



Mary Taylor, CPA
Auditor of State

**CITY OF CLYDE
SANDUSKY COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clyde, Sandusky County, Ohio (the City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clyde, Sandusky County, Ohio, as of December 31, 2008, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2009, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

October 8, 2009

**CITY OF CLYDE
SANDUKSY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

The management's discussion and analysis of the City of Clyde's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2008. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- The total net assets of the City decreased \$178,567. Net assets of governmental activities decreased \$603,221 or 3.94% under 2007 net assets and net assets of business-type activities increased \$424,654 or 1.47% over restated 2007 net assets.
- General revenues accounted for \$4,946,806 or 85.02% of total governmental activities revenue. Program specific revenues accounted for \$871,885 or 14.98% of total governmental activities revenue of \$5,818,691. The City also had a special item gain on the sale of land for \$127,590.
- The City had \$6,125,104 in expenses related to governmental activities; \$871,885 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$5,253,219 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$4,946,806.
- The general fund had revenues and other financing sources of \$6,100,410 in 2008. This represents an increase of \$842,208 from 2007 revenues. The general fund also had special item proceeds on the sale of land for \$161,362. The expenditures and other financing uses of the general fund, which totaled \$7,104,889 in 2008, which represents an increase of \$1,737,812 from 2007. The net decrease in fund balance for the general fund was \$843,117 or 57.80%.
- Net assets for the business-type activities, which are made up of the water, sewer, and electric enterprise funds, increased in 2008 by \$424,654. This increase in net assets was due primarily to transfers from governmental activities which totaled \$424,398.
- In the general fund, the actual revenues and other financing sources exceed the final budgeted revenues and other financing sources by \$39,617 and actual expenditures and other financing sources were \$223,866 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues and other financing sources increased \$2,322,229 during the year. Budgeted expenditures and other financing sources increased \$464,100 from the original to the final budget due primarily to an increase in debt service expenditures.

The Basic Financial Statements

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

**CITY OF CLYDE, OHIO
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
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The statement of net assets and statement of activities provide information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

**CITY OF CLYDE, OHIO
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
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Governmental Funds

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

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

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

Proprietary Funds

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

Fiduciary Funds

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

Notes to the Basic Financial Statements

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

Government-wide Financial Analysis

The following table provides a summary of the City's net assets for 2008 and 2007. Certain 2007 amounts have been restated in the notes to the basic financial statements.

**CITY OF CLYDE, OHIO
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
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	Net Assets					
	Governmental Activities 2008	Business-type Activities 2008	Governmental Activities 2007	Restated Business-type Activities 2007	2008 Total	Restated 2007 Total
Assets:						
Current and other assets	\$ 2,768,185	\$ 11,844,178	\$ 5,531,879	\$ 12,316,285	\$ 14,612,363	\$ 17,848,164
Capital assets, net	<u>18,047,597</u>	<u>30,262,189</u>	<u>16,176,081</u>	<u>29,972,566</u>	<u>48,309,786</u>	<u>46,148,647</u>
Total assets	<u>20,815,782</u>	<u>42,106,367</u>	<u>21,707,960</u>	<u>42,288,851</u>	<u>62,922,149</u>	<u>63,996,811</u>
Liabilities:						
Long-term liabilities outstanding	5,470,543	12,021,217	4,073,969	12,964,971	17,491,760	17,038,940
Other liabilities	<u>637,204</u>	<u>701,661</u>	<u>2,322,735</u>	<u>365,045</u>	<u>1,338,865</u>	<u>2,687,780</u>
Total liabilities	<u>6,107,747</u>	<u>12,722,878</u>	<u>6,396,704</u>	<u>13,330,016</u>	<u>18,830,625</u>	<u>19,726,720</u>
Net assets:						
Invested in capital assets, net of related debt	12,804,524	18,596,612	12,069,063	17,158,367	31,401,136	29,227,430
Restricted	1,221,980	1,630,289	1,379,788	1,622,846	2,852,269	3,002,634
Unrestricted	<u>681,531</u>	<u>9,156,588</u>	<u>1,862,405</u>	<u>10,177,622</u>	<u>9,838,119</u>	<u>12,040,027</u>
Total net assets	<u>\$ 14,708,035</u>	<u>\$ 29,383,489</u>	<u>\$ 15,311,256</u>	<u>\$ 28,958,835</u>	<u>\$ 44,091,524</u>	<u>\$ 44,270,091</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2008, the City's assets exceeded liabilities by \$44,091,524. At year-end, net assets were \$14,708,035 and \$29,383,489 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net assets. At year-end, capital assets represented 76.78% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2008, were \$12,804,524 and \$18,596,612 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2008, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's net assets, \$2,852,269, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$681,531 in the governmental activities may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF CLYDE, OHIO
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
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The table below shows the changes in net assets for fiscal year 2008 and 2007. Certain 2007 amounts have been restated or reclassified to conform to 2008 presentation.

	Activities 2008	Activities 2008	Activities 2007	Activities 2007	2008 Total	2007 Total
Revenues						
Program revenues:						
Charges for services	\$ 373,127	\$ 21,058,797	\$ 242,740	\$ 22,333,669	\$ 21,431,924	\$ 22,576,409
Operating grants and contributions	372,674		401,191		372,674	401,191
Capital grants and contributions	126,084	149,498	326,998		275,582	326,998
Total program revenues	871,885	21,208,295	970,929	22,333,669	22,080,180	23,304,598
General revenues:						
Property taxes	439,190		434,186		439,190	434,186
Income taxes	3,453,258		3,942,943		3,453,258	3,942,943
Other taxes	402,001		459,422		402,001	459,422
Unrestricted grants and entitlements	303,732		333,352		303,732	333,352
Investment earnings	294,317	31,209	517,284	87,292	325,526	604,576
Miscellaneous	54,308	16,003	83,034	14,232	70,311	97,266
Total general revenues	4,946,806	47,212	5,770,221	101,524	4,994,018	5,871,745
Total revenues	5,818,691	21,255,507	6,741,150	22,435,193	27,074,198	29,176,343
Expenses:						
General government	1,119,435		1,100,770		1,119,435	1,100,770
Security of persons and property	2,521,458		2,182,525		2,521,458	2,182,525
Public health and welfare	659,147		591,169		659,147	591,169
Transportation	723,295		757,418		723,295	757,418
Community environment	621,603		351,957		621,603	351,957
Leisure time activity	249,587		129,016		249,587	129,016
Interest and fiscal charges	230,579		187,765		230,579	187,765
Water		2,834,938		2,551,210	2,834,938	2,551,210
Sewer		2,069,221		1,996,740	2,069,221	1,996,740
Electric		16,351,092		17,881,955	16,351,092	17,881,955
Total expenses	6,125,104	21,255,251	5,300,620	22,429,905	27,380,355	27,730,525
Increase in net assets before special items and transfers	(306,413)	256	1,440,530	5,288	(306,157)	1,445,818
Special item	127,590				127,590	
Transfers	(424,398)	424,398	(1,045,351)	1,045,351		
Change in net assets	(603,221)	424,654	395,179	1,050,639	(178,567)	1,445,818
Net assets at beginning of year (restated)	15,311,256	28,958,835	14,916,077	27,908,196	44,270,091	42,824,273
Net assets at end of year	\$ 14,708,035	\$ 29,383,489	\$ 15,311,256	\$ 28,958,835	\$ 44,091,524	\$ 44,270,091

**CITY OF CLYDE, OHIO
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

Governmental Activities

Governmental activities net assets decreased \$603,221 in 2008. The decrease is a result of decreasing income tax and interest revenues combined with increased expenditures for police and fire protection.

Security of persons and property, which primarily supports the operations of the police and fire departments, had expenses of \$2,521,458, which accounted for 41.17% of the total governmental activities expenses of the City. These expenses were partially funded by \$144,454 in direct charges to users of the services. General government expenses totaled \$1,119,435, which was partially funded by \$72,425 in direct charges to users of the services and \$79,644 in capital grants and contributions.

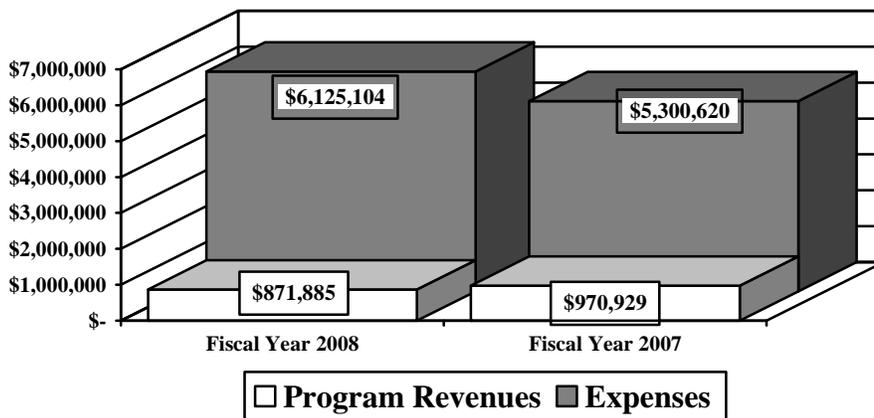
The State and federal government contributed to the City a total of \$372,674 in operating grants and contributions and \$126,084 in capital grants and contributions. These revenues are restricted to a particular program or purpose. \$324,977 of the operating grants and contributions received subsidized transportation programs.

General revenues totaled \$4,946,806 and amounted to 85.02% of total governmental revenues. These revenues primarily consist of property, kilowatt hour and income tax revenue of \$4,294,449. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$303,732.

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

The following graph shows program revenues and total expenses of the governmental activities for 2008 and 2007.

Governmental Activities – Program Revenues vs. Total Expenses



**CITY OF CLYDE, OHIO
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
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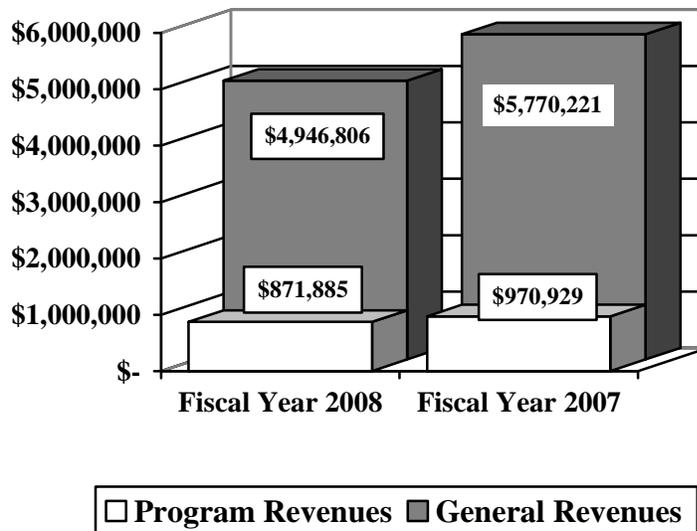
The following table shows the cost of services and net cost of services of the governmental activities for 2008 and 2007.

	Governmental Activities			
	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Program expenses:				
General government	\$ 1,119,435	\$ 967,366	\$ 1,100,770	\$ 985,420
Security of persons and property	2,521,458	2,375,415	2,182,525	2,042,154
Public health and welfare	659,147	586,626	591,169	551,757
Transportation	723,295	398,318	757,418	172,064
Community environment	621,603	554,469	288,520	243,965
Leisure time activity	249,587	140,446	129,016	100,335
Other			63,437	46,231
Interest and fiscal charges	230,579	230,579	187,765	187,765
Total	\$ 6,125,104	\$ 5,253,219	\$ 5,300,620	\$4,329,691

The dependence upon general revenues for governmental activities is apparent, with 85.77% and 81.68% of expenses supported through taxes and other general revenues for 2008 and 2007, respectively.

The following graph shows general and program revenues of governmental activities for 2008 and 2007.

Governmental Activities – General and Program Revenues



**CITY OF CLYDE, OHIO
SANDUSKY COUNTY**

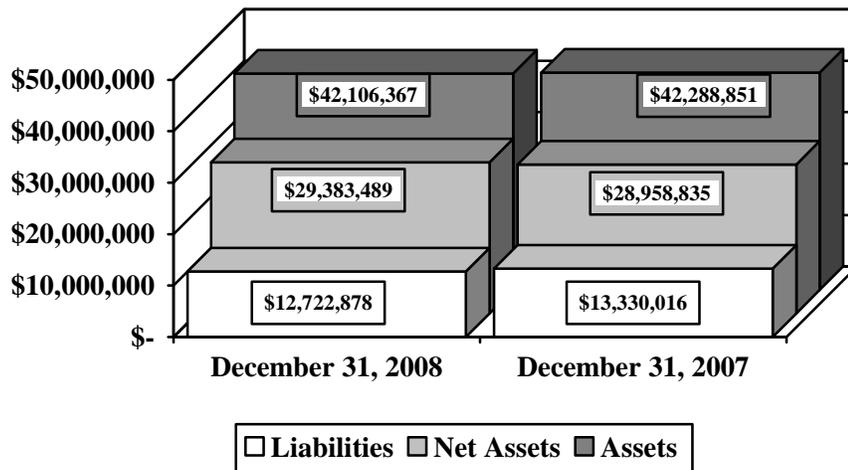
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

Business-type Activities

Business-type activities include the water, sewer, and electric enterprise funds. These programs had program revenues of \$21,208,295, general revenues of \$47,212, transfers and capital contributions from governmental activities of \$424,398 and expenses of \$21,255,251 for 2008. The water fund had expenses of \$2,834,938, which were 85.88% funded by user charges for services of \$2,434,565. The sewer fund had expenses of \$2,069,221, which were 79.29% funded by user charges for services of \$1,640,579. The sewer fund also received capital contributions from developers for \$149,498. The electric fund had expenses of \$16,351,092, which were fully funded by user charges for services of \$16,983,653. The electric fund also received transfers from the governmental funds totaling \$388,651.

The graph below shows the business-type activities assets, liabilities and net assets at December 31, 2008 and 2007.

Net Assets in Business - Type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds reported a combined fund balance of \$1,580,406 which is \$939,056 less than last year's total of \$2,519,462. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2008 for all major and nonmajor governmental funds.

**CITY OF CLYDE, OHIO
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
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(Continued)**

	<u>Fund Balances</u> 12/31/08	<u>Fund Balances</u> 12/31/07	<u>(Decrease)</u>
Major fund:			
General	\$ 615,660	\$ 1,458,777	\$ (843,117)
Nonmajor governmental funds	<u>964,746</u>	<u>1,060,685</u>	<u>(95,939)</u>
 Total	 <u>\$ 1,580,406</u>	 <u>\$ 2,519,462</u>	 <u>\$ (939,056)</u>

General Fund

The City's general fund balance decreased \$843,117, primarily due to capital outlays during the year. The table that follows assists in illustrating the revenues of the general fund. Certain 2007 amounts have been reclassified to conform to 2008 presentation.

Revenues:

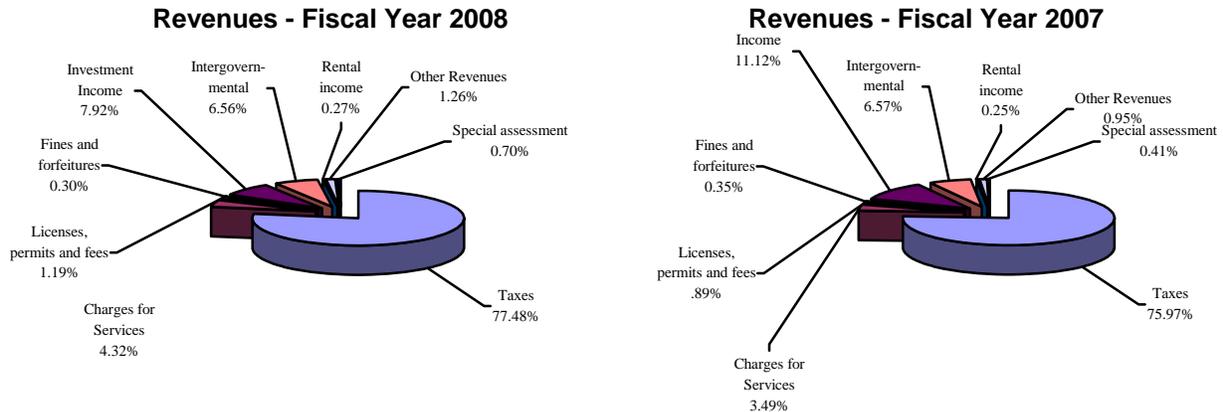
Taxes	\$ 3,355,047	\$ 3,690,783	(9.10) %
Charges for services	187,307	169,717	10.36 %
Licenses, permits and fees	51,722	43,031	20.20 %
Fines and forfeitures	12,744	16,959	(24.85) %
Special assessments	29,957	19,958	50.10 %
Intergovernmental	284,177	319,097	(10.94) %
Investment income	343,330	540,660	(36.50) %
Rental income	11,374	11,999	(5.21) %
Other	<u>54,911</u>	<u>45,998</u>	19.38 %
 Total	 <u>\$ 4,330,569</u>	 <u>\$ 4,858,202</u>	 (10.86) %

Tax revenue represents 77.48% of all general fund revenue. The City had a decrease in tax collections during 2008. This is primarily due to a decrease in income tax collections related to the increase in unemployment during the current recession. The decrease in investment income is due to decreases in interest rates. The decrease in intergovernmental revenues is due to a decrease in estate taxes and local government revenue received from the State. All other revenues remained consistent with the prior year.

**CITY OF CLYDE, OHIO
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
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The following charts show general fund revenues for 2008 and 2007.



The table that follows assists in illustrating the expenditures of the general fund. Certain 2007 amounts have been reclassified to conform to 2008 presentation.

	<u>2008 Amount</u>	<u>2007 Amount</u>	<u>Percentage Change</u>
Expenditures:			
General government	\$ 1,060,650	\$1,076,107	(1.44) %
Security of persons and property	2,169,933	2,029,201	6.94 %
Public health and welfare	490,645	475,197	3.25 %
Community environment	425,698	344,580	23.54 %
Capital outlay	2,242,778	742,357	199.43 %
Debt service	191,534	137,834	38.96 %
Total	<u>\$ 6,581,238</u>	<u>\$4,805,276</u>	36.96 %

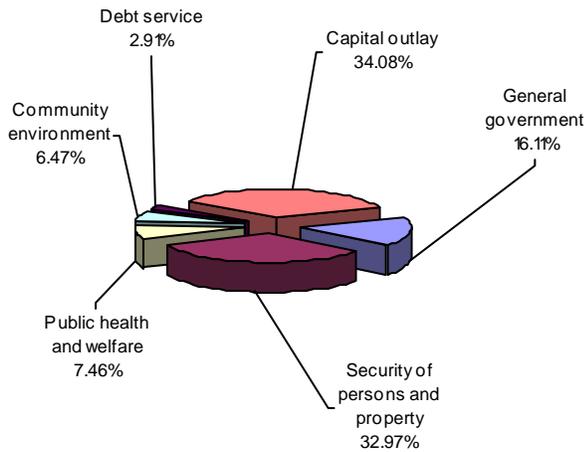
The most significant increase occurred in the capital outlay expenditure line item. This increase is due to expenditures relating to the construction of the new swimming pool during 2008. Community environment expenditures increased due to an increase in expenditures made for snow removal and other curbside services. Debt service expenditures increased due to the payment of interest on the retirement of the \$1,600,000 bond anticipation note issued to finance the construction of the new swimming pool.

**CITY OF CLYDE, OHIO
SANDUSKY COUNTY**

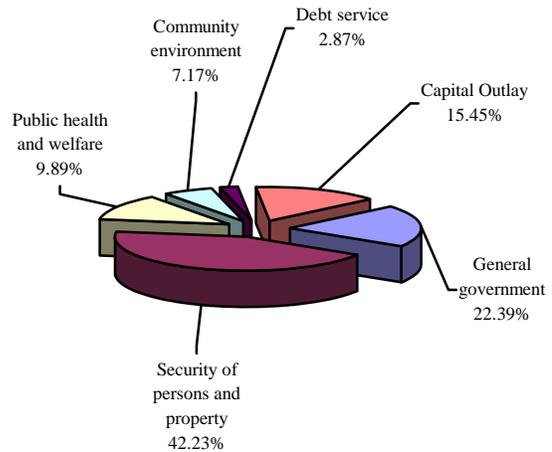
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

The following charts show general fund expenditures for 2008 and 2007.

Expenditures - Fiscal Year 2008



Expenditures - Fiscal Year 2007



Budgeting Highlights – General Fund

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

Budgetary information is presented for the general fund only. In the general fund, one of the most significant changes was between the original and final budgeted amounts were in the area of appropriations, which increased \$464,100. Original appropriations of \$8,437,758 were increased to \$8,901,858 primarily due to the payment of the \$1,600,000 bond anticipation note. Actual revenues and other financing sources and special items of \$6,501,900 exceeded the final budgeted revenues, other financing sources and special items by \$39,979. Actual expenditures and other financing uses came in \$223,866 less than the final budgeted amounts.

Proprietary Funds

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

**CITY OF CLYDE, OHIO
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

The City's proprietary funds, consisting of the enterprise funds water, sewer and electric, reported a combined increase in net assets of \$421,618. The most significant change in net assets occurred in the electric fund, which increased \$1,119,963 over 2007. The electric fund had a decrease in operating revenues of \$1,582,446 or 8.52% under 2007 and a decrease in operating expenses of \$1,409,159 or 8.26%, both decreases were primarily due to the decreased demand for electric services for industry during the current recession.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2008 the City had \$48,309,786 (net of accumulated depreciation) invested in land, construction in progress, buildings and improvements, land improvements, equipment, vehicles and infrastructure. Of this total, \$18,047,597 was reported in governmental activities and \$30,262,189 was reported in business-type activities. The following table shows fiscal 2008 balances compared to 2007 (certain 2007 balances have been restated to the basic financial statements):

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

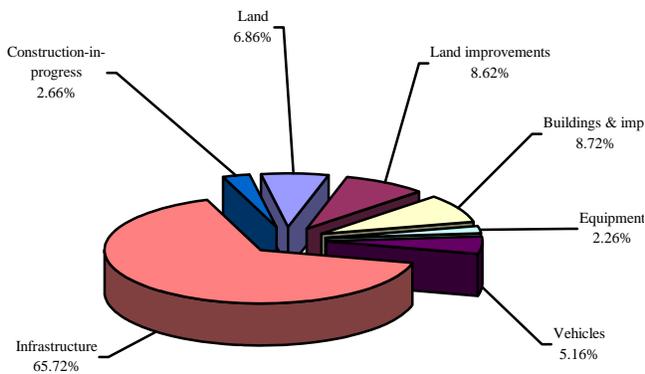
	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	Restated 2007	2008	Restated 2007
Land	\$ 1,238,507	\$ 932,596	\$ 795,093	\$ 795,093	\$ 2,033,600	\$ 1,727,689
Construction-in-progress	479,224	222,048	2,260,134	1,281,891	2,739,358	1,503,939
Land improvements	1,556,085	156,631	104,904	101,088	1,660,989	257,719
Buildings and improvements	1,573,011	1,098,330	7,442,667	7,835,362	9,015,678	8,933,692
Equipment	407,213	373,445	1,702,704	1,911,451	2,109,917	2,284,896
Vehicles	931,157	1,081,446	114,519	127,212	1,045,676	1,208,658
Infrastructure	<u>11,862,400</u>	<u>12,311,585</u>	<u>17,842,168</u>	<u>17,920,469</u>	<u>29,704,568</u>	<u>30,232,054</u>
Totals	<u>\$ 18,047,597</u>	<u>\$ 16,176,081</u>	<u>\$ 30,262,189</u>	<u>\$ 29,972,566</u>	<u>\$ 48,309,786</u>	<u>\$ 46,148,647</u>

**CITY OF CLYDE, OHIO
SANDUSKY COUNTY**

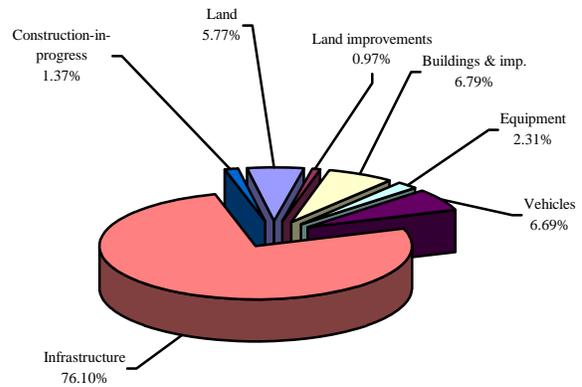
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

The following graphs show the breakdown of governmental capital assets by category for 2008 and 2007.

**Capital Assets - Governmental Activities
2008**



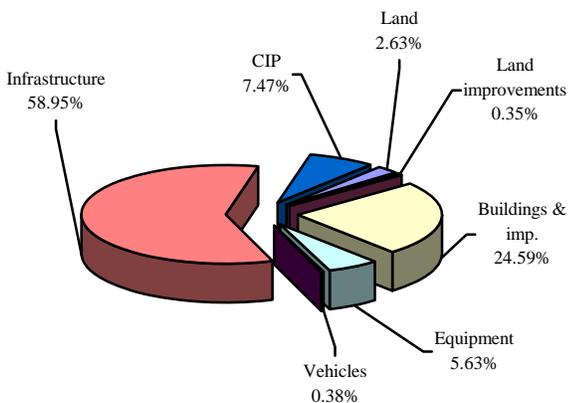
**Capital Assets - Governmental Activities
2007**



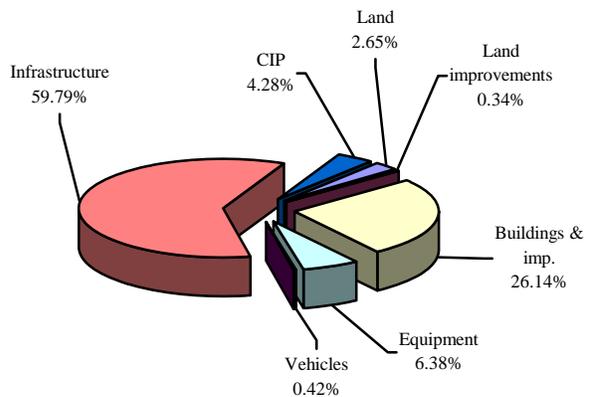
The City's largest capital asset category is infrastructure which includes roads, bridges, and sidewalks. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant.

The following graphs show the breakdown of business-type capital assets by category for 2007 and 2008.

Capital Assets - Business-type Activities 2008



Capital Assets - Business-type Activities 2007



The City's largest business-type capital asset category is infrastructure that primarily includes water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 58.95% of the City's total business-type capital assets.

**CITY OF CLYDE, OHIO
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2008 and 2007:

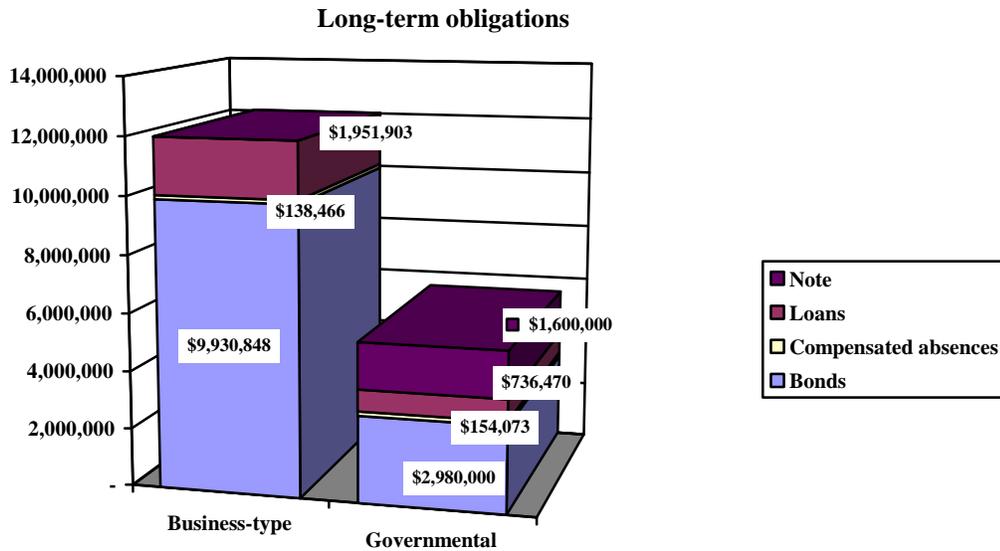
	Governmental Activities	
	2008	2007
General obligation bonds payable	\$ 2,980,000	\$ 3,275,000
Police pension liability	73,397	74,877
Fire rescue truck loan	182,479	231,538
Fire pumper truck loan	310,753	362,564
Land loan	169,841	
Bond anticipation note	1,600,000	
Capital lease obligation payable		15,868
Compensated absences	154,073	114,122
Total long-term obligations	\$ 5,470,543	\$ 4,073,969

	Business-type Activities	
	2008	2007
Revenue bonds	\$ 2,715,000	\$ 3,135,000
General obligation bonds	7,460,000	7,905,000
Deferred charges/unamortized premium	(244,152)	(285,416)
Total bonds	9,930,848	10,754,584
OWDA Loans	1,951,903	2,059,615
Compensated absences	138,466	150,772
Total long-term obligations	\$ 12,021,217	\$ 12,964,971

**CITY OF CLYDE, OHIO
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

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



Economic Conditions and Outlook

In the past few years the City has been very fortunate in that our local economy is still going strong when compared to other municipalities in northwest Ohio. However, this latest economic crisis affecting the United States has affected the tax collections and interest income for the City and we have joined the rest of cities looking to cut their budgets. The vast majority of jobs in the City are in manufacturing, and fortunately, the manufacturing and commercial base continues to show strength. The City's largest employer, the Whirlpool Corporation, continues to be recognized as a strong employer providing community growth and producing a quality product. Whirlpool has announced they are adding a line of front loading washing machines to their plant in Clyde and installing new energy efficient automatic washer platforms for both the front and top loading lines, which will go online in 2010. They are investing \$175 million and will add approximately 90 – 100 jobs.

The City had three major projects underway in 2008. Phase II of the three-phase Buckeye Street Improvement Project was finished in 2008. The project included installation of a new twelve inch sanitary sewer line; thirty inch storm sewer; new water service lines; curb and gutter; concrete driveway approaches; and, new sidewalks and pavement. The new Community Park Aquatic Center opened its doors on Memorial Day 2008. The project was a design/building project by Janotta and Herner out of Monroeville, Ohio. The project included the pool, bathhouse, slides and a new parking lot and cost \$1.9 million. The last major project is the construction of a new Clyde Light and Power (CL&P) building on Premier Drive. This building was necessary because CL&P outgrew their existing building and the environmental services department had outgrown their location, so the environmental services department will move into the old CL&P building. The new building will cost the City \$1,385,000.

**CITY OF CLYDE, OHIO
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

The City is working hard to diversify our power portfolio. We are now part owner, through long-term power purchase agreements from three different generation facilities committed to be built. The first is a 3 megawatt commitment from the American Municipal Power Generation Station. This facility is a clean coal, 3.25 billion dollar, facility being built along the Ohio River in Meigs County. Once completed in 2012, it will be capable of generating 1,000 megawatts of electricity. The second is the Prairie State Campus in southern Illinois. We have committed to purchasing 3 megawatts of power from this 1600 megawatt facility. It is currently under construction and will commence generation in 2011 – 2012. The third commitment is to hydroelectric projects along the Ohio River at Cannelton, Smithland and Willow Island. The City has committed purchasing 4 megawatts of power from these facilities.

The City is also conducting a one year wind study, along with American Municipal Power Ohio (AMP Ohio) to confirm the federal wind charts, which indicate a Class IV wind in the vicinity of the Bellevue Hospital. If this is confirmed, preliminary AMP Ohio plans are for a wind farm of approximately 50 megawatts of electric generation. The City is also still interested in seeking out companies involved with bio-mass gasification/pyrolysis capabilities. The company the City had been working with for three years failed to deliver the pricing the City was promised and negotiations stopped in late 2008. We are now working with a new company that has brought forth a different system that uses pyrolysis instead of gasification. The process develops a synthetic gas that is then used to operate modified gasoline engines to turn electric generators. This facility is scheduled to generate 10 megawatts of power.

Two industrial projects were built in the City during 2008. The first is a 54,450 square foot warehouse addition for K & W Distributing Company in the amount of \$1.5 million. The second is a 132,500 square foot new warehouse building for K F Ventures in the amount of \$3 million. Also, besides the new CL&P building, two additional commercial projects were built in 2008. The first is two additional grain bins for Sunrise Cooperative, Inc. on Burkholder Road valued at \$2.8 million and the second is a new Subway sandwich shop on McPherson Hwy valued at \$150,000. The total valuation of industrial permits was \$4,500,000 and commercial building and additions were valued at \$4,350,000.

Residential development is also continuing, but at a reduced pace from previous years. During 2008 there were four single family residential home permits issued for a valuation of \$773,000 and one permit for a two family unit valued at \$150,000 and twenty-two residential addition permits issued for a valuation of \$2,344,835.

A large portion of general fund revenues comes from the City's 1.5 percent income tax, much of which is derived from the manufacturing sector. Our annual income tax collections are now slightly over \$4 million per year.

Contacting the City's Financial Management

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

**CITY OF CLYDE, OHIO
SANDUSKY COUNTY**

STATEMENT OF NET ASSETS
DECEMBER 31, 2008

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 1,225,100	\$ 7,450,786	\$ 8,675,886
Receivables (net of allowances for uncollectibles):			
Income taxes	552,947		552,947
Real and other taxes	319,356	84,479	403,835
Accounts	20,710	2,186,709	2,207,419
Due from other governments	266,971		266,971
Special assessments	197,525		197,525
Accrued interest	41,793		41,793
Internal balances	82,901	(82,901)	
Prepayments	24,902	28,758	53,660
Materials and supplies inventory	35,980	328,884	364,864
Unamortized bond issue costs		217,174	217,174
Restricted assets:			
Equity in pooled cash and cash equivalents		1,630,289	1,630,289
Capital assets:			
Land and construction-in-progress	1,717,731	3,055,227	4,772,958
Depreciable capital assets, net	16,329,866	27,206,962	43,536,828
Total capital assets, net	<u>18,047,597</u>	<u>30,262,189</u>	<u>48,309,786</u>
Total assets	<u>20,815,782</u>	<u>42,106,367</u>	<u>62,922,149</u>
Liabilities:			
Accounts payable	\$ 20,409	\$ 39,016	\$ 59,425
Contracts payable	33,139	341,982	375,121
Accrued wages and benefits	208,678	150,101	358,779
Pension obligation payable	57,380	47,604	104,984
Due to other governments	2,876	370	3,246
Accrued interest payable	21,941	122,588	144,529
Unearned revenue	292,781		292,781
Long-term liabilities:			
Due within one year	2,096,592	1,050,606	3,147,198
Due in more than one year	3,373,951	10,970,611	14,344,562
Total liabilities	<u>6,107,747</u>	<u>12,722,878</u>	<u>18,830,625</u>
Net assets:			
Invested in capital assets, net of related debt	12,804,524	18,596,612	31,401,136
Restricted for:			
Capital projects	581,059		581,059
Debt service		1,630,289	1,630,289
Transportation	499,021		499,021
Security of persons and property	73,950		73,950
Other purposes	67,950		67,950
Unrestricted	<u>681,531</u>	<u>9,156,588</u>	<u>9,838,119</u>
Total net assets	<u>\$ 14,708,035</u>	<u>\$ 29,383,489</u>	<u>\$ 44,091,524</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE, OHIO
SANDUSKY COUNTY**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,119,435	\$ 72,425		\$ 79,644
Security of persons and property	2,521,458	144,454	\$ 1,589	
Public health and welfare	659,147	29,973	42,548	
Transportation	723,295		324,977	
Community environment	621,603	17,619	3,075	46,440
Leisure time activity	249,587	108,656	485	
Interest and fiscal charges	230,579			
Total governmental activities	<u>6,125,104</u>	<u>373,127</u>	<u>372,674</u>	<u>126,084</u>
Business-type activities:				
Water	2,834,938	2,434,565		
Sewer	2,069,221	1,640,579		149,498
Electric	16,351,092	16,983,653		
Total business-type activities	<u>21,255,251</u>	<u>21,058,797</u>		<u>149,498</u>
Total primary government	<u>\$ 27,380,355</u>	<u>\$ 21,431,924</u>	<u>\$ 372,674</u>	<u>\$ 275,582</u>

General revenues:

Property taxes levied for:	
General purposes	
Police and fire pension	
Income taxes levied for:	
General purposes	
Capital projects	
Other taxes:	
Kilowatt hour taxes	
Grants and entitlements not restricted to specific programs	
Investment earnings	
Miscellaneous	
Total general revenues	
Special item - gain on sale of land	
Total general revenues and special item	
Transfers	
Change in net assets	
Net assets at beginning of year (restated)	
Net assets at end of year	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (967,366)		\$ (967,366)
(2,375,415)		(2,375,415)
(586,626)		(586,626)
(398,318)		(398,318)
(554,469)		(554,469)
(140,446)		(140,446)
(230,579)		(230,579)
<u>(5,253,219)</u>		<u>(5,253,219)</u>
	\$ (400,373)	(400,373)
	(279,144)	(279,144)
	632,561	632,561
	<u>(46,956)</u>	<u>(46,956)</u>
<u>(5,253,219)</u>	<u>(46,956)</u>	<u>(5,300,175)</u>
400,979		400,979
38,211		38,211
2,501,601		2,501,601
951,657		951,657
402,001		402,001
303,732		303,732
294,317	31,209	325,526
54,308	16,003	70,311
<u>4,946,806</u>	<u>47,212</u>	<u>4,994,018</u>
127,590		127,590
<u>5,074,396</u>	<u>47,212</u>	<u>5,121,608</u>
<u>(424,398)</u>	<u>424,398</u>	
(603,221)	424,654	(178,567)
<u>15,311,256</u>	<u>28,958,835</u>	<u>44,270,091</u>
<u>\$ 14,708,035</u>	<u>\$ 29,383,489</u>	<u>\$ 44,091,524</u>

**CITY OF CLYDE, OHIO
SANDUSKY COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents.	\$ 355,795	\$ 827,356	\$ 1,183,151
Receivables (net of allowance for uncollectibles):			
Income taxes	387,063	165,884	552,947
Real and other taxes	289,417	29,939	319,356
Accounts	19,794	916	20,710
Due from other governments.	132,251	134,720	266,971
Special assessments	62,797	134,728	197,525
Accrued interest	39,946	1,697	41,643
Due from other funds.	84,109		84,109
Prepayments.	23,585	341	23,926
Materials and supplies inventory.	6,235		6,235
Total assets	<u>\$ 1,400,992</u>	<u>\$ 1,295,581</u>	<u>\$ 2,696,573</u>
Liabilities:			
Accounts payable	\$ 13,524	\$ 2,978	\$ 16,502
Contracts payable		33,139	33,139
Accrued wages and benefits.	178,337	5,014	183,351
Pension obligation payable	48,603	777	49,380
Due to other governments.	2,876		2,876
Deferred revenue	276,659	261,479	538,138
Unearned revenue.	265,333	27,448	292,781
Total liabilities	<u>785,332</u>	<u>330,835</u>	<u>1,116,167</u>
Fund balances:			
Reserved for encumbrances.	50,057	10,179	60,236
Reserved for prepayments.	23,585	341	23,926
Reserved for materials and supplies inventory	6,235		6,235
Unreserved, undesignated, reported in:			
General fund	535,783		535,783
Special revenue funds		544,494	544,494
Debt service funds		5,424	5,424
Capital projects funds		404,308	404,308
Total fund balances	<u>615,660</u>	<u>964,746</u>	<u>1,580,406</u>
Total liabilities and fund balances.	<u>\$ 1,400,992</u>	<u>\$ 1,295,581</u>	<u>\$ 2,696,573</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE, OHIO
SANDUKSY COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2008

Total governmental fund balances \$ 1,580,406

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

Capital assets used in governmental activities (excluding internal service funds capital assets) are not financial resources and therefore are not reported in the funds. 17,630,889

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

Property taxes receivable	\$	26,575	
Income taxes receivable		106,146	
Special assessments receivable		197,525	
Intergovernmental revenues receivable		179,841	
Interest receivable		28,051	
Total		538,138	538,138

The internal service funds are used by management to charge the costs of employee benefits and service department to individual funds. The assets and liabilities of the internal service funds (including internal balances of \$1,208) are included in governmental activities on the statement of net assets. 441,946

In the statement of activities interest is accrued on outstanding bonds and loans payable, whereas in governmental funds, interest expenditures are reported when due. (21,941)

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

General obligation bonds		(2,980,000)	
Police pension liability		(73,397)	
Fire rescue truck loan payable		(182,479)	
Fire pumper truck loan payable		(310,753)	
Land loan payable		(169,841)	
Bond anticipation note payable		(1,600,000)	
Compensated absences payable		(144,933)	
Total		(5,461,403)	(5,461,403)

Net assets of governmental activities \$ 14,708,035

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE, OHIO
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Income taxes	\$ 2,554,435	\$ 974,300	\$ 3,528,735
Real and other taxes	800,612	37,973	838,585
Charges for services	187,307	108,656	295,963
Licenses, permits and fees	51,722		51,722
Fines and forfeitures	12,744	1,324	14,068
Intergovernmental	284,177	338,793	622,970
Special assessments	29,957	21,009	50,966
Investment income	343,330	15,770	359,100
Rental income	11,374		11,374
Contributions and donations	4,305	122,677	126,982
Other	50,606	2,472	53,078
Total revenues	4,330,569	1,622,974	5,953,543
Expenditures:			
Current:			
General government	1,060,650		1,060,650
Security of persons and property	2,169,933	42,837	2,212,770
Public health and welfare	490,645	39,082	529,727
Transportation		271,946	271,946
Community environment	425,698	161,027	586,725
Leisure time activity		249,649	249,649
Capital outlay	2,242,778	645,768	2,888,546
Debt service:			
Principal retirement	116,738	296,480	413,218
Interest and fiscal charges	74,796	147,124	221,920
Total expenditures	6,581,238	1,853,913	8,435,151
Excess of expenditures over revenues	(2,250,669)	(230,939)	(2,481,608)
Other financing sources (uses):			
Loan issuance	169,841		169,841
Sale of notes	1,600,000		1,600,000
Transfers in		573,957	573,957
Transfers out	(523,651)	(438,957)	(962,608)
Total other financing sources (uses)	1,246,190	135,000	1,381,190
Special item:			
Sale of land	161,362		161,362
Net change in fund balances	(843,117)	(95,939)	(939,056)
Fund balances at beginning of year	1,458,777	1,060,685	2,519,462
Fund balances at end of year	\$ 615,660	\$ 964,746	\$ 1,580,406

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE, OHIO
SANDUSKY COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

Net change in fund balances - total governmental funds \$ (939,056)

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

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

Capital asset additions	\$	2,698,392	
Current year depreciation		(749,295)	
Total			1,949,097

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (67,582)

Proceeds of loans and notes are reported as an other financing source in the governmental funds, but as an increase in liabilities in governmental activities. (1,769,841)

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

Property taxes		2,606	
Income taxes		(75,477)	
Special assessments		(4,526)	
Intergovernmental revenues		(5,916)	
Interest		(52,847)	
Total			(136,160)

Repayment of bonds, loans and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 413,218

In the statement of activities, interest is accrued on outstanding bonds and loans payable, whereas in governmental funds, an interest expenditure is reported when due. (8,659)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (39,364)

The internal service funds used by management to charge the costs of insurance and the City service department to individual funds are not reported in the statement of activities. Governmental fund expenditures and the related internal service funds revenues are eliminated. The net revenue (expense) of the internal service funds, including internal balances of \$3,036, is allocated among the governmental activities. (4,874)

Change in net assets of governmental activities **\$ (603,221)**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE, OHIO
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Income taxes	\$ 2,342,046	\$ 2,760,120	\$ 2,947,157	\$ 187,037
Real and other taxes	704,663	830,451	787,262	(43,189)
Charges for services	159,778	188,300	187,492	(808)
Licenses, permits and fees	34,790	41,000	41,896	896
Fines and forfeitures	16,971	20,000	13,183	(6,817)
Intergovernmental	313,108	369,000	288,304	(80,696)
Special assessments	25,032	29,500	29,957	457
Investment income	322,442	380,000	371,158	(8,842)
Rental income	8,485	10,000	11,199	1,199
Contributions and donations	16,971	20,000	4,305	(15,695)
Other	34,406	40,550	46,281	5,731
Total revenues	<u>3,978,692</u>	<u>4,688,921</u>	<u>4,728,194</u>	<u>39,273</u>
Expenditures:				
Current:				
General government	1,141,017	1,142,417	1,075,932	66,485
Security of persons and property	2,362,998	2,393,998	2,299,013	94,985
Public health and welfare	526,204	526,204	494,593	31,611
Community environment	397,615	463,315	428,571	34,744
Capital outlay	3,445,924	2,192,924	2,197,361	(4,437)
Debt service:				
Principal retirement		1,600,000	1,600,000	
Interest and fiscal charges		59,000	58,871	129
Total expenditures	<u>7,873,758</u>	<u>8,377,858</u>	<u>8,154,341</u>	<u>223,517</u>
Excess of expenditures over revenues	<u>(3,895,066)</u>	<u>(3,688,937)</u>	<u>(3,426,147)</u>	<u>262,790</u>
Other financing sources (uses):				
Sale of capital assets			36	36
Sale of notes		1,600,000	1,600,000	
Transfers out	(564,000)	(524,000)	(523,651)	349
Insurance claims		12,000	12,308	308
Total other financing sources (uses)	<u>(564,000)</u>	<u>1,088,000</u>	<u>1,088,693</u>	<u>693</u>
Special item:				
Sale of land		161,000	161,362	362
Net change in fund balance	(4,459,066)	(2,439,937)	(2,176,092)	263,845
Fund balance at beginning of year	875,008	875,008	875,008	
Prior year encumbrances appropriated	<u>1,599,419</u>	<u>1,599,419</u>	<u>1,599,419</u>	
Fund balance (deficit) at end of year	<u>\$ (1,984,639)</u>	<u>\$ 34,490</u>	<u>\$ 298,335</u>	<u>\$ 263,845</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF CLYDE, OHIO
SANDUSKY COUNTY**

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2008

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Electric
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents	\$ 1,015,126	\$ 838,463	\$ 5,597,197
Receivables (net of allowance for uncollectibles):			
Real and other taxes			84,479
Accounts	256,763	136,583	1,793,363
Accrued interest			
Prepayments.	11,057	3,770	13,931
Materials and supplies inventory	49,937	19,780	259,167
Unamortized bond issuance costs.	39,150		178,024
Total current assets	<u>1,372,033</u>	<u>998,596</u>	<u>7,926,161</u>
Noncurrent assets:			
Restricted:			
Cash and cash equivalents.	893,666		736,623
Capital assets:			
Land and construction-in-progress	504,239	691,495	1,859,493
Depreciable capital assets, net	12,615,674	6,214,590	8,376,698
Total capital assets	<u>13,119,913</u>	<u>6,906,085</u>	<u>10,236,191</u>
Total noncurrent assets	<u>14,013,579</u>	<u>6,906,085</u>	<u>10,972,814</u>
Total assets	<u>15,385,612</u>	<u>7,904,681</u>	<u>18,898,975</u>
Liabilities:			
Current liabilities:			
Accounts payable.	14,721	10,620	13,675
Contracts payable.			341,982
Accrued wages and benefits	52,758	46,265	51,078
Pension obligation payable.	16,849	14,379	16,376
Compensated absences	14,928	11,347	8,744
Due to other funds			84,109
Due to other governments			370
Accrued interest payable.	78,794	16,183	27,611
OWDA loans payable - current	65,149	45,438	
Payable from restricted assets:			
Current portion of revenue bonds			295,000
Current portion of general obligation bonds.	230,000		380,000
Total current liabilities	<u>473,199</u>	<u>144,232</u>	<u>1,218,945</u>
Long-term liabilities:			
Compensated absences	49,149	38,359	15,939
Revenue bonds payable			1,775,000
General obligation bonds payable	5,390,000		1,860,848
OWDA loans payable	976,228	865,088	
Total long-term liabilities	<u>6,415,377</u>	<u>903,447</u>	<u>3,651,787</u>
Total liabilities	<u>6,888,576</u>	<u>1,047,679</u>	<u>4,870,732</u>
Net assets:			
Invested in capital assets, net of related debt	6,497,686	5,995,559	6,103,367
Restricted for debt service.	893,666		736,623
Unrestricted.	1,105,684	861,443	7,188,253
Total net assets	<u>\$ 8,497,036</u>	<u>\$ 6,857,002</u>	<u>\$ 14,028,243</u>

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

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 7,450,786	\$ 41,949
84,479	
2,186,709	
28,758	150
328,884	976
217,174	29,745
<u>10,296,790</u>	<u>72,820</u>
1,630,289	
3,055,227	
<u>27,206,962</u>	<u>416,708</u>
<u>30,262,189</u>	<u>416,708</u>
<u>31,892,478</u>	<u>416,708</u>
<u>42,189,268</u>	<u>489,528</u>
39,016	3,907
341,982	
150,101	25,327
47,604	8,000
35,019	1,796
84,109	
370	
122,588	
110,587	
295,000	
610,000	
<u>1,836,376</u>	<u>39,030</u>
103,447	7,344
1,775,000	
7,250,848	
1,841,316	
<u>10,970,611</u>	<u>7,344</u>
<u>12,806,987</u>	<u>46,374</u>
18,596,612	416,708
1,630,289	
9,155,380	26,446
29,382,281	<u>\$ 443,154</u>
1,208	
<u>\$ 29,383,489</u>	

**CITY OF CLYDE, OHIO
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Electric
Operating revenues:			
Charges for services	\$ 2,434,565	\$ 1,640,579	\$ 16,983,653
Other operating revenues	5,338	5,581	5,084
Total operating revenues	<u>2,439,903</u>	<u>1,646,160</u>	<u>16,988,737</u>
Operating expenses:			
Personal services	1,047,296	947,423	1,031,024
Contract services	359,842	508,139	13,970,003
Materials and supplies	391,969	297,497	353,672
Depreciation	590,831	265,509	264,122
Other operating expenses	2,132	3,591	31,418
Total operating expenses.	<u>2,392,070</u>	<u>2,022,159</u>	<u>15,650,239</u>
Operating income (loss)	<u>47,833</u>	<u>(375,999)</u>	<u>1,338,498</u>
Nonoperating revenues (expenses):			
Interest expense and fiscal charges	(302,842)	(32,784)	(313,198)
Loss from disposal of capital assets			
Interest revenue.	15,284		15,925
Excise tax expense			(389,913)
Other nonoperating expenses.	(140,534)	(14,548)	
Total nonoperating revenues (expenses)	<u>(428,092)</u>	<u>(47,332)</u>	<u>(687,186)</u>
Income (loss) before contributions and transfers	(380,259)	(423,331)	651,312
Capital contributions		185,245	
Transfers in			468,651
Transfers out	(56,000)	(24,000)	
Changes in net assets	(436,259)	(262,086)	1,119,963
Net assets at beginning of year (restated)	<u>8,933,295</u>	<u>7,119,088</u>	<u>12,908,280</u>
Net assets at end of year	<u>\$ 8,497,036</u>	<u>\$ 6,857,002</u>	<u>\$ 14,028,243</u>

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

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 21,058,797	\$ 887,528
16,003	
<u>21,074,800</u>	<u>887,528</u>
3,025,743	518,459
14,837,984	51,487
1,043,138	250,918
1,120,462	64,133
37,141	19
<u>20,064,468</u>	<u>885,016</u>
1,010,332	2,512
(648,824)	
	(5,658)
31,209	1,308
(389,913)	
(155,082)	
<u>(1,162,610)</u>	<u>(4,350)</u>
(152,278)	(1,838)
185,245	
468,651	
<u>(80,000)</u>	
421,618	(1,838)
	444,992
	<u>\$ 443,154</u>
3,036	
<u>\$ 424,654</u>	

**CITY OF CLYDE, OHIO
SANDUSKY COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Electric
Cash flows from operating activities:			
Cash received from charges for services	\$ 2,391,309	\$ 1,626,346	\$ 17,554,119
Cash received from other operations	5,338	5,581	5,084
Cash payments for personal services	(1,056,800)	(942,245)	(1,018,326)
Cash payments for contract services	(366,985)	(507,710)	(13,975,897)
Cash payments for materials and supplies	(407,427)	(303,583)	(346,757)
Cash payments for other expenses	(2,832)	(3,591)	(30,421)
Net cash provided by (used in) operating activities	<u>562,603</u>	<u>(125,202)</u>	<u>2,187,802</u>
Cash flows from noncapital financing activities:			
Cash payments for excise taxes			(389,913)
Transfers in from other funds			468,651
Transfers out to other funds	(56,000)	(24,000)	
Net cash provided by (used in) noncapital financing activities	<u>(56,000)</u>	<u>(24,000)</u>	<u>78,738</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(105,946)	(112,800)	(819,194)
Cash payments for principal retirement	(283,865)	(43,847)	(645,000)
Cash payments for interest and fiscal charges	(305,400)	(33,572)	(248,639)
Net cash used in capital and related financing activities	<u>(695,211)</u>	<u>(190,219)</u>	<u>(1,712,833)</u>
Cash flows from investing activities:			
Interest received	15,284		15,925
Net cash provided by investing activities	<u>15,284</u>		<u>15,925</u>
Net increase (decrease) in cash and cash equivalents	(173,324)	(339,421)	569,632
Cash and cash equivalents at beginning of year	2,082,116	1,177,884	5,764,188
Cash and cash equivalents at end of year	<u>\$ 1,908,792</u>	<u>\$ 838,463</u>	<u>\$ 6,333,820</u>

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 21,571,774	\$ 887,528
16,003	
(3,017,371)	(512,879)
(14,850,592)	(54,700)
(1,057,767)	(266,733)
(36,844)	(19)
<u>2,625,203</u>	<u>53,197</u>
(389,913)	
468,651	
<u>(80,000)</u>	
<u>(1,262)</u>	
(1,037,940)	(59,792)
(972,712)	
<u>(587,611)</u>	
<u>(2,598,263)</u>	<u>(59,792)</u>
<u>31,209</u>	<u>1,502</u>
<u>31,209</u>	<u>1,502</u>
56,887	(5,093)
9,024,188	47,042
<u>\$ 9,081,075</u>	<u>\$ 41,949</u>

(Continued)

**CITY OF CLYDE, OHIO
SANDUSKY COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2008

	Business-type Activities - Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 47,833	\$ (375,999)	\$ 1,338,498
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	590,831	265,509	264,122
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(43,256)	(14,233)	570,466
(Increase) decrease in materials and supplies inventory	(18,365)	627	7,638
(Increase) decrease in prepayments	(97)	1,366	716
Decrease in accounts payable	(4,004)	(7,486)	(7,124)
Increase in accrued wages and benefits	11,708	7,604	11,639
Increase (decrease) in in compensated absences payable	(18,921)	1,615	5,000
Decrease in pension obligation payable	(3,126)	(4,205)	(3,153)
Decrease in due to other governments			
Net cash provided by (used in) operating activities	<u>\$ 562,603</u>	<u>\$ (125,202)</u>	<u>\$ 2,187,802</u>

At December 31, 2008, the electric fund purchased \$341,982 in capital assets on account.
The sewer fund received \$149,498 in capital contributions from developers.
The sewer fund received \$35,747 in capital contributions from other funds.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 1,010,332	\$ 2,512
1,120,462	64,133
512,977	
(10,100)	(11,124)
1,985	156
(18,614)	(7,935)
30,951	6,532
(12,306)	587
(10,484)	(1,198)
	(466)
\$ 2,625,203	\$ 53,197

**CITY OF CLYDE, OHIO
SANDUSKY COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2008

		<u>Private-Purpose Trust</u>
Assets:		
Equity in pooled cash and cash equivalents.	\$	7,287
Receivables:		
Accrued interest.		33
		<hr/>
Total assets		7,320
		<hr/>
Net assets:		
Held in trust for private cemetery care	\$	7,320
		<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE, OHIO
SANDUSKY COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

	Private-Purpose Trust
Additions:	
Interest	\$ 295
Deductions:	
Cemetery care	21
Changes in net assets.	274
Net assets at the beginning of the year.	7,046
Net assets at the end of the year	\$ 7,320

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 1 - DESCRIPTION OF THE CITY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

JOINTLY GOVERNED ORGANIZATION

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

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

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

PUBLIC ENTITY RISK POOLS

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

Participation in BORMA is by written application subject to approval of the Board of Directors and the payment of premiums. Member cities must remain members for cycles of three years. A member may withdraw from a program by giving a forty day notice prior to the beginning of the next cycle. BORMA does not have any outstanding debt obligations as of December 31, 2008. Financial information may be obtained from Arthur J. Gallagher & Co., Crown Centre Building, 5505 Rockside Road, 10th Floor, Cleveland, Ohio 44131-2157.

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

B. Basis of Presentation - Fund Accounting

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

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

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

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

contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental functions are self-financing or draw from the general revenues of the City.

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

C. Fund Accounting

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

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

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

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

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

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

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

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

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

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

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary funds are charges for sales and services. Operating expenses for the enterprise funds include personnel and other expenses

related to the operations of the enterprise activities and operating expenses for the internal service fund include personnel costs, claims and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

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

E. Basis of Accounting

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

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

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

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

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

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2008, but which were levied to finance year 2009 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as unearned

revenue. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2008, are recorded as deferred revenue in the governmental funds.

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

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

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

F. Budgetary Data

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

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

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official Certificate of Estimated Resources, which states the

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

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

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

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

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

G. Cash and Cash Equivalents

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

During 2008, investments were limited to nonnegotiable certificates of deposit, U.S. government money market mutual funds and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio).

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

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2008. STAROhio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

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

with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's shares price which is the price the investment could be sold for on December 31, 2008.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2008 amounted to \$343,330, which included \$294,307 assigned from other funds of the City.

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

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

H. Inventories of Materials and Supplies

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

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

I. Restricted Assets

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

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

J. Capital Assets

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

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

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

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

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

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

K. Compensated Absences

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

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

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

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

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

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

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

L. Prepayments

Payments made to vendors for services that will benefit beyond December 31, 2008, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditures/expense in the year in which it was consumed.

M. Accrued Liabilities and Long-Term Obligations

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

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

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

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

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

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

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

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

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

O. Interfund Balances

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

P. Interfund Activity

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

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

Q. Fund Balance Reserves

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

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

R. Estimates

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

S. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements. During 2008, the enterprise funds received \$35,747 in capital contributions from governmental funds and \$149,498 in capital contributions from outside sources.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

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

T. Net Assets

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

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

U. Operation Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water, sewer and electric programs. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund.

V. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. During 2008, the City sold portions of several parcels of land. The proceeds of this transaction amount to \$161,362, which is recorded as a special item in the general fund. The net gain on this transaction is \$127,590, which is reported as a special item on the statement of activities. The City had no extraordinary items during 2008.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles

For 2008, the City has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Post-employment Benefits Other than Pensions", GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations" and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other post-employment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the City; however, certain disclosures related to post-employment benefits (see Note 16) have been modified to conform to the new reporting requirements.

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)

assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the City.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other post-employment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the City.

B. Restatement of Net Assets

The net assets of the business-type activities have been restated due to a reappraisal of electric infrastructure reported in the prior year. See Note 9 for details regarding the effects to capital assets as previously reported, which includes restating electric line infrastructure in the electric fund. The following is the effect on net assets previously reported as of December 31, 2007:

	Business-type Activities	Electric
Net assets, December 31, 2007	\$ 30,957,360	\$ 14,906,805
Adjustment for capital assets	(1,998,525)	(1,998,525)
Restated net assets, January 1, 2008	\$ 28,958,835	\$ 12,908,280

C. Deficit Fund Balance

	Deficit
<u>Nonmajor governmental fund</u>	
Recreation	\$ 1,696

This fund complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

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

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

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Cash on Hand

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

B. Deposits with Financial Institutions

At December 31, 2008, the carrying amount of all City deposits was \$6,594,959. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2008, \$5,394,494 of the City's bank balance of \$6,594,417 was exposed to custodial risk as discussed below, while \$1,199,923 was covered by the Federal Deposit Insurance Corporation.

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

C. Investments

As of December 31, 2008, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAROhio	\$ 2,365,009	\$ 2,365,009
U.S. Government Money Market Mutual Funds	1,353,134	1,353,134
	<u>\$ 3,718,143</u>	<u>\$ 3,718,143</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAROhio	\$ 2,365,009	63.61%
U.S. Government Money Market Mutual Funds	<u>1,353,134</u>	<u>36.39%</u>
	<u>\$ 3,718,143</u>	<u>100.00%</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2008:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 6,594,959
Investments	3,718,143
Cash on hand	<u>360</u>
Total	<u>\$ 10,313,462</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 1,225,100
Business-type activities	9,081,075
Private-purpose trust fund	<u>7,287</u>
Total	<u>\$ 10,313,462</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended December 31, 2008, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:	
General fund	\$ 135,000
Nonmajor governmental fund	438,957
Total transfers to nonmajor governmental funds	<u>573,957</u>
Transfers to electric fund from:	
General fund	388,651
Water fund	56,000
Sewer fund	24,000
Total transfers to electric fund	<u>468,651</u>
Total transfers	<u>\$1,042,608</u>

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

Transfers between governmental funds are eliminated on the government-wide statements. Transfers between enterprise funds are also eliminated on the government wide-statements. Transfers between governmental and business-type activities in the amount of \$424,398 appear on the statement of activities, which includes transfers of capital assets from governmental funds to proprietary funds in the amount of \$35,747.

- B. Due from/to other funds consisted of the following at December 31, 2008, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Electric	\$ 84,109
Total Due To/From Other Funds		<u>\$ 84,109</u>

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

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

NOTE 6 - PROPERTY TAXES (Continued)

percent of appraised market value. All property is required to be revaluated every six years. The last revaluation was completed in 2003. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

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

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2008-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The Sandusky County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Clyde. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2008 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2008 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue.

The full tax rate for all City operations for the year ended December 31, 2008 was \$3.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

NOTE 6 - PROPERTY TAXES (Continued)

Real property

Residential/agricultural	\$ 70,591,300
Commercial/industrial/mineral	31,031,330
Tangible personal property	10,044,985

Public utility

Real	10,940
Personal	<u>1,580,500</u>

Total assessed value	<u>\$ 113,259,055</u>
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NOTE 7 - LOCAL INCOME TAX

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

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Starting in 2008, corporations and other individual taxpayers are required to pay their estimated tax monthly and file a declaration annually.

Income tax proceeds are to be used to pay the cost of administering the tax. The first one percent of the income tax revenue is allocated 55% to the general fund and 45% to the permanent improvement fund, a nonmajor governmental fund. The additional one-half percent tax is placed in the general fund for municipal operations. Income tax revenue for 2008 was \$3,528,735 as reported in the fund financial statements.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2008, consisted of taxes, accounts (billings for user charged services), special assessments, accrued interest, and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as "due from other governments" on the basic financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2008, as well as intended to finance fiscal 2008 operations.

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

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

NOTE 8 – RECEIVABLES (Continued)

Governmental activities:

Income taxes	\$ 552,947
Real and other taxes	319,356
Accounts	20,710
Due from other governments	266,971
Special assessments	197,525
Accrued interest	41,793

Business-type activities:

Real and other taxes	84,479
Accounts	2,186,709

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

NOTE 9 - CAPITAL ASSETS

- A. The capital asset balances of the business-type activities have been restated due to an appraisal of the City's electric infrastructure during 2008. The effect on capital assets is as follows:

<u>Business-type activities:</u>	<u>Balance</u> <u>12/31/07</u>	<u>Adjustments</u>	<u>Restated</u> <u>Balance</u> <u>12/31/07</u>
Land	\$ 795,093		\$ 795,093
Construction in progress	1,281,891		1,281,891
Land improvements	560,365		560,365
Buildings and improvements	12,779,371		12,779,371
Equipment	6,431,899		6,431,899
Vehicles	635,123		635,123
Infrastructure	24,223,499	\$ (1,801,828)	22,421,671
Less: accumulated depreciation	<u>(14,736,150)</u>	<u>(196,697)</u>	<u>(14,932,847)</u>
Total	<u>\$ 31,971,091</u>	<u>\$ (1,998,525)</u>	<u>\$ 29,972,566</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

NOTE 9 - CAPITAL ASSETS - (Continued)

B. Capital asset activity for the year ended December 31, 2008 was as follows:

<u>Governmental activities:</u>	<u>Balance 12/31/07</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 12/31/08</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 932,596	\$ 339,683	\$ (33,772)	\$ 1,238,507
Construction in progress	222,048	2,139,536	(1,882,360)	479,224
Total capital assets, not being depreciated	<u>1,154,644</u>	<u>2,479,219</u>	<u>(1,916,132)</u>	<u>1,717,731</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	920,327	1,447,697		2,368,024
Buildings and improvements	2,654,451	558,224	(48,315)	3,164,360
Equipment	895,779	95,271	(7,074)	983,976
Vehicles	2,719,485	60,133	(84,990)	2,694,628
Infrastructure	<u>17,708,849</u>			<u>17,708,849</u>
Total capital assets, being depreciated	<u>24,898,891</u>	<u>2,161,325</u>	<u>(140,379)</u>	<u>26,919,837</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(763,696)	(48,243)		(811,939)
Buildings and improvements	(1,556,121)	(76,696)	41,468	(1,591,349)
Equipment	(522,334)	(55,845)	1,416	(576,763)
Vehicles	(1,638,039)	(183,459)	58,027	(1,763,471)
Infrastructure	<u>(5,397,264)</u>	<u>(449,185)</u>		<u>(5,846,449)</u>
Total accumulated depreciation	<u>(9,877,454)</u>	<u>(813,428)</u>	<u>100,911</u>	<u>(10,589,971)</u>
Total capital assets, being depreciated, net	<u>15,021,437</u>	<u>1,347,897</u>	<u>(39,468)</u>	<u>16,329,866</u>
Governmental activities capital assets, net	<u>\$ 16,176,081</u>	<u>\$ 3,827,116</u>	<u>\$ (1,955,600)</u>	<u>\$ 18,047,597</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

NOTE 9 - CAPITAL ASSETS - (Continued)

	Restated Balance 12/31/07	Additions	Disposals	Balance 12/31/08
<u>Business-type activities:</u>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 795,093			\$ 795,093
Construction in progress	<u>1,281,891</u>	<u>\$ 1,219,091</u>	<u>\$ (240,848)</u>	<u>2,260,134</u>
Total capital assets, not being depreciated	<u>2,076,984</u>	<u>1,219,091</u>	<u>(240,848)</u>	<u>3,055,227</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	560,365	19,763		580,128
Buildings and improvements	12,779,371	14,836		12,794,207
Equipment	6,431,899	50,601		6,482,500
Vehicles	635,123	39,258		674,381
Infrastructure	<u>22,421,671</u>	<u>307,384</u>		<u>22,729,055</u>
Total capital assets, being depreciated	<u>42,828,429</u>	<u>431,842</u>		<u>43,260,271</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(459,277)	(15,947)		(475,224)
Buildings and improvements	(4,944,009)	(407,531)		(5,351,540)
Equipment	(4,520,448)	(259,348)		(4,779,796)
Vehicles	(507,911)	(51,951)		(559,862)
Infrastructure	<u>(4,501,202)</u>	<u>(385,685)</u>		<u>(4,886,887)</u>
Total accumulated depreciation	<u>(14,932,847)</u>	<u>(1,120,462)</u>		<u>(16,053,309)</u>
Total capital assets, being depreciated, net	<u>27,895,582</u>	<u>(688,620)</u>		<u>27,206,962</u>
Business-type activities capital assets, net	<u>\$ 29,972,566</u>	<u>\$ 530,471</u>	<u>\$ (240,848)</u>	<u>\$ 30,262,189</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

NOTE 9 - CAPITAL ASSETS - (Continued)

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

Governmental activities:

General government	\$ 18,399
Security of persons and property	174,401
Public health and welfare	100,519
Transportation	449,185
Community environment	6,791
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the asse	<u>64,133</u>
Total depreciation expense - governmental activities	<u>\$ 813,428</u>

Business-type activities:

Water	\$ 590,831
Sewer	265,509
Electric	<u>264,122</u>
Total depreciation expense - business-type activities	<u>\$ 1,120,462</u>

NOTE 10 - OTHER EMPLOYEE BENEFITS

Compensated Absences

City employees earn vacation leave at varying rates based upon length of service. In the case of death or retirement, an employee (or his estate) is paid for unused vacation leave. The total obligation for vacation leave for the City as a whole amounted to \$35,492 at December 31, 2008. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

City employees may accumulate up to 120 hours of compensatory time at time and a-half in lieu of direct pay of overtime hours worked. The total obligation for compensatory time accrual for the City as a whole amounted to \$27,915 at December 31, 2008. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

City employees earn sick leave at the rate of one and one-fourth days per month up to 120 hours per year. Upon retirement a nonunion employee is paid for forty percent of accumulated sick leave up to a maximum equal 130 days of 1040 hours. A union employee is paid fifty percent of accumulated sick leave up to a maximum of 150 days or 1200 hours, except the fire department employees, who are part-time and do not accumulate sick leave. The total obligation for sick leave accrual for the City as a whole amounted to \$229,132 at December 31, 2008. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE

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

Capital assets consisting of two police cruisers have been capitalized in the amount of \$47,650 in the governmental activities. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2008 was \$14,891, leaving a book value of \$32,759.

Principal and interest payments in 2008 totaled \$15,868 and \$898, respectively, which was paid from the general fund. Capital lease payments in the general fund have been reclassified on the financial statements to reflect debt principal and interest payments. These payments are reported as program expenditures on the budgetary statement. The capital lease obligation was retired during 2008.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

NOTE 12 - LONG-TERM OBLIGATIONS

- A. During fiscal year 2008, the following changes occurred in the City's governmental activities long-term obligations:

Governmental activities:	<u>Interest Rate</u>	<u>Balance 12/31/07</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/08</u>	<u>Amount Due in One Year</u>
<u>General Obligation Debt:</u>						
Woodland/Premier	2.00% -					
General obligation bonds	4.15%	\$ 515,000		\$ (100,000)	\$ 415,000	\$ 100,000
Vine/Main Street improvement	1.70% -					
General obligation bonds	5.00%	<u>2,760,000</u>		<u>(195,000)</u>	<u>2,565,000</u>	<u>205,000</u>
Total general obligation debt		<u>\$ 3,275,000</u>		<u>\$ (295,000)</u>	<u>\$ 2,980,000</u>	<u>\$ 305,000</u>
<u>Loans:</u>						
Fire rescue truck loan	3.84%	\$ 231,538		\$ (49,059)	\$ 182,479	\$ 50,982
Fire pumper truck loan	4.14%	362,564		(51,811)	310,753	54,064
Land loan	5.00%		\$ 169,841		169,841	56,614
Total loans		<u>\$ 594,102</u>	<u>\$ 169,841</u>	<u>\$ (100,870)</u>	<u>\$ 663,073</u>	<u>\$ 161,660</u>
<u>Other obligations:</u>						
Police pension liability	N/A	\$ 74,877		\$ (1,480)	\$ 73,397	\$ 1,544
Bond anticipation note	3.10%		\$ 1,600,000		1,600,000	1,600,000
Capital lease obligation	N/A	15,868		(15,868)		
Compensated absences		<u>114,122</u>	<u>147,793</u>	<u>(107,842)</u>	<u>154,073</u>	<u>28,388</u>
Total other obligations		<u>\$ 204,867</u>	<u>\$ 1,747,793</u>	<u>\$ (125,190)</u>	<u>\$ 1,827,470</u>	<u>\$ 1,629,932</u>
Total governmental activities long-term obligations		<u>\$ 4,073,969</u>	<u>\$ 1,917,634</u>	<u>\$ (521,060)</u>	<u>\$ 5,470,543</u>	<u>\$ 2,096,592</u>

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

In prior years, the City defeased the Main Street general obligation bond by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the City's financial statements. At December 31, 2008, \$365,000 of this debt was still outstanding.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

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

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

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

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

Bond Anticipation Note: On November 12, 2008, the City issued a \$1,600,000 bond anticipation note. The proceeds of this note were used to retire the bond anticipation note detailed in Note 13. Since this note has been refinanced before the issuance of the financial statements (see Note 21), according to FASB Statement No. 6 "Classification of Short-Term Obligations Expected to be Refinanced" this note is reported as a long-term obligation. This note matures on May 12, 2009 and bears an interest rate of 3.1%. Payment of this note will be made from the general fund, which is the fund that received the proceeds.

Capital Lease Obligation: The capital lease obligation was paid from the general fund. See Note 11 for more detail.

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

- B.** The annual requirements amortize governmental activities long-term obligations outstanding as of December 31, 2008, are as follows:

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Year Ending December 31,	Vine/Main Street G.O. Bonds			Woodland/Premier G.O. Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 205,000	\$ 116,540	\$ 321,540	\$ 100,000	\$ 16,622	\$ 116,622
2010	210,000	108,442	318,442	100,000	12,822	112,822
2011	220,000	99,937	319,937	100,000	8,823	108,823
2012	225,000	90,697	315,697	115,000	4,773	119,773
2013	140,000	81,248	221,248			
2014 - 2018	785,000	306,467	1,091,467			
2019 - 2022	780,000	99,350	879,350			
Total	<u>\$ 2,565,000</u>	<u>\$ 902,681</u>	<u>\$ 3,467,681</u>	<u>\$ 415,000</u>	<u>\$ 43,040</u>	<u>\$ 458,040</u>

Year Ending December 31,	Police Pension			Fire Rescue/Pumper Truck Loans		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 1,544	\$ 3,103	\$ 4,647	\$ 105,046	\$ 18,251	\$ 123,297
2010	1,610	3,037	4,647	109,323	13,974	123,297
2011	1,679	2,968	4,647	113,775	9,522	123,297
2012	1,751	2,896	4,647	84,802	5,224	90,026
2013	1,827	2,820	4,647	63,891	2,370	66,261
2014 - 2018	10,380	12,854	23,234	16,395	170	16,565
2019 - 2023	12,808	10,426	23,234			
2024 - 2028	15,805	7,427	23,232			
2029 - 2033	19,504	3,730	23,234			
2034 - 2035	6,489	273	6,762			
Total	<u>\$ 73,397</u>	<u>\$ 49,534</u>	<u>\$ 122,931</u>	<u>\$ 493,232</u>	<u>\$ 49,511</u>	<u>\$ 542,743</u>

Year Ending December 31,	Land Loan		
	Principal	Interest	Total
2009	\$ 56,614	\$ 8,492	\$ 65,106
2010	56,613	5,661	62,274
2011	56,614	2,831	59,445
Total	<u>\$ 169,841</u>	<u>\$ 16,984</u>	<u>\$ 186,825</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

- C. During fiscal year 2008, the following changes occurred in the City's business-type activities long-term obligations:

Business-type activities:	Interest Rate	Balance 12/31/07	Additions	Retirements	Balance 12/31/08	Amount Due in One Year
<u>Mortgage revenue bonds:</u>						
Electric system mortgage revenue refunding bonds, series 1998	4.00%- 5.25%	\$ 2,350,000		\$ (280,000)	\$ 2,070,000	\$ 295,000
Total mortgage revenue bonds		2,350,000		(280,000)	2,070,000	295,000
<u>OWDA loans:</u>						
Sewer plant OWDA loan	3.90%	445,536		(23,370)	422,166	24,290
Sewer sludge dewatering improvements	3.25%	508,837		(20,477)	488,360	21,148
Water system OWDA loan	2.00%	1,105,242		(63,865)	1,041,377	65,149
Total OWDA loans		2,059,615		(107,712)	1,951,903	110,587
<u>General obligation bonds:</u>						
Water system general obligation bonds series 1997	3.00%- 6.30%	5,055,000		(80,000)	4,975,000	80,000
Electric system G.O. refunding bonds	2.00%- 4.125%	2,850,000		(365,000)	2,485,000	380,000
Total general obligation bonds		7,905,000		(445,000)	7,460,000	460,000
<u>Revenue bonds:</u>						
Water system improvement revenue bonds	2.10%- 4.65%	785,000		(140,000)	645,000	150,000
Total revenue bonds		785,000		(140,000)	645,000	150,000
<u>Other obligations:</u>						
Compensated absences		150,772	\$ 114,308	(126,614)	138,466	35,019
Total other obligations		150,772	114,308	(126,614)	138,466	35,019
Total business-type activities long-term obligations		<u>\$ 13,250,387</u>	<u>\$ 114,308</u>	<u>\$ (1,099,326)</u>	12,265,369	<u>\$ 1,050,606</u>
Unamortized deferred charges on refundings					(255,917)	
Unamortized premium on bonds					11,765	
Total on statement of net assets					<u>\$ 12,021,217</u>	

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

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

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

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

In prior years, the City defeased electric system mortgage revenue bonds, Series B by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the City's financial statements. At December 31, 2008, \$2,840,000 of this debt was still outstanding.

The City has pledged future electric customer revenues, net of specified operating expenses, to repay the Series 1998 electric system mortgage revenue refunding bonds. The Series 1998 electric system mortgage revenue refunding bonds are payable solely from electric customer net revenues and are payable through 2014. The total principal and interest remaining to be paid on the Series 1998 electric system mortgage revenue refunding bonds is \$2,525,700. Principal and interest paid for the current year and total customer net revenues were \$421,000 and \$2,187,802, respectively.

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

On May 13, 2004, the City issued \$4,345,000 in electric system refunding bonds to currently refund the callable portion of the 1993 electric system bonds (principal \$4,530,000; interest rate 3.0%-6.30%). The refunded debt is considered defeased (insubstance) and accordingly, has been removed from the statement of net assets. The principal balance of the electric and water system refunding bonds at December 31, 2008 was \$2,485,000 and \$4,975,000, respectively.

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

OWDA Loans: The City has entered into debt financing arrangements through the Ohio Water Development Authority (OWDA) to fund construction projects. The amounts due to the OWDA are payable from water and sewer revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2008, the City has outstanding borrowings of \$1,951,903.

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

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

The City has pledged future water customer revenues, net of specified operating expenses, to repay the Series 2002 water system improvement revenue bonds. The Series 2002 water system improvement revenue bonds are payable solely from water customer net revenues and are payable through 2012. The total principal and interest remaining to be paid on the Series 2002 water system improvement revenue bonds is \$705,822. Principal and interest paid for the current year and total customer net revenues were \$171,863 and \$562,603, respectively.

- D. The annual requirements amortize business-type activities long-term obligations outstanding as of December 31, 2008, are as follows:

Year Ending December 31,	Electric Revenue Bonds			OWDA Loans		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 295,000	\$ 124,200	\$ 419,200	\$ 110,587	\$ 52,464	\$ 163,051
2010	315,000	106,500	421,500	113,545	49,506	163,051
2011	335,000	87,600	422,600	116,592	46,459	163,051
2012	355,000	67,500	422,500	119,727	43,324	163,051
2013	375,000	46,200	421,200	122,954	40,097	163,051
2014 - 2018	395,000	23,700	418,700	666,624	148,633	815,257
2019 - 2023				614,917	53,907	668,824
2024 - 2026				86,957	5,241	92,198
Total	<u>\$ 2,070,000</u>	<u>\$ 455,700</u>	<u>\$ 2,525,700</u>	<u>\$ 1,951,903</u>	<u>\$ 439,631</u>	<u>\$ 2,391,534</u>

Year Ending December 31,	Electric General Obligation Refunding Bonds			Water Improvement General Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 380,000	\$ 96,689	\$ 476,689	\$ 80,000	\$ 247,750	\$ 327,750
2010	390,000	83,389	473,389	85,000	243,750	328,750
2011	405,000	68,764	473,764	90,000	239,375	329,375
2012	420,000	52,969	472,969	95,000	234,875	329,875
2013	435,000	36,169	471,169	100,000	230,000	330,000
2014 - 2018	455,000	18,769	473,769	580,000	1,069,125	1,649,125
2019 - 2023				745,000	906,375	1,651,375
2024 - 2028				950,000	698,125	1,648,125
2029 - 2033				1,210,000	432,250	1,642,250
2034 - 2037				1,040,000	106,125	1,146,125
Total	<u>\$ 2,485,000</u>	<u>\$ 356,749</u>	<u>\$ 2,841,749</u>	<u>\$ 4,975,000</u>	<u>\$ 4,407,750</u>	<u>\$ 9,382,750</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Year Ending December 31,	Water System		
	<u>Improvement Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 150,000	\$ 25,768	\$ 175,768
2010	155,000	19,093	174,093
2011	165,000	11,891	176,891
2012	175,000	4,070	179,070
Total	<u>\$ 645,000</u>	<u>\$ 60,822</u>	<u>\$ 705,822</u>

E. Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2008, the City's total debt margin was \$7,861,498 and the unvoted debt margin was \$5,676,039.

NOTE 13 - NOTE PAYABLE

The City had the following note activity during fiscal 2008:

	<u>Interest</u>	<u>Issue</u>	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
	<u>Rate</u>	<u>Date</u>	<u>12/31/07</u>	<u>12/31/08</u>	<u>12/31/08</u>	<u>12/31/08</u>
Swimming pool construction	3.70%	11/15/07	\$ 1,600,000		\$ (1,600,000)	

On November 15, 2007, the City issued \$1,600,000 in general obligation bond anticipation notes to construct a new swimming pool. These notes bore an interest rate of 3.70% and matured November 13, 2008. Since these notes were not financed on a long-term basis prior to the issuance of the 2007 financial statements, they were recorded as a fund liability of the general fund, which is the fund that received the proceeds. These notes were retired with the proceeds of the bond anticipation note discussed in Note 12.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

NOTE 14 - RISK MANAGEMENT

A. Property and Casualty Insurance

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees.

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

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

Casualty Coverage

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

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

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

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

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

NOTE 14 - RISK MANAGEMENT - (Continued)

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

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

Financial Position

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

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

At December 31, 2007 and 2006 (the latest information available), respectively, casualty coverage liabilities noted above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member political subdivisions in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The City's share of these unpaid claims collectible in future years is approximately \$109,000. This payable includes the subsequent year's contribution due if it terminates participation, as described in the last paragraph below.

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

<u>Contributions to PEP</u>	
2006	\$123,309
2007	\$107,176
2008	\$94,211

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

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

NOTE 14 - RISK MANAGEMENT - (Continued)

B. Employee Health Insurance

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

The pool is for employee benefits and includes life insurance, accidental death and dismemberment insurance, health insurance and prescription drug insurance. Each member has an option on the coverage it has elected to provide for its employees. The City provides, to its employees, all available options offered by the pool. The employee benefits pools include the following municipalities: Archbold, Bowling Green, Carey, Clyde, Defiance, Fayette, Hicksville, Napoleon, Oberlin, Sandusky, Upper Sandusky and Willard. As of December 31, 2007 (latest information available), the pool had cash reserves of \$4,524,809 which, in the opinion of management, is adequate for any claims against the pool.

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

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

NOTE 15 - PENSION PLANS

A. Ohio Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

NOTE 15 - PENSION PLANS - (Continued)

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

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2008, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2008 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.1%.

The City's contribution rate for 2008 was 14.00%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.40% of covered payroll.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2008, 2007, and 2006 were \$205,065, \$237,155, and \$252,521, respectively; 87.48% has been contributed for 2008 and 100% has been contributed for 2007 and 2006.

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$90,758 and \$18,974 for the year ended December 31, 2008, \$54,584 and \$47,144 for the year ended December 31, 2007, and \$50,378 and \$44,440 for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 85.09% has been contributed for 2008 with the remainder being recorded as a liability within the respective funds.

NOTE 16 - POST-EMPLOYMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

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

B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14.00% of covered payroll and 17.40% for public safety and law enforcement. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units and 18.1% of covered payroll for law and public safety employer units. Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment healthcare for 2008 was 7.00% of covered payroll.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were \$205,065, \$156,210, and \$123,516, respectively; 87.48% has been contributed for 2008 and 100% has been contributed for 2007 and 2006.

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

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

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

B. Ohio Police and Fire Pension Fund

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

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person.

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

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

The OP&F's post-employment healthcare plan was established and is administered as an Internal Revenue Code Section 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2008, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$48,048 and \$7,424 for the year ended December 31, 2008, \$28,897 and \$18,448 for the year ended December 31, 2007, and

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

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

\$33,168 and \$21,203 for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 85.09% has been contributed for 2008 with the remainder being recorded as a liability within the respective funds.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balance

	<u>General</u>
Budget basis	\$ (2,176,092)
Net adjustment for revenue accruals	(397,625)
Net adjustment for expenditure accruals	1,515,643
Net adjustment for other sources/uses	157,497
Adjustment for encumbrances	57,460
GAAP basis	\$ (843,117)

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

NOTE 18 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2008.

B. Litigation

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

NOTE 19 - MASTER LEASE-PURCHASE AND SUBLEASE PURCHASE AGREEMENT

To provide for the acquisition, construction, equipping, improvement and installing of a new hospital in Bellevue, Ohio and to retire the Bellevue Hospital Series 2002 note, the City has authorized a master lease-purchase and sublease-purchase agreement dated July 1, 2003, with Fifth Third Bank, and the Bellevue Hospital in a principal amount of \$10,000,000. The agreement includes a statement to the effect that the City's obligations thereunder, which constitute "revenue obligations" within the meaning of Section 140.06 of the Act, are not obligations, debt or bonded indebtedness of the City. As of December 31, 2008 the principal outstanding aggregated \$9,026,863.

NOTE 20 – CONTRACTS

The City has a contract outstanding as of December 31, 2008 in the amount of \$594,709 for an Electric Substation and Transmission Line Construction Project.

NOTE 21 - SUBSEQUENT EVENT

On May 11, 2009, the City issued a bond anticipation note in the amount of \$3,280,000. This note bears an interest rate of 3.5% and matures on May 10, 2010. The proceeds of this note were used to retire the bond anticipation note described in Note 12 and to finance the construction of the Light and Power service building.

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Mary Taylor, CPA

Auditor of State

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

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

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clyde, Sandusky County, (the City) as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 8, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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



Mary Taylor, CPA
Auditor of State

October 8, 2009

**CITY OF CLYDE
SANDUSKY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Material Weakness – Capital Assets	Yes	
2007-002	Weakness in Financial Reporting	Yes	



Mary Taylor, CPA
Auditor of State

CITY OF CLYDE
SANDUSKY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 5, 2009