total long-term liabilities	<u>5,790,662</u>	<u>804,277</u>	<u>3,390,468</u>
Total liabilities	<u>6,244,485</u>	<u>929,880</u>	<u>5,589,389</u>
Net assets:			
Invested in capital assets, net of related debt	5,923,463	6,386,436	6,897,717
Restricted for debt service	900,026		731,320
Unrestricted	1,585,794	941,281	6,652,042
Total net assets	<u>\$ 8,409,283</u>	<u>\$ 7,327,717</u>	<u>\$ 14,281,079</u>

Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.

Net assets of business-type activities

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 7,225,960	\$ 50,652
67,307	
3,029,805	
	88
24,542	882
303,927	39,694
160,024	
<u>10,811,565</u>	<u>91,316</u>
1,631,346	
795,093	
<u>29,543,829</u>	<u>297,084</u>
<u>30,338,922</u>	<u>297,084</u>
<u>31,970,268</u>	<u>297,084</u>
<u>42,781,833</u>	<u>388,400</u>
1,146,892	4,243
102,305	25,620
47,324	7,628
39,560	2,807
66,962	
345	
123,405	
140,000	
116,554	
660,000	
<u>335,000</u>	
<u>2,778,347</u>	<u>40,298</u>
105,655	4,704
1,100,000	
6,043,378	
1,125,000	
1,611,374	
<u>9,985,407</u>	<u>4,704</u>
<u>12,763,754</u>	<u>45,002</u>
19,207,616	297,084
1,631,346	
9,179,117	46,314
<u>30,018,079</u>	<u>\$ 343,398</u>
<u>(79)</u>	
<u>\$ 30,018,000</u>	

**CITY OF CLYDE
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Electric
Operating revenues:			
Charges for services	\$ 2,671,021	\$ 1,787,774	\$ 17,473,403
Other operating revenues	7,292	11,302	10,963
Total operating revenues.	<u>2,678,313</u>	<u>1,799,076</u>	<u>17,484,366</u>
Operating expenses:			
Personal services	1,041,640	949,951	1,079,575
Contract services.	333,149	404,703	15,953,586
Materials and supplies.	381,397	238,869	368,723
Depreciation.	587,519	299,113	405,785
Other operating expenses.	5,252	3,327	5,455
Total operating expenses.	<u>2,348,957</u>	<u>1,895,963</u>	<u>17,813,124</u>
Operating income (loss)	<u>329,356</u>	<u>(96,887)</u>	<u>(328,758)</u>
Nonoperating revenues (expenses):			
Interest and fiscal charges	(279,120)	(29,440)	(290,937)
Interest income.	1		1
Excise tax expense.			(258,834)
Other nonoperating expenses		(7,899)	
Total nonoperating revenues (expenses).	<u>(279,119)</u>	<u>(37,339)</u>	<u>(549,770)</u>
Income (loss) before contributions and transfers	50,237	(134,226)	(878,528)
Capital contributions.		830,162	
Transfer in			87,448
Transfer out	<u>(56,000)</u>	<u>(24,000)</u>	<u>(5,500)</u>
Change in net assets	(5,763)	671,936	(796,580)
Net assets at beginning of year.	<u>8,415,046</u>	<u>6,655,781</u>	<u>15,077,659</u>
Net assets at end of year	<u>\$ 8,409,283</u>	<u>\$ 7,327,717</u>	<u>\$ 14,281,079</u>

Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds.

Change in net assets of business-type activities.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 21,932,198	\$ 786,276
29,557	1,652
<u>21,961,755</u>	<u>787,928</u>
3,071,166	501,194
16,691,438	51,876
988,989	204,482
1,292,417	64,086
14,034	
<u>22,058,044</u>	<u>821,638</u>
<u>(96,289)</u>	<u>(33,710)</u>
(599,497)	
2	316
(258,834)	
(7,899)	
<u>(866,228)</u>	<u>316</u>
(962,517)	(33,394)
830,162	
87,448	
<u>(85,500)</u>	
(130,407)	(33,394)
	<u>376,792</u>
	<u>\$ 343,398</u>
<u>2,170</u>	
<u>\$ (128,237)</u>	

**CITY OF CLYDE
SANDUSKY COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
Cash flows from operating activities:			
Cash received from charges for services	\$ 2,687,162	\$ 1,809,158	\$ 17,402,068
Cash received from other operations	7,292	11,302	10,963
Cash payments for personal services	(1,063,856)	(961,365)	(1,094,586)
Cash payments for contractual services	(333,255)	(433,507)	(14,816,490)
Cash payments for materials and supplies	(381,972)	(228,884)	(389,630)
Cash payments for other expenses	(4,552)	(3,327)	(5,455)
Net cash provided by (used in) operating activities	<u>910,819</u>	<u>193,377</u>	<u>1,106,870</u>
Cash flows from noncapital financing activities:			
Cash payments for excise taxes			(258,834)
Cash received from transfers in			87,448
Cash used in transfers out	(56,000)	(24,000)	
Net cash used in noncapital financing activities	<u>(56,000)</u>	<u>(24,000)</u>	<u>(171,386)</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets		(7,199)	(120,099)
Cash received from sale of notes			1,240,000
Cash payments for principal retirement	(306,458)	(47,050)	(2,085,000)
Cash payments for interest and fiscal charges	(282,038)	(30,287)	(238,185)
Net cash used in capital and related financing activities	<u>(588,496)</u>	<u>(84,536)</u>	<u>(1,203,284)</u>
Cash flows from investing activities:			
Interest received	1		1
Net increase (decrease) in cash and cash cash equivalents	266,324	84,841	(267,799)
Cash and cash equivalents at beginning of year . . .	<u>2,033,662</u>	<u>793,948</u>	<u>5,946,330</u>
Cash and cash equivalents at end of year	<u>\$ 2,299,986</u>	<u>\$ 878,789</u>	<u>\$ 5,678,531</u>

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 21,898,388	\$ 786,276
29,557	1,652
(3,119,807)	(512,557)
(15,583,252)	(52,306)
(1,000,486)	(226,553)
(13,334)	
<hr/>	<hr/>
2,211,066	(3,488)
<hr/>	<hr/>
(258,834)	
87,448	
(80,000)	
<hr/>	<hr/>
(251,386)	
<hr/>	<hr/>
(127,298)	
1,240,000	
(2,438,508)	
(550,510)	
<hr/>	<hr/>
(1,876,316)	
<hr/>	<hr/>
2	389
<hr/>	<hr/>
83,366	(3,099)
8,773,940	53,751
<hr/>	<hr/>
<u>\$ 8,857,306</u>	<u>\$ 50,652</u>

- - Continued

**CITY OF CLYDE
SANDUSKY COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
Reconciliation of operating loss to net cash (provided by) operating activities:			
Operating income (loss)	\$ 329,356	\$ (96,887)	\$ (328,758)
Adjustments:			
Depreciation.	587,519	299,113	405,785
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable.	16,141	21,384	(71,335)
(Increase) decrease in materials and supplies inventory.	2,398	11,438	(17,888)
(Increase) decrease in prepayments.	2,650	(2,128)	(1,148)
Increase (decrease) in accounts payable.	(4,815)	(27,913)	1,135,544
(Decrease) in accrued wages and benefits.	(21,149)	(11,226)	(13,181)
Increase (decrease) in compensated absences payable.	1,528	1,472	(4,039)
Increase (decrease) in pension obligation payable	(2,809)	(1,876)	1,890
Net cash provided by (used in) operating activities	<u>\$ 910,819</u>	<u>\$ 193,377</u>	<u>\$ 1,106,870</u>

At December 31, 2010 and December 31, 2009, the electric fund purchased \$0 and \$48,493, respectively, in capital assets on account. The electric fund paid \$5,500 in capital contributions to other funds. This amount is reported as a transfer out in the electric fund. The sewer fund received \$830,162 in capital contributions from other funds.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ (96,289)	\$ (33,710)
1,292,417	64,086
(33,810)	
(4,052)	(6,713)
(626)	296
1,102,816	(18,187)
(45,556)	(8,396)
(1,039)	228
<u>(2,795)</u>	<u>(1,092)</u>
<u>\$ 2,211,066</u>	<u>\$ (3,488)</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2010

	Private Purpose Trust
Assets:	
Equity in pooled cash and cash equivalents	\$ 7,312
Receivables:	
Accrued interest.	20
Total assets	7,332
Net assets:	
Held in trust for private cemetery care.	7,332
Total net assets.	\$ 7,332

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE
SANDUSKY COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Private Purpose Trust
Additions:	
Interest.	\$ 57
Deductions:	
Cemetery care.	58
Change in net assets	(1)
Net assets at beginning of year.	7,333
Net assets at end of year	\$ 7,332

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE 1 - DESCRIPTION OF THE CITY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided it does not conflict with or contradict GASB pronouncements. The City has the option to also apply FASB guidance issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The City has elected not to apply this FASB guidance. The most significant of the City's accounting policies are described below.

A. Reporting Entity

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

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

JOINTLY GOVERNED ORGANIZATION

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

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

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

PUBLIC ENTITY RISK POOLS

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

Participation in BORMA is by written application subject to approval of the Board of Directors and the payment of premiums. Member cities must remain members for cycles of three years. A member may withdraw from a program by giving a forty day notice prior to the beginning of the next cycle. BORMA does not have any outstanding debt obligations as of December 31, 2010. Financial information may be obtained from Arthur J. Gallagher & Co., Crown Centre Building, 5505 Rockside Road, 10th Floor, Cleveland, Ohio 44131-2157.

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

B. Basis of Presentation - Fund Accounting

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

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

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

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

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

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

C. Fund Accounting

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

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

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

Permanent Improvement Fund - The permanent improvement fund accounts for financial resources used for the construction, improvement and acquisition of capital assets.

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

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

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

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

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

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

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

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

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

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's fiduciary fund is a private-purpose trust fund.

D. Measurement Focus and Basis of Accounting

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

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

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

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

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

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

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

E. Basis of Accounting

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

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

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

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

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

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2010, but which were levied to finance year 2011 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as unearned revenue. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2010, are recorded as deferred revenue in the governmental funds.

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

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

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

F. Budgetary Data

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

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

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

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

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

Appropriations - A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, object, and department level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund, department and object appropriations do not exceed current estimated resources, as certified. The appropriations for a fund may only be modified during the year by an ordinance of Council. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the City Council during the year.

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

G. Cash and Cash Equivalents

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

During 2010, investments were limited to nonnegotiable certificates of deposit, U.S. government money market mutual funds and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio).

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

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

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

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2010. STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on December 31, 2010.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2010 amounted to \$77,031, which included \$72,593 assigned from other funds of the City.

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

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

H. Inventories of Materials and Supplies

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

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

I. Restricted Assets

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

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

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

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

J. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, irrigation systems, traffic signals, water and sewer lines, electric transmission, overhead and underground lines, electric transformers, substations and street lights. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

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

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

K. Compensated Absences

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

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

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

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

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

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

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

L. Prepayments

Payments made to vendors for services that will benefit beyond December 31, 2010, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditures/expense in the year in which it was consumed.

M. Accrued Liabilities and Long-Term Obligations

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

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

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

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

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

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

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

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

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

O. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds". These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

P. Interfund Activity

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

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

Q. Fund Balance Reserves

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

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

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

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

R. Estimates

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

S. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements. During 2010, the enterprise funds received \$830,162 in capital contributions from governmental funds.

T. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

U. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. The City had no extraordinary or special items during 2010.

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2010, the City has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the City.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the City.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the City.

B. Deficit Fund Balances

Fund balances at December 31, 2010 included the following individual fund deficit:

<u>Nonmajor governmental fund</u>	<u>Deficit</u>
Recreation	\$ 1,333

The deficit fund balance in the recreation fund is the result of accrued liabilities at year end. The general fund is liable for any deficits in this fund and provides transfers when cash is required, not when accruals occur.

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

A. Cash on Hand

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

B. Deposits with Financial Institutions

At December 31, 2010, the carrying amount of all City deposits was \$8,780,015. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2010, \$7,610,152 of the City's bank balance of \$8,921,564 was exposed to custodial risk as discussed below, while \$1,311,412 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of December 31, 2010, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	\$ 671,702	\$ 671,702
U.S. Government money market mutual funds	<u>1,354,362</u>	<u>1,354,362</u>
	<u>\$ 2,026,064</u>	<u>\$ 2,026,064</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the City's investment policy limits investment portfolio maturities to five years or less.

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

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 671,702	33.15%
U.S. Government money market mutual funds	<u>1,354,362</u>	<u>66.85%</u>
	<u>\$ 2,026,064</u>	<u>100.00%</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 8,780,015
Investments	2,026,064
Cash on hand	<u>360</u>
Total	<u>\$ 10,806,439</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 1,941,821
Business-type activities	8,857,306
Private-purpose trust fund	<u>7,312</u>
Total	<u>\$ 10,806,439</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund transfers for the year ended December 31, 2010, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:	
General fund	\$ 125,000
Permanent improvement fund	<u>431,265</u>
Total transfers to nonmajor governmental funds	<u>556,265</u>
 Transfers to general fund from:	
Permanent improvement fund	<u>103,500</u>
 Transfers to electric fund from:	
General fund	7,448
Water fund	56,000
Sewer fund	<u>24,000</u>
Total transfers to electric fund	<u>87,448</u>
Total transfers	<u>\$ 747,213</u>

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

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS – (Continued)

The purpose of the transfer from the permanent improvement fund to the general fund is to retire the current portion of the 2009 swimming pool bond anticipation notes discussed in Note 12.

Transfers between governmental funds are eliminated on the government-wide financial statements. Transfers between enterprise funds are also eliminated on the government-wide financial statements. Transfers between governmental and business-type activities in the amount of \$832,110 appear on the statement of activities, which includes capital contributions from governmental funds to enterprise funds in the amount of \$830,162.

- B.** Due from/to other funds consisted of the following at December 31, 2010, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Electric	\$ 66,962

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

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 6 - PROPERTY TAXES - (Continued)

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

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

The full tax rate for all City operations for the year ended December 31, 2010 was \$3.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

Real property

Residential/agricultural	\$ 72,575,390
Commercial/industrial/mineral	28,600,160

Public utility

Real	10,490
Personal	<u>1,717,480</u>

Total assessed value	<u>\$ 102,903,520</u>
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**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 7 - LOCAL INCOME TAX

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

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

Income tax proceeds are to be used to pay the cost of administering the tax. The first one percent of the income tax revenue is allocated 55% to the general fund and 45% to the permanent improvement fund, a non-major governmental fund. The additional one-half percent tax is placed in the general fund for municipal operations. Income tax revenue for 2010 was \$4,128,471 as reported in the fund financial statements.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2010, consisted of taxes, accounts (billings for user charged services), special assessments, accrued interest, and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as "due from other governments" on the basic financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2010, as well as intended to finance 2010 operations.

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

Governmental activities:

Income taxes	\$ 687,236
Real and other taxes	328,918
Accounts	13,439
Due from other governments	283,225
Special assessments	175,537
Accrued interest	26,511

Business-type activities:

Real and other taxes	67,307
Accounts	3,029,805

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

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 was as follows:

<u>Governmental activities:</u>	Balance <u>12/31/09</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/10</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,238,507		\$ (10,375)	\$ 1,228,132
Construction in progress	590,173	\$ 146,735	(655,814)	81,094
Total capital assets, not being depreciated	<u>1,828,680</u>	<u>146,735</u>	<u>(666,189)</u>	<u>1,309,226</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,368,024			2,368,024
Buildings and improvements	3,164,360			3,164,360
Equipment	1,034,974			1,034,974
Vehicles	2,680,419			2,680,419
Infrastructure	17,708,849	320,090		18,028,939
Total capital assets, being depreciated	<u>26,956,626</u>	<u>320,090</u>	<u></u>	<u>27,276,716</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(886,234)	(70,914)		(957,148)
Buildings and improvements	(1,671,901)	(85,950)		(1,757,851)
Equipment	(640,166)	(60,087)		(700,253)
Vehicles	(1,929,811)	(180,392)		(2,110,203)
Infrastructure	(6,298,345)	(449,907)		(6,748,252)
Total accumulated depreciation	<u>(11,426,457)</u>	<u>(847,250)</u>	<u></u>	<u>(12,273,707)</u>
Total capital assets, being depreciated, net	<u>15,530,169</u>	<u>(527,160)</u>	<u></u>	<u>15,003,009</u>
Governmental activities capital assets, net	<u>\$ 17,358,849</u>	<u>\$ (380,425)</u>	<u>\$ (666,189)</u>	<u>\$ 16,312,235</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 9 - CAPITAL ASSETS - (Continued)

<u>Business-type activities:</u>	<u>Balance</u> <u>12/31/09</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/10</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 795,093			\$ 795,093
Construction in progress	418,314	\$ 494,437	\$ (912,751)	
Total capital assets, not being depreciated	<u>1,213,407</u>	<u>494,437</u>	<u>(912,751)</u>	<u>795,093</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	587,984			587,984
Buildings and improvements	15,264,126			15,264,126
Equipment	6,831,278			6,831,278
Vehicles	598,345			598,345
Infrastructure	23,418,907	1,313,882		24,732,789
Total capital assets, being depreciated	<u>46,700,640</u>	<u>1,313,882</u>		<u>48,014,522</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(491,840)	(15,947)		(507,787)
Buildings and improvements	(5,793,756)	(478,060)		(6,271,816)
Equipment	(5,029,686)	(291,170)		(5,320,856)
Vehicles	(524,932)	(24,498)		(549,430)
Infrastructure	(5,338,062)	(482,742)		(5,820,804)
Total accumulated depreciation	<u>(17,178,276)</u>	<u>(1,292,417)</u>		<u>(18,470,693)</u>
Total capital assets, being depreciated, net	<u>29,522,364</u>	<u>21,465</u>		<u>29,543,829</u>
Business-type activities capital assets, net	<u>\$ 30,735,771</u>	<u>\$ 515,902</u>	<u>\$ (912,751)</u>	<u>\$ 30,338,922</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 9 - CAPITAL ASSETS - (Continued)

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

Governmental activities:

General government	\$ 18,761
Security of persons and property	179,680
Public health and welfare	128,582
Transportation	449,907
Community environment	6,234
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the asse	<u>64,086</u>
Total depreciation expense - governmental activities	<u>\$ 847,250</u>

Business-type activities:

Water	\$ 587,519
Sewer	299,113
Electric	<u>405,785</u>
Total depreciation expense - business-type activities	<u>\$ 1,292,417</u>

NOTE 10 - OTHER EMPLOYEE BENEFITS

Compensated Absences

City employees earn vacation leave at varying rates based upon length of service. In the case of death or retirement, an employee (or his estate) is paid for unused vacation leave. The total obligation for vacation leave for the City as a whole amounted to \$36,264 at December 31, 2010. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

City employees may accumulate up to 120 hours of compensatory time at time and a-half in lieu of direct pay of overtime hours worked. The total obligation for compensatory time accrual for the City as a whole amounted to \$31,731 at December 31, 2010. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

City employees earn sick leave at the rate of one and one-fourth days per month up to 120 hours per year. Upon retirement a nonunion employee is paid for forty percent of accumulated sick leave up to a maximum equal to 130 days or 1,040 hours. A union employee is paid fifty percent of accumulated sick leave up to a maximum of 150 days or 1,200 hours, except the fire department employees, who are part-time and do not accumulate sick leave. The total obligation for sick leave accrual for the City as a whole amounted to \$222,291 at December 31, 2010. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS

A. During fiscal year 2010, the following changes occurred in the City's governmental activities long-term obligations:

Governmental activities:	<u>Interest Rate</u>	<u>Balance 12/31/09</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/10</u>	<u>Amount Due in One Year</u>
<u>General obligation bonds:</u>						
Woodland/Premier	2.00% -					
General obligation bonds	4.15%	\$ 315,000		\$ (100,000)	\$ 215,000	\$ 100,000
Vine/Main Street improvements	1.70% -					
General obligation bonds	5.00%	2,360,000		(210,000)	2,150,000	220,000
Total general obligation debt		<u>2,675,000</u>		<u>(310,000)</u>	<u>2,365,000</u>	<u>320,000</u>
<u>Loans:</u>						
Fire rescue truck loan	3.84%	131,497		(52,954)	78,543	55,003
Fire pumper truck loan	4.14%	256,689		(56,369)	200,320	58,772
Land loan	5.00%	113,227		(56,613)	56,614	56,614
Total loans		<u>501,413</u>		<u>(165,936)</u>	<u>335,477</u>	<u>170,389</u>
<u>Other long-term obligations:</u>						
Police pension liability	N/A	71,853		(1,610)	70,243	1,679
Bond anticipation note	3.50%	1,800,000	\$ 1,700,000	(1,800,000)	1,700,000	
Compensated absences		153,668	124,955	(133,552)	145,071	28,435
Total other obligations		<u>2,025,521</u>	<u>1,824,955</u>	<u>(1,935,162)</u>	<u>1,915,314</u>	<u>30,114</u>
Total governmental activities long-term obligations		<u>\$ 5,201,934</u>	<u>\$ 1,824,955</u>	<u>\$ (2,411,098)</u>	<u>\$ 4,615,791</u>	<u>\$ 520,503</u>

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

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

In prior years, the City defeased the Main Street general obligation bond by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the City's financial statements. At December 31, 2010, \$195,000 of this debt was still outstanding.

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

Fire Rescue Truck Loan: During 2005, the City issued a loan for the purchase of a fire rescue truck in the amount of \$350,000 with a scheduled maturity date of December 1, 2011. The loan bears an interest rate of 3.84%. The principal and interest payments are made from the general fund.

Fire Pumper Truck Loan: During 2007, the City issued a loan for the purchase of a fire pumper truck in the amount of \$400,000 with a scheduled maturity date of March 29, 2014. The loan bears an interest rate of 4.14%. The principal and interest payments are made from the general fund.

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

Bond Anticipation Note: On May 11, 2009, the City issued a \$1,900,000 bond anticipation note. This note matured on May 11, 2010 and bore an interest rate of 3.5%. This note was retired from the permanent improvement fund.

On May 6, 2010, the City issued a \$1,800,000 bond anticipation note, the proceeds of which were used to retire the note described above. Since \$1,700,000 of this note has been refinanced before the issuance of the financial statements (see Note 19), that portion of the note is reported as a long-term obligation. The remaining portion of \$100,000 is recorded as a liability in the permanent improvement fund (see Note 12). This note matures on May 5, 2011 and bears an interest rate of 2.25%. Payment of this note will be made from the permanent improvement fund, which is the fund that received the proceeds.

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

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

- B.** The annual requirements amortize governmental activities long-term obligations outstanding as of December 31, 2010, are as follows:

Year Ending December 31,	Land Loan		
	Principal	Interest	Total
2011	\$ 56,614	\$ 2,831	\$ 59,445

Year Ending December 31,	Police Pension			Fire Rescue/Pumper Truck Loans		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 1,679	\$ 2,968	\$ 4,647	\$ 113,775	\$ 9,522	\$ 123,297
2012	1,751	2,896	4,647	84,802	5,224	90,026
2013	1,827	2,820	4,647	63,891	2,370	66,261
2014	1,905	2,742	4,647	16,395	170	16,565
2015	1,987	2,660	4,647			
2016 - 2020	11,291	11,943	23,234			
2021 - 2025	13,932	9,301	23,233			
2026 - 2030	17,191	6,041	23,232			
2031 - 2035	18,680	2,023	20,703			
Total	\$ 70,243	\$ 43,394	\$ 113,637	\$ 278,863	\$ 17,286	\$ 296,149

Year Ending December 31,	Vine/Main Street G.O. Bonds			Woodland/Premier G.O. Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 220,000	\$ 99,937	\$ 319,937	\$ 100,000	\$ 8,823	\$ 108,823
2012	225,000	90,697	315,697	115,000	4,773	119,773
2013	140,000	81,248	221,248			
2014	145,000	75,088	220,088			
2015	150,000	68,562	218,562			
2016 -2020	860,000	231,167	1,091,167			
2021 - 2022	410,000	31,000	441,000			
Total	\$ 2,150,000	\$ 677,699	\$ 2,827,699	\$ 215,000	\$ 13,596	\$ 228,596

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

C. During fiscal year 2010, the following changes occurred in the City's business-type activities long-term obligations:

Business-type activities:	Interest Rate	Balance 12/31/09	Additions	Retirements	Balance 12/31/10	Amount Due in One Year
<u>Mortgage revenue bonds:</u>						
Electric system mortgage revenue refunding bonds, series 1998	4.00%- 5.25%	\$ 1,775,000		\$ (315,000)	\$ 1,460,000	\$ 335,000
<u>OWDA loans:</u>						
Sewer plant OWDA loan	3.90%	397,876		(25,246)	372,630	26,241
Sewer sludge dewatering improvements	3.25%	467,332		(21,804)	445,528	22,519
Water system OWDA loan	2.00%	976,228		(66,458)	909,770	67,794
Total OWDA loans		<u>1,841,436</u>		<u>(113,508)</u>	<u>1,727,928</u>	<u>116,554</u>
<u>General obligation bonds:</u>						
Water system general obligation bonds series 199	3.00%- 6.30%	4,895,000		(85,000)	4,810,000	90,000
Electric system G.O. refunding bonds	2.00%- 4.125%	2,105,000		(390,000)	1,715,000	405,000
Total general obligation bonds		<u>7,000,000</u>		<u>(475,000)</u>	<u>6,525,000</u>	<u>495,000</u>
<u>Revenue bonds:</u>						
Water system improvement revenue bonds	2.10%- 4.65%	495,000		(155,000)	340,000	165,000
<u>Bond anticipation note:</u>						
Electric system note	3.50%	1,240,000	\$ 1,100,000	(1,240,000)	1,100,000	
<u>Other obligations:</u>						
Compensated absences		146,254	145,070	(146,109)	145,215	39,560
Total business-type activities long-term obligations		<u>\$ 12,497,690</u>	<u>\$ 1,245,070</u>	<u>\$ (2,444,617)</u>	11,298,143	<u>\$ 1,151,114</u>
Unamortized deferred charges on refundings					(169,410)	
Unamortized premium on bonds					7,788	
Total on statement of net assets					<u>\$ 11,136,521</u>	

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

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

In prior years, the City defeased electric system mortgage revenue bonds, Series B by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the City's financial statements. At December 31, 2010, \$2,005,000 of this debt was still outstanding.

The City has pledged future electric customer revenues, net of specified operating expenses, to repay the Series 1998 electric system mortgage revenue refunding bonds. The Series 1998 electric system mortgage revenue refunding bonds are payable solely from electric customer net revenues and are payable through 2014. The total principal and interest remaining to be paid on the Series 1998 electric system mortgage revenue refunding bonds is \$1,685,000. Principal and interest paid for the current year and total customer net revenues were \$421,500 and \$808,348, respectively.

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

On May 13, 2004, the City issued \$4,345,000 in electric system refunding bonds to currently refund the callable portion of the 1993 electric system bonds (principal \$4,530,000; interest rate 3.0%-6.30%). The refunded debt is considered defeased (insubstance) and accordingly, has been removed from the statement of net assets. The principal balance of the electric and water system refunding bonds at December 31, 2010 was \$1,715,000 and \$4,810,000, respectively.

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

OWDA Loans: The City has entered into debt financing arrangements through the Ohio Water Development Authority (OWDA) to fund construction projects. The amounts due to the OWDA are payable from water and sewer revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2010, the City has outstanding borrowings of \$1,727,928.

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Bond Anticipation Note: On May 11, 2009, the City issued \$1,380,000 in bond anticipation notes for the purpose of the construction, furnishing and equipping of a municipal building for use by the City's electric utility. This note matured on May 11, 2010 and bore an interest rate of 3.5%. The note was retired from the electric fund.

On May 6, 2010, the City issued a \$1,240,000 bond anticipation note, the proceeds of which were used to retire the note described above. Since \$1,100,000 of this note has been refinanced before the issuance of the financial statements (see Note 19), that portion of the note is reported as a long-term obligation. The remaining portion of \$140,000 is recorded as a current liability in the electric fund (see Note 12). This note matures on May 5, 2011 and bears an interest rate of 2.25%. Payment of this note will be made from the electric fund, which is the fund that received the proceeds.

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

The City has pledged future water customer revenues, net of specified operating expenses, to repay the Series 2002 water system improvement revenue bonds. The Series 2002 water system improvement revenue bonds are payable solely from water customer net revenues and are payable through 2012. The total principal and interest remaining to be paid on the Series 2002 water system improvement revenue bonds is \$355,961. Principal and interest paid for the current year and total customer net revenues were \$174,093 and \$1,816,902, respectively.

- D.** The annual requirements amortize business-type activities long-term obligations outstanding as of December 31, 2010, are as follows:

Year Ending December 31,	Electric Revenue Bonds			OWDA Loans		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 335,000	\$ 87,600	\$ 422,600	\$ 116,554	\$ 46,435	\$ 162,989
2012	355,000	67,500	422,500	119,688	43,301	162,989
2013	375,000	46,200	421,200	122,914	40,075	162,989
2014	395,000	23,700	418,700	126,235	36,753	162,988
2015				129,654	33,335	162,989
2016 - 2020				703,231	111,716	814,947
2021 - 2025				391,538	24,630	416,168
2026				18,114	294	18,408
Total	\$ 1,460,000	\$ 225,000	\$ 1,685,000	\$ 1,727,928	\$ 336,539	\$ 2,064,467

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Year Ending December 31,	Electric General Obligation Refunding Bonds			Water Improvement General Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
	2011	\$ 405,000	\$ 68,764	\$ 473,764	\$ 90,000	\$ 239,375
2012	420,000	52,969	472,969	95,000	234,875	329,875
2013	435,000	36,169	471,169	100,000	230,000	330,000
2014	455,000	18,769	473,769	105,000	225,000	330,000
2015				110,000	219,625	329,625
2016 - 2020				640,000	1,008,875	1,648,875
2021 - 2025				820,000	829,125	1,649,125
2026 - 2030				1,050,000	599,375	1,649,375
2031 - 2035				1,335,000	306,750	1,641,750
2036 - 2037				465,000	23,250	488,250
Total	<u>\$ 1,715,000</u>	<u>\$ 176,671</u>	<u>\$ 1,891,671</u>	<u>\$ 4,810,000</u>	<u>\$ 3,916,250</u>	<u>\$ 8,726,250</u>

Year Ending December 31,	Water System Improvement Revenue Bonds		
	Principal	Interest	Total
2011	\$ 165,000	\$ 11,891	\$ 176,891
2012	175,000	4,070	179,070
Total	<u>\$ 340,000</u>	<u>\$ 15,961</u>	<u>\$ 355,961</u>

E. Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2010, the City's total debt margin was \$8,439,870 and the unvoted debt margin was \$5,659,694.

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 12 - NOTES PAYABLE

Changes in the City's note activity for the year ended December 31, 2010, were as follows:

	Balance 12/31/2009	Issued	Retired	Balance 12/31/2010
<u>Governmental fund notes:</u>				
2009 Swimming pool note - 3.50%	\$ 100,000		\$ (100,000)	
2010 Swimming pool note - 2.25%		\$ 100,000		\$ 100,000
Total governmental fund notes	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ (100,000)</u>	<u>\$ 100,000</u>
	Balance 12/31/2009	Issued	Retired	Balance 12/31/2010
<u>Enterprise fund notes:</u>				
2009 Electric system note - 3.50%	\$ 140,000		\$ (140,000)	
2010 Electric system note - 2.25%		\$ 140,000		\$ 140,000
Total enterprise fund notes	<u>\$ 140,000</u>	<u>\$ 140,000</u>	<u>\$ (140,000)</u>	<u>\$ 140,000</u>

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

NOTE 13 - RISK MANAGEMENT

A. Property and Casualty Insurance

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

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

The City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 13 - RISK MANAGEMENT - (Continued)

Casualty Coverage

For an occurrence prior to January 1, 2006, PEP retains casualty risks up to \$350,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$13,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to an aggregate of \$10,000,000.

Property Coverage

Prior to January 1, 2009, Travelers reinsures specific losses exceeding \$250,000, and provides up to \$600,000,000 per occurrence. APEEP reinsures members for a specific loss exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide aggregate stop-loss coverage based upon the combined PEP members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600,000,000 per occurrence limit.

On or after January 1, 2009, Travelers reinsures specific losses exceeding \$250,000, and provides up to \$600,000,000 per occurrence. APEEP reinsures members for a specific loss exceeding \$150,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined PEP members' total insurable values. If the stop-loss is reached by payment of losses between \$150,000 and \$500,000, Travelers will reinsure specific losses exceeding \$150,000 up to their \$600,000,000 per occurrence limit.

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.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009:

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 13 - RISK MANAGEMENT - (Continued)

<u>Casualty & Property Coverage</u>	<u>2010</u>	<u>2009</u>
Assets	\$34,952,010	\$36,374,898
Liabilities	<u>(14,320,812)</u>	<u>(15,256,862)</u>
Retained earnings	<u>\$20,631,198</u>	<u>\$21,118,036</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$12.9 million and \$14.1 million of estimated incurred claims payable. The assets above also include approximately \$12.4 and \$13.7 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the City's share of these unpaid claims collectible in future years is approximately \$117,000.

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

<u>Contributions to PEP</u>	
2008	\$94,211
2009	\$114,497
2010	\$116,836

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

B. Employee Health Insurance

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

The pool is for employee benefits and includes life insurance, accidental death and dismemberment insurance, health insurance and prescription drug insurance. Each member has an option on the coverage it has elected to provide for its employees. The City provides, to its employees, all available options offered by the pool. The employee benefits pools include the following municipalities: Archbold, Bowling Green, Carey, Clyde, Defiance, Fayette, Hicksville, Napoleon, Oberlin, Sandusky, Upper Sandusky and Willard. As of

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 13 - RISK MANAGEMENT - (Continued)

December 31, 2010, the pool had cash reserves of \$3,714,339 which, in the opinion of management, is adequate for any claims against the pool.

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

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

NOTE 14 - PENSION PLANS

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units. Member contribution rates, as set in the Ohio Revised Code, are not to exceed 10 percent. For the year ended December 31, 2010, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 10.5 percent and 11.1 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2010, member and employer contribution rates were consistent across all three

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 14 - PENSION PLANS - (Continued)

plans. The City's contribution rate for 2010 was 14.00 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.87 percent of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2010 was 8.50 percent from January 1 through February 28, 2010 and 9.00 percent from March 1 through December 31, 2010. The City's contribution rate for pension benefits for members in the Combined Plan for 2010 was 9.27 percent from January 1 through February 28, 2010 and 9.77 percent from March 1 through December 31, 2010. For those plan members in law enforcement and public safety pension contributions were 12.37 percent from January 1 through February 28, 2010 and 12.87 percent from March 1 through December 31, 2010. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2010, 2009, and 2008 were \$280,205, \$268,084, and \$205,065, respectively; 88.40 percent has been contributed for 2010 and 100 percent for 2009 and 2008. Contributions to the member-directed plan for 2010 were \$10,555 made by the City and \$7,539 made by plan members.

B. Ohio Police and Fire Pension Fund

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

Funding Policy – The Ohio Revised Code requires plan members to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The City's contributions for pension obligations to OP&F for police officers and firefighters were \$71,994 and \$10,984 for the year ended December 31, 2010, \$84,211 and \$8,708 for the year ended December 31, 2009, and \$90,758 and \$18,974 for the year ended December 31, 2008, respectively. The full amount has been contributed for 2009 and 2008. 84.45 percent has been contributed for 2010.

NOTE 15 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

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

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

Combined Plan—a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code Section 401(h). The Ohio Revised Code provides the statutory authority requiring public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, local government employers contributed 14.00 percent of covered payroll, and public safety and law enforcement employers contributed at 17.87 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.50 percent from January 1 through February 28, 2010 and 5.00 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan for 2010 was 4.73 percent from January 1 through February 28, 2010 and 4.23 percent from March 1 through December 31, 2010.

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

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009, and 2008 were \$158,398, \$188,652, and \$205,065, respectively; 88.40 percent has been contributed for 2010 and 100 percent for 2009 and 2008.

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

B. Ohio Police and Fire Pension Fund

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

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

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

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

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50 percent and 24.00 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

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

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2010, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$38,114 and \$4,298 for the year ended December 31, 2010, \$44,582 and \$3,408 for the year ended December 31, 2009, and \$48,048 and \$7,424 for the year ended December 31, 2008. The full amount has been contributed for 2009 and 2008. 84.45 percent has been contributed for 2010.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP);
2. Expenditures/expenses and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP);
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP); and,
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General</u>
Budget basis	\$ 558,038
Net adjustment for revenue accruals	39,115
Net adjustment for expenditure accruals	43,503
Net adjustment for other sources/uses	103,500
Adjustment for encumbrances	<u>58,992</u>
GAAP basis	<u>\$ 803,148</u>

NOTE 17 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2010.

B. Litigation

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

NOTE 18 - MASTER LEASE-PURCHASE AND SUBLEASE PURCHASE AGREEMENT

To provide for the acquisition, construction, equipping, improvement and installing of a new hospital in Bellevue, Ohio and to retire the Bellevue Hospital Series 2002 note, the City has authorized a master lease-purchase and sublease-purchase agreement dated July 1, 2003, with Fifth Third Bank, and the Bellevue Hospital in a principal amount of \$10,000,000. The agreement includes a statement to the effect that the City's obligations thereunder, which constitute "revenue obligations" within the meaning of Section 140.06 of the Act, are not obligations, debt or bonded indebtedness of the City. As of December 31, 2010 the principal outstanding aggregated \$8,407,924.

**CITY OF CLYDE
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 19 – SUBSEQUENT EVENT

On May 4, 2011, the City issued a bond anticipation note in the amount of \$2,800,000. \$1,700,000 was used to retire the governmental activities bond anticipation note described in Note 11.A. The remaining proceeds of \$1,100,000 were used to retire the business-type activities bond anticipation note described in Note 11.C. The note bears an interest rate of 2.25% and matures on May 3, 2012.



Dave Yost • Auditor of State

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

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

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clyde, Sandusky County, Ohio (the City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

City of Clyde
Sandusky County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
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We noted certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated November 29, 2011.

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

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

Dave Yost
Auditor of State

November 29, 2011



Dave Yost • Auditor of State

CITY OF CLYDE

SANDUSKY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 13, 2011**