



**Auditor of State
Betty Montgomery**

**CITY OF CLYDE
SANDUSKY COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Council:

We have audited the accompanying general-purpose financial statements of the City of Clyde, Sandusky County, (the City) as of and for the year ended December 31, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Clyde, Sandusky County, as of December 31, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2003 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Betty Montgomery
Auditor of State

September 12, 2003

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**CITY OF CLYDE
SANDUSKY COUNTY**

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2002

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS AND OTHER DEBITS				
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,376,957	\$ 395,526	\$ 5,423	\$ 994,703
Receivables (net of allowance for uncollectibles):				
Income taxes	776,020	-	-	-
Interfund advance receivable	-	-	-	-
Real and other taxes	289,735	29,973	-	-
Special assessments	-	-	-	38,262
Excise taxes	-	-	-	-
Accounts	24,890	249	-	-
Accrued interest	57,643	1,681	-	-
Due from other funds	34,940	-	-	-
Due from other governments	114,220	90,566	-	74,365
Materials and supplies inventory	680	-	-	-
Unamortized bond issue costs	-	-	-	-
Deferred charges	-	-	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents	-	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-	-
Other Debits:				
Amount available for debt service	-	-	-	-
Amount to be provided for retirement of general long-term obligations	-	-	-	-
Total assets and other debits	<u>\$ 2,675,085</u>	<u>\$ 517,995</u>	<u>\$ 5,423</u>	<u>\$ 1,107,330</u>

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$ 9,200,964	\$ 36,955	\$ 85,669	\$ -	\$ -	\$ 12,096,197
-	-	-	-	-	776,020
118,829	-	-	-	-	118,829
-	-	-	-	-	319,708
-	-	-	-	-	38,262
35,125	-	-	-	-	35,125
585,801	-	-	-	-	610,940
-	101	87	-	-	59,512
-	-	-	-	-	34,940
311	-	-	-	-	279,462
215,081	10,281	-	-	-	226,042
399,912	-	-	-	-	399,912
768,441	-	-	-	-	768,441
1,777,406	-	-	-	-	1,777,406
47,862,514	599,525	-	4,992,669	-	53,454,708
-	-	-	-	5,423	5,423
-	-	-	-	4,815,844	4,815,844
\$ 60,964,384	\$ 646,862	\$ 85,756	\$ 4,992,669	\$ 4,821,267	\$ 75,816,771

(Continued)

**CITY OF CLYDE
SANDUSKY COUNTY**

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2002
(Continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$ 6,597	\$ 1,043	\$ -	\$ 4,218
Accrued wages and benefits	83,470	3,453	-	-
Compensated absences payable	8,003	-	-	-
Pension obligation payable	34,239	21,159	-	-
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Deferred revenue	462,566	98,147	-	98,734
Deposits held and due to others	-	-	-	-
Accrued interest payable	301	-	-	-
Accrued pension liability payable	-	-	-	-
Interfund advance payable	118,829	-	-	-
General obligation bonds payable	-	-	-	-
Revenue bonds payable	-	-	-	-
OWDA loan payable	-	-	-	-
	714,005	123,802	-	102,952
Equity and other credits:				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings:				
Reserved for debt service	-	-	-	-
Unreserved	-	-	-	-
Fund Balances:				
Reserved for encumbrances	38,904	8,878	-	956,150
Reserved for materials and supplies inventory	680	-	-	-
Reserved for debt service	-	-	5,423	-
Unreserved - undesignated	1,921,496	385,315	-	48,228
	1,961,080	394,193	5,423	1,004,378
Total liabilities, equity and other credits	\$ 2,675,085	\$ 517,995	\$ 5,423	\$ 1,107,330

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$ 125,322	\$ 1,524	\$ -	\$ -	\$ -	\$ 138,704
59,338	20,327	-	-	-	166,588
121,030	10,113	-	-	79,855	219,001
30,839	7,195	-	-	-	93,432
34,940	-	-	-	-	34,940
185	-	-	-	-	185
-	-	83	-	-	659,530
-	-	57,847	-	-	57,847
233,646	-	-	-	-	233,947
-	-	-	-	81,412	81,412
-	-	-	-	-	118,829
6,785,000	-	-	-	4,660,000	11,445,000
8,355,000	-	-	-	-	8,355,000
1,546,480	-	-	-	-	1,546,480
<u>17,291,780</u>	<u>39,159</u>	<u>57,930</u>	<u>-</u>	<u>4,821,267</u>	<u>23,150,895</u>
-	-	-	4,992,669	-	4,992,669
3,695,922	-	-	-	-	3,695,922
1,657,204	-	-	-	-	1,657,204
38,319,478	607,703	-	-	-	38,927,181
-	-	-	-	-	1,003,932
-	-	-	-	-	680
-	-	-	-	-	5,423
-	-	27,826	-	-	2,382,865
<u>43,672,604</u>	<u>607,703</u>	<u>27,826</u>	<u>4,992,669</u>	<u>-</u>	<u>52,665,876</u>
<u>\$ 60,964,384</u>	<u>\$ 646,862</u>	<u>\$ 85,756</u>	<u>\$ 4,992,669</u>	<u>\$ 4,821,267</u>	<u>\$ 75,816,771</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
Municipal income tax	\$ 3,004,172	\$ -
Property and other taxes	560,551	19,102
Charges for services	98,385	33,586
Licenses, permits and fees	3,132	-
Fines and forfeitures	26,270	3,041
Intergovernmental	321,270	214,475
Special assessments	18,588	-
Investment income	339,648	9,484
Other	111,432	19,043
	<u>4,483,448</u>	<u>298,731</u>
Total revenues		
Expenditures:		
Current operations:		
General government	684,936	-
Security of persons and property	1,779,882	25,300
Public health and welfare	80,938	6,395
Transportation	-	259,509
Community environment	359,163	-
Leisure time activity	-	373,752
Other	92,284	-
Capital outlay	50,321	-
Debt service:		
Principal retirement	-	1,150
Interest and fiscal charges	3,768	3,544
	<u>3,051,292</u>	<u>669,650</u>
Total expenditures		
Excess of revenues over (under) expenditures	<u>1,432,156</u>	<u>(370,919)</u>
Other financing sources (uses):		
Proceeds from sale of fixed assets	29,853	7,270
Proceeds of refunding bonds	-	-
Payment on refunded bond escrow account	-	-
Operating transfers in	-	346,000
Operating transfers out	(1,720,340)	-
	<u>(1,690,487)</u>	<u>353,270</u>
Total other financing sources (uses)		
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	(258,331)	(17,649)
Fund balances, January 1 (restated)	<u>2,219,411</u>	<u>411,842</u>
Fund balances, December 31	<u>\$ 1,961,080</u>	<u>\$ 394,193</u>

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

<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
\$ -	\$ -	\$ -	\$ 3,004,172
-	-	-	579,653
-	-	-	131,971
-	-	-	3,132
-	-	-	29,311
-	122,371	-	658,116
-	28,607	-	47,195
5,423	1,856	386	356,797
-	160,831	170	291,476
<u>5,423</u>	<u>313,665</u>	<u>556</u>	<u>5,101,823</u>
-	-	-	684,936
-	-	-	1,805,182
-	-	-	87,333
-	-	-	259,509
-	-	-	359,163
-	-	-	373,752
-	131,532	41	223,857
-	2,700,909	-	2,751,230
1,334,000	-	-	1,335,150
177,235	-	-	184,547
<u>1,511,235</u>	<u>2,832,441</u>	<u>41</u>	<u>8,064,659</u>
<u>(1,505,812)</u>	<u>(2,518,776)</u>	<u>515</u>	<u>(2,962,836)</u>
-	-	-	37,123
1,865,068	2,858,559	-	4,723,627
(864,384)	-	-	(864,384)
510,551	972,256	-	1,828,807
-	(419,518)	-	(2,139,858)
<u>1,511,235</u>	<u>3,411,297</u>	<u>-</u>	<u>3,585,315</u>
5,423	892,521	515	622,479
-	111,857	27,311	2,770,421
<u>\$ 5,423</u>	<u>\$ 1,004,378</u>	<u>\$ 27,826</u>	<u>\$ 3,392,900</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

	General		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Municipal income taxes	\$ 3,070,000	\$ 3,028,763	\$ (41,237)
Property and other taxes	296,300	286,405	(9,895)
Charges for services	67,300	82,781	15,481
Licenses, permits and fees	3,900	3,505	(395)
Fines and forfeitures	25,000	24,934	(66)
Intergovernmental	326,775	352,073	25,298
Special assessments	30,000	18,588	(11,412)
Investment income	400,000	429,318	29,318
Other	7,500	46,052	38,552
Total revenues	<u>4,226,775</u>	<u>4,272,419</u>	<u>45,644</u>
Expenditures:			
Current:			
General government	931,838	849,894	81,944
Security of persons and property	1,856,571	1,822,086	34,485
Public health and welfare	79,270	72,786	6,484
Transportation	-	-	-
Community environment	377,854	151,007	226,847
Leisure time activity	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>3,245,533</u>	<u>2,895,773</u>	<u>349,760</u>
Excess of revenues over (under) expenditures	<u>981,242</u>	<u>1,376,646</u>	<u>395,404</u>
Other financing sources (uses):			
Proceeds of bonds	-	-	-
Proceeds of note	-	-	-
Proceeds from sale of fixed assets	1,000	13,082	12,082
Operating transfers in	2,566,055	2,450,351	(115,704)
Operating transfers out	(3,910,644)	(4,014,818)	(104,174)
Other financing sources	37,000	64,438	27,438
Other financing uses	-	(22,643)	(22,643)
Contingencies	-	(50,321)	(50,321)
Total other financing sources (uses)	<u>(1,306,589)</u>	<u>(1,559,911)</u>	<u>(253,322)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(325,347)</u>	<u>(183,265)</u>	<u>142,082</u>
Fund balance, January 1	1,486,434	1,486,434	-
Prior year encumbrances appropriated	28,287	28,287	-
Fund balance, December 31	<u><u>\$ 1,189,374</u></u>	<u><u>\$ 1,331,456</u></u>	<u><u>\$ 142,082</u></u>

Special Revenue			Debt Service		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
28,928	19,894	(9,034)	-	-	-
34,900	33,586	(1,314)	-	-	-
-	-	-	-	-	-
8,000	2,792	(5,208)	-	-	-
220,000	216,544	(3,456)	-	-	-
-	-	-	-	-	-
7,500	12,418	4,918	5,423	5,423	-
17,972	19,643	1,671	-	-	-
317,300	304,877	(12,423)	5,423	5,423	-
-	-	-	-	-	-
45,278	38,506	6,772	-	-	-
9,000	7,945	1,055	-	-	-
26,050	25,668	382	-	-	-
-	-	-	-	-	-
402,094	387,671	14,423	-	-	-
-	-	-	-	-	-
-	-	-	2,086,646	2,198,384	(111,738)
-	-	-	288,974	177,235	111,739
482,422	459,790	22,632	2,375,620	2,375,619	1
(165,122)	(154,913)	10,209	(2,370,197)	(2,370,196)	1
-	-	-	863,962	864,384	422
-	-	-	-	-	-
-	7,270	7,270	-	-	-
346,000	346,000	-	2,943,682	1,511,235	(1,432,447)
(298,825)	(235,437)	63,388	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
47,175	117,833	70,658	3,807,644	2,375,619	(1,432,025)
(117,947)	(37,080)	80,867	1,437,447	5,423	(1,432,024)
418,708	418,708	-	-	-	-
4,095	4,095	-	-	-	-
\$ 304,856	\$ 385,723	\$ 80,867	\$ 1,437,447	\$ 5,423	\$ (1,432,024)

(Continued)

**CITY OF CLYDE
SANDUSKY COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
(Continued)

	Capital Projects		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Municipal income taxes	\$ -	\$ -	\$ -
Property and other taxes	-	-	-
Charges for services	-	-	-
Licenses, permits and fees	-	-	-
Fines and forfeitures	-	-	-
Intergovernmental	1,225,000	108,478	(1,116,522)
Special assessments	24,000	28,607	4,607
Investment income	-	200	200
Other	200,000	103,280	(96,720)
Total revenues	<u>1,449,000</u>	<u>240,565</u>	<u>(1,208,435)</u>
Expenditures:			
Current:			
General government	-	-	-
Security of persons and property	-	-	-
Public health and welfare	-	-	-
Transportation	-	-	-
Community environment	-	-	-
Leisure time activity	-	-	-
Capital outlay	5,197,450	3,557,822	1,639,628
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>5,197,450</u>	<u>3,557,822</u>	<u>1,639,628</u>
Excess of revenues over (under) expenditures	<u>(3,748,450)</u>	<u>(3,317,257)</u>	<u>431,193</u>
Other financing sources (uses):			
Proceeds of bonds	-	-	-
Proceeds of note	4,790,000	3,860,899	(929,101)
Proceeds from sale of fixed assets	-	-	-
Operating transfers in	1,076,617	1,029,807	(46,810)
Operating transfers out	(2,115,722)	(1,551,734)	563,988
Other financing sources	-	-	-
Other financing uses	-	-	-
Contingencies	-	-	-
Total other financing sources (uses)	<u>3,750,895</u>	<u>3,338,972</u>	<u>(411,923)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	2,445	21,715	19,270
Fund balance, January 1	12,620	12,620	-
Prior year encumbrances appropriated	-	-	-
Fund balance, December 31	<u><u>\$ 15,065</u></u>	<u><u>\$ 34,335</u></u>	<u><u>\$ 19,270</u></u>

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

Total (Memorandum Only)

Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$ 3,070,000	\$ 3,028,763	\$ (41,237)
325,228	306,299	(18,929)
102,200	116,367	14,167
3,900	3,505	(395)
33,000	27,726	(5,274)
1,771,775	677,095	(1,094,680)
54,000	47,195	(6,805)
412,923	447,359	34,436
225,472	168,975	(56,497)
5,998,498	4,823,284	(1,175,214)
931,838	849,894	81,944
1,901,849	1,860,592	41,257
88,270	80,731	7,539
26,050	25,668	382
377,854	151,007	226,847
402,094	387,671	14,423
5,197,450	3,557,822	1,639,628
2,086,646	2,198,384	(111,738)
288,974	177,235	111,739
11,301,025	9,289,004	2,012,021
(5,302,527)	(4,465,720)	836,807
863,962	864,384	422
4,790,000	3,860,899	(929,101)
1,000	20,352	19,352
6,932,354	5,337,393	(1,594,961)
(6,325,191)	(5,801,989)	523,202
37,000	64,438	27,438
-	(22,643)	(22,643)
-	(50,321)	(50,321)
6,299,125	4,272,513	(2,026,612)
996,598	(193,207)	(1,189,805)
1,917,762	1,917,762	-
32,382	32,382	-
\$ 2,946,742	\$ 1,756,937	\$ (1,189,805)

**CITY OF CLYDE
SANDUSKY COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS/FUND EQUITY
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

	<u>Proprietary Fund Types</u>		Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Operating revenues:			
Charges for services	\$ 10,943,182	\$ 702,635	\$ 11,645,817
Other operating revenues	40,998	-	40,998
Total operating revenues	<u>10,984,180</u>	<u>702,635</u>	<u>11,686,815</u>
Operating expenses:			
Personal services	2,208,969	496,262	2,705,231
Contract services	5,902,404	51,492	5,953,896
Materials and supplies	207,413	114,274	321,687
Depreciation	1,288,680	87,862	1,376,542
Other operating expenses	36,730	-	36,730
Total operating expenses	<u>9,644,196</u>	<u>749,890</u>	<u>10,394,086</u>
Operating income (loss)	<u>1,339,984</u>	<u>(47,255)</u>	<u>1,292,729</u>
Nonoperating revenues (expenses):			
Excise tax expense	(296,214)	-	(296,214)
Interest expense and fiscal charges	(949,244)	-	(949,244)
Intergovernmental revenue	8,642	-	8,642
Investment earnings	20,535	546	21,081
Total nonoperating revenues (expenses)	<u>(1,216,281)</u>	<u>546</u>	<u>(1,215,735)</u>
Net loss before operating transfers and capital contributions	123,703	(46,709)	76,994
Capital contributions	161,066	-	161,066
Operating transfers in	311,651	-	311,651
Operating transfers out	(600)	-	(600)
Net income (loss)	<u>595,820</u>	<u>(46,709)</u>	<u>549,111</u>
Addback of depreciation on assets acquired from contributed capital	49,985	-	49,985
Retained earnings, January 1 (restated)	39,330,877	654,412	39,985,289
Retained earnings, December 31	<u>39,976,682</u>	<u>607,703</u>	<u>40,584,385</u>
Contributed capital, January 1	3,745,907	-	3,745,907
Depreciation on fixed assets acquired by contributed capital	(49,985)	-	(49,985)
Contributed capital, December 31	<u>3,695,922</u>	<u>-</u>	<u>3,695,922</u>
Total fund equity, December 31	<u>\$ 43,672,604</u>	<u>\$ 607,703</u>	<u>\$ 44,280,307</u>

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

**CITY OF CLYDE
SANDUSKY COUNTY**

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

	Proprietary Fund Types		Total (Memorandu Only)
	Enterprise	Internal Service	
Cash flows from operating activities:			
Cash received from customers	\$ 11,044,622	\$ 702,635	\$ 11,747,257
Cash received from other operations	41,018	-	41,018
Cash payments for personal services	(2,237,329)	(489,216)	(2,726,545)
Cash payments for contract services	(5,884,586)	(50,397)	(5,934,983)
Cash payments for materials and supplies	(323,818)	(111,338)	(435,156)
Cash payments for other expenses	(36,730)	-	(36,730)
Net cash provided by operating activities	<u>2,603,177</u>	<u>51,684</u>	<u>2,654,861</u>
Cash flows from noncapital financing activities:			
Cash received from operating grants	8,331	-	8,331
Excise tax expense	(296,214)	-	(296,214)
Transfers in from other funds	311,651	-	311,651
Transfers out to other funds	(600)	-	(600)
Net cash provided by noncapital financing activities	<u>23,168</u>	<u>-</u>	<u>23,168</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(2,364,373)	(47,502)	(2,411,875)
Payments received on internal borrowing	15,272	-	15,272
Proceeds of loans	2,780,904	-	2,780,904
Capital contributions	161,066	-	161,066
Principal retirement	(1,993,299)	-	(1,993,299)
Interest and fiscal charges	(902,492)	-	(902,492)
Net cash (used in) capital and related financing activities	<u>(2,302,922)</u>	<u>(47,502)</u>	<u>(2,350,424)</u>
Cash flows from investing activities:			
Interest received	16,738	590	17,328
Net cash provided by investing activities	<u>16,738</u>	<u>590</u>	<u>17,328</u>
Net increase in cash and cash equivalents	340,161	4,772	344,933
Cash and cash equivalents at January 1	10,638,209	32,183	10,670,392
Cash and cash equivalents at December 31	<u>\$ 10,978,370</u>	<u>\$ 36,955</u>	<u>\$ 11,015,325</u>

(Continued)

**CITY OF CLYDE
SANDUSKY COUNTY**

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
(Continued)

	Proprietary Fund Types		Total (Memorandu Only)
	Enterprise	Internal Service	
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 1,339,984	\$ (47,255)	\$ 1,292,729
Adjustments to reconcile income (loss) to net cash provided by operating activities:			
Depreciation	1,288,680	87,862	1,376,542
Changes in assets and liabilities:			
Decrease in accounts receivable	101,460	-	101,460
(Increase) decrease in materials and supplies inventory	(9,688)	3,155	(6,533)
Increase in accounts payable	8,005	377	8,382
Increase (decrease) in accrued wages and benefits	(14,197)	7,135	(7,062)
Increase in compensated absences payable	19,860	2,107	21,967
Decrease in due to other funds	(115,222)	-	(115,222)
Decrease in pension obligation payable	(15,705)	(1,697)	(17,402)
Net cash provided by operating activities	\$ 2,603,177	\$ 51,684	\$ 2,654,861

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

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

1. DESCRIPTION OF THE CITY

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
(Continued)

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

B. Basis of Presentation - Fund Accounting

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

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

GOVERNMENTAL FUNDS

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

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

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

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

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

PROPRIETARY FUNDS

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

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
(Continued)

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

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

FIDUCIARY FUNDS

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

ACCOUNT GROUPS

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
(Continued)

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

REVENUES - EXCHANGE AND NON-EXCHANGE TRANSACTIONS

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 5). Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

DEFERRED REVENUE

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

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of December 31, 2002, but which were levied to finance year 2003 operations, have been recorded as deferred revenues. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
(Continued)

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. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

D. Budgetary Process

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

TAX BUDGET

A tax budget of estimated revenue and expenditures for all funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. All funds, except agency funds, are legally required to be budgeted; however, only governmental funds are required to be reported.

ESTIMATED RESOURCES

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenues. The Commission certifies its actions to the City by September 1. As part of this certification the City receives an Official Certificate of Estimated Resources (the "Certificate") which states the projected revenue of each fund.

On or about January 1, the Certificate is amended to include any unencumbered fund balances at December 31. Further amendments may be made during the year if money from a new revenue source is received or if actual receipts exceed current estimates. The amounts set forth as "revised budget" revenues and other financing sources in the combined statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types represent estimates from the final amended official Certificate issued during 2002.

APPROPRIATIONS

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance may be amended during the year, provided that total fund appropriations do not exceed current estimated resources, as certified. Supplemental appropriations were legally enacted by Council during the year.

Amounts shown as "revised budget" expenditures and other financing uses in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
(Continued)

(Non-GAAP Budgetary Basis) - All Governmental Fund Types represent the original appropriated budget and all supplemental appropriations.

BUDGETED LEVEL OF EXPENDITURES

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

LAPSING OF APPROPRIATIONS

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

ENCUMBRANCES

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

E. Cash and Investments

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

During fiscal year 2002, investments were limited to nonnegotiable certificates of deposit, federal agency securities, U.S. government money market mutual funds and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio).

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

The City has invested funds in STAR Ohio during fiscal 2002. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. 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

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
(Continued)

Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2002.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. During fiscal 2002, interest revenue credited to the general fund amounted to \$339,648 which includes \$299,635 assigned from other City funds.

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

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

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

F. Inventories of Materials and Supplies

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

G. Property, Plant, Equipment, and Depreciation

1. GENERAL FIXED ASSETS ACCOUNT GROUP

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

2. PROPRIETARY FUND FIXED ASSETS

Property, plant, and equipment reflected in the proprietary funds are stated at cost (or estimated historical cost) and updated for the cost of additions and disposals during the year. Contributed fixed assets are recorded at their fair market value as of the date

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
(Continued)

donated. Depreciation and amortization have been provided on a straight-line basis over the following estimated useful lives:

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

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

H. Compensated Absences

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates. Payment of vacation and sick leave recorded in the general long-term obligations account group is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payment of vacation and sick leave when such payments become due.

Accumulated vacation and sick leave of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
(Continued)

Vacation and sick leave benefits for employees meeting the above requirements who are paid from proprietary funds are recorded as an expense when earned, and the liability for unused amounts is shown as a fund liability.

I. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

J. Contributions of Capital

Contributions of capital in proprietary funds arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. In accordance with GASB Statement No. 33, capital contributions received in 2002 are recorded as revenue and a component of retained earnings at year-end. There was \$161,066 in capital contributions received by the enterprise funds in 2002. Contributed capital in the enterprise funds at December 31, 2002 is \$3,695,922.

K. Interfund Transactions

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

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

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

L. Fund Balance/Retained Earnings Reserves

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

The City reports amounts representing material and supplies inventory, encumbrances and debt service as reservations of fund balance in the governmental funds.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
(Continued)

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

M. Restricted Assets

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

N. Memorandum Only - Total Columns

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

O. Estimates

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

3. ACCOUNTABILITY AND COMPLIANCE

A. Prior Period Adjustment

The City has presented two prior period adjustments to restate beginning fund balance in the capital projects fund, and retained earnings in the enterprise fund. The first adjustment is due to an interfund loan between the capital projects fund and the enterprise fund that would have been repaid with bond proceeds; however, the proceeds were recorded in the enterprise fund in 2002. The second adjustment is due to the recording of accrued interest payable in the capital projects fund on long-term debt recorded in the GLTOAG. The effects of the restatements are as follows:

	Capital Projects	Enterprise
Fund balances/retained earnings as previously reported	\$ (1,310,564)	\$ 40,730,877
Effect of restatement to eliminate interfund loan	1,400,000	(1,400,000)
Effect of restatement to remove accrued interest payable	22,421	-
Restated fund balances/retained earnings as of January 1, 2002	\$ 111,857	\$ 39,330,877

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
(Continued)

The effect of this change on the excess of revenues over/under expenditures as previously reported for the Capital Projects Fund Type for the year ended December 31, 2001 is as follows:

	Excess Reported/ Net Loss as of 12/31/01	Restatement	Restated as of 1/1/02
Capital Projects Fund	\$ (119,772)	\$ 1,422,421	\$ 1,302,649

There was no effect on the Net Loss of the Enterprise Fund Type as previously reported for the year ended December 31, 2001.

B. Legal Compliance

During the year ended December 31, 2002, the City did not consistently certify the availability of funds prior to a commitment being incurred. In addition, several of the City's funds had expenditures that exceeded appropriations.

C. Deficit Retained Earnings/Fund Balances

Fund balances at December 31, 2002 included the following individual fund deficits:

	<u>Accumulated Deficit</u>
<u>Special Revenue Funds</u>	
Police Pension	\$ (19,629)
<u>Internal Service Funds</u>	
Environmental Services	(6,026)

These deficits are caused by the application of GAAP, and will be funded by anticipated future revenues not recognized and recorded at December 31.

4. EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)

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

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

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

1. Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency, or the Export-Import Bank of Washington.
3. Repurchase agreements in the securities enumerated above.
4. Interim deposits in the eligible institutions applying for interim monies.
5. Bonds and other obligations of the State of Ohio.
6. The State Treasurer's investment pool (STAR Ohio).
7. High grade commercial paper for a period not to exceed 180 days in an amount not to exceed twenty-five percent of the City's interim monies available for investment.
8. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the City's interim monies available for investment.

Notwithstanding the foregoing requirements, the City may invest any monies not required to be used for a period of six months in the following classes of investments:

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

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.

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Payment for investments may be made only upon delivery of the securities representing the investments to the finance director or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

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

Deposits: At year-end, the carrying amount of the City's deposits was \$8,515,729 and the bank balance was \$8,324,390. These balances include \$7,868,044 in nonnegotiable certificates of deposit. Of the bank balance:

1. \$400,000 was covered by federal depository insurance.
2. \$7,924,390 was uninsured and uncollateralized as defined by GASB even though it was covered by collateral held by third party trustees pursuant to Section 135.81, Ohio Revised Code, in single institution collateral pools securing all public funds on deposit with specific depository institutions. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

	Category 2	Fair Value
Federal agency securities	\$ 1,950,986	\$ 1,950,986
STAR Ohio	-	1,629,092
U.S. Government money market mutual funds (restricted)	-	1,777,406
Total investments	\$ 1,950,986	\$ 5,357,484

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

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NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
(Continued)

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$ 13,873,603	\$ -
Investments of the cash management pool:		
STAR Ohio	(1,629,092)	1,629,092
U.S. Government money market mutual funds	(1,777,406)	1,777,406
Federal agency securities	(1,950,986)	1,950,986
GASB Statement No. 3	\$ 8,516,119	\$ 5,357,484

5. LOCAL INCOME TAXES

This locally levied tax of 1.5 percent applied to gross salaries, wages and other personal service compensation earned by residents both in and out of the City and to earnings of non residents (except certain transients) earned in the government. It also applies to net income to business organizations conducted within the City. Tax receipts are credited to the general fund and amounted to \$3,004,172 in 2002.

6. PROPERTY TAXES

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

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the year preceding the tax collection year, the lien date. Public utility tangible personal property currently is assessed at 88 percent of true value for taxable transmission and distribution property and 25 percent of true value for all other taxable property. Public utility property taxes are payable on the same dates as real property taxes described previously.

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NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City. The County Auditor periodically remits to the City its portion of the taxes collected with final settlement in June and December for taxes payable in the first and second halves of the year, respectively. The assessed value upon which the 2001 levy (collected in 2002) was based was \$105,215,361. Ohio law limits unvoted property taxation, combined for all overlapping taxing authorities, to 10 mills. The City's current share of property tax is 3.5 mills of assessed value, all of which is unvoted.

Accrued taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable and unpaid as of December 31, 2002. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2003 operations. Accordingly, the receivable is offset by a credit to "Deferred Revenue."

7. RECEIVABLES

Receivables at December 31, 2002, consisted of taxes, interest, accounts (billings for user charged services, including unbilled utility services) and intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considered collectable in full, including accounts receivable which, if delinquent, may be certified and collected as a special assessment, subject to foreclosure for nonpayment.

A summary of the principal items of receivables follows:

	Amount
<u>General Fund</u>	
Real and other taxes	\$ 289,735
Income taxes	776,020
Accrued interest receivable	57,643
Due from other governments	114,220
<u>Special Revenue Funds</u>	
Due from other governments	90,566
<u>Capital Projects Funds</u>	
Special assessments	38,262
Due from other governments	74,365
<u>Enterprise Funds</u>	
Accounts receivable	585,801
Excise taxes	35,125

8. INTERFUND TRANSACTIONS

A. A reconciliation of the City's operating transfers for 2002 is as follows:

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	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 1,720,340
Special Revenue Funds:		
Recreation	346,000	-
Debt Service Funds:		
Woodland/Premier Retirement Note	311,259	-
Vine/Main Street Debt	199,292	-
Capital Projects Funds:		
Permanent Improvement	972,256	419,518
Enterprise Funds:		
Water	-	600
Electric	<u>311,651</u>	<u>-</u>
Total transfers in/out	<u>\$ 2,140,458</u>	<u>\$ 2,140,458</u>

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

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 34,940	\$ -
Enterprise Funds:		
Electric Fund	<u>-</u>	<u>34,940</u>
Total due to/from other funds	<u>\$ 34,940</u>	<u>\$ 34,940</u>

9. FIXED ASSETS

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

	<u>Balance 1/1/02</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/02</u>
Land	\$ 1,201,296	\$ -	\$ -	\$ 1,201,296
Buildings	3,481,034	32,518	-	3,513,552
Land improvements	229,181	-	-	229,181
Furniture, machinery and equipment	1,357,180	61,263	(1,400)	1,417,043
Vehicles	<u>889,580</u>	<u>40,750</u>	<u>(55,776)</u>	<u>874,554</u>
Total	7,158,271	134,531	(57,176)	7,235,626
Less: accumulated depreciation	<u>(1,929,621)</u>	<u>(330,085)</u>	<u>16,749</u>	<u>(2,242,957)</u>
Total assets	<u>\$ 5,228,650</u>	<u>\$ (195,554)</u>	<u>\$ (40,427)</u>	<u>\$ 4,992,669</u>

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NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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The following is a summary of proprietary fund-type fixed assets at December 31, 2002:

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Enterprise Total</u>	<u>Internal Service</u>
Land	\$ 1,602,020	\$ 321,141	\$ 126,491	\$ 2,049,652	\$ 39,086
Buildings	8,856,656	3,838,467	514,685	13,209,808	377,676
Buildings -					
Contributed capital	77,119	1,000	-	78,119	-
Land improvements	19,610	-	58,960	78,570	-
Equipment - furniture	480,864	2,287,439	1,988,600	4,756,903	420,469
Vehicles	132,366	29,397	376,686	538,449	488,398
Construction in progress	1,680,183	62,217	-	1,742,400	-
Infrastructure	7,672,030	14,334,303	10,183,085	32,189,418	-
Infrastructure -					
Contributed Capital	<u>780,631</u>	<u>3,176,955</u>	<u>68,850</u>	<u>4,026,436</u>	<u>-</u>
Total fixed assets	21,301,479	24,050,919	13,317,357	58,669,755	1,325,629
Less: accumulated depreciation	<u>(2,515,506)</u>	<u>(5,033,098)</u>	<u>(3,258,637)</u>	<u>(10,807,241)</u>	<u>(726,104)</u>
Net fixed assets	<u>\$ 18,785,973</u>	<u>\$ 19,017,821</u>	<u>\$ 10,058,720</u>	<u>\$ 47,862,514</u>	<u>\$ 599,525</u>

10. DEBT OBLIGATIONS

A. General Long-Term Obligations

The City's general long-term obligation consists of the following:

	<u>Interest Rate</u>	<u>Balance 1/01/02</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/02</u>
General Obligation Debt:					
Various Purpose Bond					
Anticipation Note	5.125%	\$ 1,254,000	\$ -	\$ (1,254,000)	\$ -
Woodland/Premier					
General Obligation Bonds	2.0%-4.15%	-	1,000,000	-	1,000,000
Main Street					
General Obligation Bonds	6.0%-7.2%	805,000	-	(805,000)	-
Vine/Main Street Improvements					
General Obligation Bonds	1.70%-5.0%	<u>-</u>	<u>3,740,000</u>	<u>(80,000)</u>	<u>3,660,000</u>
Total general obligation debt		<u>\$ 2,059,000</u>	<u>\$ 4,740,000</u>	<u>\$ (2,139,000)</u>	<u>\$ 4,660,000</u>
Other Obligations:					
Police Pension Liability		\$ 82,562	\$ -	\$ (1,150)	\$ 81,412
Compensated Absences		<u>62,091</u>	<u>17,764</u>	<u>-</u>	<u>79,855</u>
Total other obligations		<u>\$ 144,653</u>	<u>\$ 17,764</u>	<u>\$ (1,150)</u>	<u>\$ 161,267</u>
Total General Long-Term Obligations		<u>\$ 2,203,653</u>	<u>\$ 4,757,764</u>	<u>\$ (2,140,150)</u>	<u>\$ 4,821,267</u>

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General Obligation Bonds: During the year, the City issued \$1,000,000 in general obligation bonds which retired the bond anticipation notes which matured at \$1,254,000. The City also issued \$3,740,000 in general obligation bonds which included an advance refunding of the Main Street general obligation bonds for \$805,000 and a new bond issued for Vine Street improvements. Principal payments are made from the debt service fund.

On December 1, 2002, the City issued general obligation bonds for the purpose of making street improvements and to advance refund the 1992 general obligation bonds by purchasing U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The total amount of funds available in the trust at December 31, 2002, was \$864,384. The refunded bonds are not included in the City's outstanding debt since the City has satisfied its obligations through the advance refunding.

The City refunded the 1992 general obligation bonds to reduce its total debt service over the next 10 years by \$79,835 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$63,490.

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

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

B. Enterprise Fund Obligations

The City had the following mortgage revenue bonds and OWDA loans payable outstanding at year-end related to enterprise fund obligations:

<u>Enterprise Debt:</u>	<u>Interest Rate</u>	<u>Balance 1/01/02</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/02</u>
Electric System Mortgage Revenue Refunding Bonds, Series 1998	4.0%-5.25%	\$ 3,745,000	\$ -	\$ (205,000)	\$ 3,540,000
Electric System Mortgage Revenue Refunding Bonds	3.0%-6.3%	5,085,000	-	(270,000)	4,815,000
Sewer Plant OWDA Loan	3.90%	225,374	333,738	(19,778)	539,334
Water System OWDA Loan	2.00%	-	1,037,922	(30,776)	1,007,146
Water Improvement Bonds, Series 1997	3.0%-6.30%	5,445,000	-	(60,000)	5,385,000
Water System Improvement Bond Anticipation Notes	5.60%	1,400,000	-	(1,400,000)	-
Water System Improvement Revenue Bonds	2.1%-4.65%	-	1,400,000	-	1,400,000
Total Enterprise Debt		\$ 15,900,374	\$ 2,771,660	\$ (1,985,554)	\$ 16,686,480

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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.

On October 8, 1998, the City issued \$4,280,000 Electric System Mortgage Refunding Bonds to be financed with electric revenues with an average rate of 5 percent to advance refund \$4,280,000 of Electric System Mortgage Revenue Bonds, Series B. The net proceeds of the bonds were used to purchase U.S. Government Securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments. As a result, the Electric Mortgage Revenue Bonds, Series B, are considered defeased and the liability for those bonds have been removed from the Electric fund. At December 31, 2002, \$4,000,000 of bonds outstanding are considered defeased. The economic gain on the transaction was \$893,329 and is being amortized using the effective interest method, the unamortized portion of which is shown on the balance sheet as deferred charges.

Water Improvements Bonds are general obligation bonds which will be financed mainly from water revenues and are therefore recorded as enterprise fund debt. During 2002, the City issued revenue bonds in the amount of \$1,400,000 which retired the bond anticipation notes.

OWDA Loans: The City has entered into debt financing arrangements through the OWDA to fund construction projects. The amounts due to the OWDA are payable from water and sewer revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2002, the City has outstanding borrowings of \$1,546,480 with permissible borrowings of \$2,088,428. These payments are reflected in the future maturities of principal and interest table and are subject to revision if the total amount is not drawn down. The Green Springs Waterline Extension project financed through OWDA loans is not closed out as of December 31, 2002. Future annual debt service principal and interest requirements for these loans, which have unborrowed balances at December 31, 2002 of \$541,948 is not available.

- C. The annual requirements to amortize police pension obligations outstanding as of December 31, 2002, are as follows:

Year Ending	Police Pension	
	Principal	Interest
2003	\$ 1,199	\$ 3,496
2003	1,251	3,447
2005	1,304	3,395
2006	1,361	3,342
2007	1,419	3,286
2008 - 2012	8,064	15,502
Thereafter	66,814	40,428
Total	\$ 81,412	\$ 72,896

- D. The annual requirements amortize general long-term obligations outstanding as of December 31, 2002, are as follows:

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(Continued)

	<u>Vine/Main Street</u>		<u>Woodland/Premier</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 170,000	\$ 148,797	\$ 85,000	\$ 33,123
2004	175,000	145,738	100,000	31,422
2005	185,000	141,538	100,000	29,223
2006	180,000	136,173	100,000	26,522
2007	190,000	130,502	100,000	23,522
2008 - 2012	1,055,000	539,468	515,000	63,263
2013 - 2017	755,000	341,015	-	-
2018 - 2022	950,000	146,050	-	-
Total	<u>\$ 3,660,000</u>	<u>\$ 1,729,281</u>	<u>\$ 1,000,000</u>	<u>\$ 207,075</u>

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

<u>Year Ending</u>	<u>Electric Revenue Bonds</u>		<u>Water Improvement G.O. Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 500,000	\$ 506,335	\$ 160,000	\$ 321,467
2004	525,000	479,412	185,000	315,730
2005	550,000	449,337	195,000	308,886
2006	585,000	417,470	200,000	301,080
2007	625,000	381,700	205,000	292,706
2008 - 2012	3,735,000	1,285,572	1,215,000	1,310,183
2013 - 2017	1,835,000	171,646	550,000	1,097,000
2018 - 2022	-	-	710,000	942,250
2023 - 2027	-	-	905,000	744,000
2028 - 2032	-	-	1,155,000	490,625
2033 - 2037	-	-	1,305,000	168,125
Total	<u>\$ 8,355,000</u>	<u>\$ 3,691,472</u>	<u>\$ 6,785,000</u>	<u>\$ 6,292,052</u>

11. INTERFUND ADVANCE PAYABLE

The City had the following activity in the general fund for fiscal year 2002:

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Balance 1/1/02</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/02</u>
Interfund Advance Payable	3.00%	8/1/00	\$ 131,803	\$ -	\$ (12,974)	\$ 118,829

The advance outstanding at December 31, 2002 is an internal City obligation that represents amounts borrowed from other funds of the City. This obligation is structured in essentially the same manner as note agreements with outside institutions. The Electric enterprise fund loaned the monies to the general fund.

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The following is a summary of the City's future annual debt service and interest requirements for the City's internal obligation:

Year Ending December 31,	Principal	Interest	Total
2003	\$ 13,363	\$ 3,565	\$ 16,928
2004	13,764	3,164	16,928
2005	14,177	2,751	16,928
2006	14,602	2,326	16,928
2007	15,040	1,888	16,928
2008 - 2011	<u>47,883</u>	<u>2,901</u>	<u>50,784</u>
Total	<u>\$ 118,829</u>	<u>\$ 16,595</u>	<u>\$ 135,424</u>

12. RISK MANAGEMENT

A. Property and Casualty Insurance

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

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

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

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

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

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

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<u>Casualty Coverage</u>	<u>2002</u>
Assets	\$ 20,174,977
Liabilities	<u>8,550,749</u>
Retained earnings	<u><u>11,624,228</u></u>
<u>Property Coverage</u>	<u>2002</u>
Assets	\$ 2,565,408
Liabilities	<u>655,318</u>
Retained earnings	<u><u>1,910,090</u></u>

B. Employee Health Insurance

The City participates with other cities in the Buckeye Ohio Risk Management Agency, Inc. (BORMA, Inc.), in a jointly funded risk financing program administered by Arthur J. Gallagher & Co. BORMA, Inc.

The pool is for employee benefits and includes life insurance, accidental death and dismemberment insurance, health insurance and prescription drug insurance. Each member has an option on the coverage it has elected to provide for its employees. The City provides, to its employees, all available options offered by the pool. The employee benefits pool includes the following municipalities: Archbold, Bowling Green, Carey, Clyde, Defiance, Fayette, Hicksville, Napoleon, Oberlin, Sandusky, Upper Sandusky and Willard. As of December 31, 2002 the pool had cash reserves of \$3,440,794 which, in the opinion of management, is adequate for any claims against the pool.

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

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

13. DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

All City full-time employees, other than uniformed employees, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system created by the State of Ohio. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
(Continued)

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 2002 was 8.5 percent for employees other than law enforcement and public safety. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1 percent. Public safety division members contribute at 9 percent. The employer contribution rate for employees other than law enforcement and public safety division was 13.55 percent of covered payroll and 8.55 percent was the portion used to fund pension obligations for 2002. The employer contribution rate for law enforcement and public safety divisions was 16.70 percent of covered payroll and 11.70 percent was the portion used to fund pension obligations for 2002. Required employer contributions are equal to 100 percent of the dollar amount billed to each employer and must be extracted from the employer's records. The City's contributions to OPERS for the years ended December 31, 2002, 2001, and 2000 were \$215,948, \$237,338 and \$399,058 respectively; 73 percent has been contributed for 2002 and 100 percent for 2001 and 2000. \$58,024, representing the unpaid contribution for 2002, is recorded as a liability within the respective funds.

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10.0 percent of their annual covered salary, while the City is required to contribute 19.50 percent and 24.0 percent for police officers and firefighters, respectively. The City's contributions to OP&F for the years ended December 31, 2002, 2001, and 2000 were \$91,895, \$81,420, and \$162,862, respectively; 78 percent has been contributed for 2002 and 100 percent for the years 2001 and 2000. \$19,832, representing the unpaid contributions for 2002, is recorded as a liability within the respective funds.

14. POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

OPERS provides post-retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2002 employer contribution rate for local government employers was 13.55 percent of covered payroll and 5.00 percent was the portion that was used to fund health care. For both the public safety and law enforcement

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
(Continued)

divisions the 2002 employer rate was 16.70 percent of covered payroll and 5.00 percent was the portion used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. The City's contribution actually made to fund postemployment benefits was \$79,686.

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

As of December 31, 2001 (the latest information available), the actuarial value of the Retirement System's net assets available for future OPEB payments were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively, at December 31, 2001 (the latest information available). The number of benefit recipients eligible for OPEB at December 31, 2001 (the latest information available) was 402,041.

In December 2001, the OPERS Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

Additional information on the OPERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due is available in the OPERS December 31, 2002, Comprehensive Annual Financial Report.

B. Ohio Police and Fire Pension Fund

The OP&F provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides that health care cost paid from the funds of the OP&F shall be included in the employer's contribution rate. The total police officer employer contribution rate is 19.5 percent of covered payroll and the total firefighter's employer contribution rate is 24.0 percent of covered payroll. The Ohio Revised Code provides the authority allowing OP&F's Board of Trustees to provide health care coverage to all eligible

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
(Continued)

individuals. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.50 percent and 7.75 percent of covered payroll in 2001 and 2002, respectively. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 2001 (the latest information available), is 13,174 for police officers and 10,239 for firefighters. The amount of employer contributions used to pay postemployment benefits for police officers and firefighters were \$21,183 and \$12,463, respectively. OP&F's total health care expense for the year ending December 31, 2001 (the latest information available), was \$122.299 million, which was net of member contributions of \$6.875 million.

15. SEGMENT INFORMATION - ENTERPRISE FUNDS

The City operates three enterprise funds which provide water, disposal and treatment of sewage and electric services. The key financial information for the year ended December 31, 2002 for this enterprise activity is as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Total</u>
Operating revenues	\$ 1,974,874	\$ 1,316,832	\$ 7,692,474	\$ 10,984,180
Operating expenses				
before depreciation	911,171	1,338,638	6,105,707	8,355,516
Depreciation expense	386,700	538,162	363,818	1,288,680
Operating income/(loss)	677,003	(559,968)	1,222,949	1,339,984
Operating transfers:				
In	-	-	311,651	311,651
(Out)	(600)	-	-	(600)
Net income/(loss)	362,463	(444,462)	677,819	595,820
Fixed asset - additions	1,772,868	545,033	97,148	2,415,049
Total assets	21,744,590	21,205,236	18,014,558	60,964,384
Bonds and other long-term liabilities	7,858,888	585,118	8,363,504	16,807,510
Net working capital	2,819,724	2,091,795	7,707,580	12,619,099
Total equity	13,745,310	20,524,498	9,402,796	43,672,604
Encumbrances outstanding	477,841	147,669	57,415	682,925

16. COMPENSATED ABSENCES

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

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

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
(Continued)

As of December 31, 2002, the liability for unpaid compensated absences reported in the general long-term obligations account group was \$79,855. \$131,143 was the liability for the non-current portion of compensated absences in proprietary fund types. The total liability for the City's compensated absences (both current and non-current) for all fund types and account groups was \$219,001.

17. BUDGETARY BASIS OF ACCOUNTING

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

EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES				
	General	Special Revenue	Debt Service	Capital Projects
Budget basis	\$ (183,265)	\$ (37,080)	\$ 5,423	\$ 21,715
Adjustments:				
Net adjustment for revenue accruals	211,029	(6,146)	-	73,100
Net adjustment for expenditure accruals	(150,699)	(219,663)	864,384	(234,987)
Net adjustment for other financing sources/(uses) accruals	(180,897)	235,437	(864,384)	72,325
Encumbrances	45,501	9,803	-	960,368
GAAP basis	\$ (258,331)	\$ (17,649)	\$ 5,423	\$ 892,521

18. CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2002.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
(Continued)

B. Litigation

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

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**Auditor of State
Betty Montgomery**

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

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

To the Council:

We have audited the financial statements of the City of Clyde, Sandusky County, (the City) as of and for the year ended December 31, 2002, and have issued our report thereon dated September 12, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-01 and 2002-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated September 12, 2003.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the City in a separate letter dated September 12, 2003.

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

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

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

Betty Montgomery
Auditor of State

September 12, 2003

**CITY OF CLYDE
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002**

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

FINDING NUMBER 2002-001

Ohio Revised Code § 5705.41 (B) states no subdivision is to expend money unless it has been appropriated. As of August 31, 2002, the City had expenditures that exceeded appropriations as follows:

Fund/ line item	Appropriations and Carry over	Expenditures and Encumbrances	Variance
Water Operating			
<i>Contract Services</i>	\$ 8,865	\$ 241,064	\$ (232,199)
Permanent Improvement			
<i>Contract Services</i>	327,450	535,531	(208,081)

As of October 31, 2002, the City had expenditures that exceeded appropriations as follows:

Fund	Appropriations and Carry over	Expenditures and Encumbrances	Variance
Water Operating			
<i>Transfer</i>	\$ 416,154	\$ 1,621,069	\$ (1,204,915)
Water Operating			
<i>Contract Services</i>	8,865	313,029	(304,164)
Downtown Revitalization			
<i>Bond Principle</i>	-	864,384	(864,384)
Permanent Improvement			
<i>Consultant Services</i>	327,450	706,631	(379,181)
Water Operating			
<i>Capital Outlay</i>	133,000	207,255	(74,255)

As of December 31, 2002 the City had expenditures that exceeded appropriations as follows:

Fund	Appropriations and Carry over	Expenditures and Encumbrances	Variance
Water Operating			
<i>Contractual Services</i>	\$ 4,951,907	\$ 5,189,639	\$ (237,732)
Water Debt Service			
<i>Principal Retirement</i>	1,779,800	1,795,705	(15,905)

Budgetary expenditures exceeded the appropriation authority for several other line items for relatively small amounts. We recommend the City refrain from making expenditures that exceed appropriations. The City should compare appropriation measures to the latest amended certificate and appropriate modifications should be made.

FINDING NUMBER 2002-002

Ohio Revised Code § 5705.41(D) states no orders or contracts involving the expenditure of money is to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirement:

- a. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- b. If the amount involved is less than \$3,000, the fiscal officer may authorize it to be paid without the affirmation of the Council, if such expenditure is otherwise valid.

Fifty-two percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred. To improve controls over disbursements, we recommend that all City disbursements receive certification of the fiscal officer that the funds are or will be available.

**CITY OF CLYDE
SANDUSKY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-20172-001	ORC § 5705.39 - Appropriations shall not exceed Estimated Revenue	Yes	
2001-20172-001	ORC § 5705.41 (B) - Expenditures shall not exceed appropriations	No	Not corrected. Repeated as finding number 2002-001.



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

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
OCTOBER 9, 2003**