



Dave Yost • Auditor of State



**CITY OF CLYDE  
SANDUSKY COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clyde, Sandusky County, Ohio (the City), as of and for the year ended December 31, 2011, 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, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparisons for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during 2011 City of Clyde, Sandusky County, Ohio, adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

**Dave Yost**  
Auditor of State

November 28, 2012

**CITY OF CLYDE  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
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, 2011. 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 2011 are as follows:

- The total net assets of the City increased \$432,178. Net assets of governmental activities increased \$378,414 or 2.57% over restated 2010 net assets and net assets of business-type activities increased \$53,764 or 0.18% over restated 2010 net assets.
- General revenues accounted for \$4,619,475 or 82.10% of total governmental activities revenue. Program specific revenues accounted for \$1,007,678 or 17.90% of total governmental activities revenue of \$5,627,153.
- The City had \$5,235,695 in expenses related to governmental activities; \$1,007,678 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$4,228,017 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$4,619,475.
- The general fund had revenues and other financing sources of \$4,045,580 in 2011. This represents a decrease of \$510,234 from 2010 revenues and other financing sources. The expenditures and other financing uses of the general fund, which totaled \$4,054,176 in 2011, represent an increase of \$301,510 from 2010. The net decrease in fund balance for the general fund was \$8,596 or 0.70%.
- The permanent improvement fund had revenues of \$1,196,885 in 2011. This represents a decrease of \$1,964,921 from 2010 revenues and other financing sources. The expenditures and other financing uses of the permanent improvement fund, which totaled \$2,699,993 in 2011, represent a decrease of \$538,563 from 2010 expenditures and other financing uses. The net decrease in fund balance for the permanent improvement fund was \$1,503,108 or 298.43%.
- Net assets for the business-type activities, which are made up of the water, sewer, and electric enterprise funds, increased in 2011 by \$53,764.
- In the general fund, the actual revenues and other financing sources came in over the final budgeted revenues and other financing sources by \$26,422 and actual expenditures and other financing uses were \$363,169 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues were unchanged during the year. Total budgeted expenditures and other financing uses were also unchanged during the year.

**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.

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.

**CITY OF CLYDE  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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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 2011?" 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.

***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.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
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Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

***Proprietary Funds***

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

***Fiduciary Funds***

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

***Notes to the Basic Financial Statements***

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

**Government-wide Financial Analysis**

The table below provides a summary of the City's net assets for 2011 and 2010. Certain capital asset amounts and net asset classifications have been restated in the governmental and business-type activities for 2010 to conform to 2011 presentation in accordance with GASB Statement No. 54.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
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	<b>Net Assets</b>					
	Governmental Activities 2011	Business-type Activities 2011	Restated Governmental Activities 2010	Restated Business-type Activities 2010	2011 Total	Restated 2010 Total
<b>Assets:</b>						
Current and other assets	\$ 3,653,920	\$ 12,840,641	\$ 3,593,246	\$ 12,375,870	\$ 16,494,561	\$ 15,969,116
Capital assets, net	<u>16,175,953</u>	<u>29,745,508</u>	<u>16,467,496</u>	<u>31,128,400</u>	<u>45,921,461</u>	<u>47,595,896</u>
Total assets	<u>19,829,873</u>	<u>42,586,149</u>	<u>20,060,742</u>	<u>43,504,270</u>	<u>62,416,022</u>	<u>63,565,012</u>
<b>Liabilities:</b>						
Long-term liabilities outstanding	2,443,818	9,226,482	4,615,791	11,136,521	11,670,300	15,752,312
Other liabilities	<u>2,239,610</u>	<u>2,498,425</u>	<u>676,920</u>	<u>1,560,271</u>	<u>4,738,035</u>	<u>2,237,191</u>
Total liabilities	<u>4,683,428</u>	<u>11,724,907</u>	<u>5,292,711</u>	<u>12,696,792</u>	<u>16,408,335</u>	<u>17,989,503</u>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	12,233,701	19,954,455	11,967,019	19,997,094	32,188,156	31,964,113
Restricted	675,692	1,635,836	1,333,929	1,631,346	2,311,528	2,965,275
Unrestricted	<u>2,237,052</u>	<u>9,270,951</u>	<u>1,467,083</u>	<u>9,179,038</u>	<u>11,508,003</u>	<u>10,646,121</u>
Total net assets	<u>\$ 15,146,445</u>	<u>\$ 30,861,242</u>	<u>\$ 14,768,031</u>	<u>\$ 30,807,478</u>	<u>\$ 46,007,687</u>	<u>\$ 45,575,509</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2011, the City's assets exceeded liabilities by \$46,007,687. At year-end, net assets were \$15,146,445 and \$30,861,242 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 73.58% 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, 2011, were \$12,233,701 and \$19,954,455 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, 2011, 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, \$2,311,528, 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 \$2,237,052 in the governmental activities may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net assets for 2011 and 2010.

**CITY OF CLYDE  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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	<b>Change in Net Assets</b>					
	Governmental Activities 2011	Business-type Activities 2011	Governmental Activities 2010	Business-type Activities 2010	2011 Total	2010 Total
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 386,638	\$ 21,433,117	\$ 368,721	\$ 21,932,198	\$ 21,819,755	\$ 22,300,919
Operating grants and contribution	426,231		384,294		426,231	384,294
Capital grants and contributions	194,809		302,236		194,809	302,236
<b>Total program revenues</b>	<b>1,007,678</b>	<b>21,433,117</b>	<b>1,055,251</b>	<b>21,932,198</b>	<b>22,440,795</b>	<b>22,987,449</b>
General revenues:						
Property taxes	302,917		391,024		302,917	391,024
Income taxes	3,686,758		4,141,865		3,686,758	4,141,865
Other taxes	257,802		257,696		257,802	257,696
Unrestricted grants and entitlements	293,673		360,232		293,673	360,232
Investment earnings	43,801		70,931	2	43,801	70,933
Gain on sale of capital assets			62,036			62,036
Miscellaneous	34,524	61,767	60,098	29,557	96,291	89,655
<b>Total general revenues</b>	<b>4,619,475</b>	<b>61,767</b>	<b>5,343,882</b>	<b>29,559</b>	<b>4,681,242</b>	<b>5,373,441</b>
<b>Total revenues</b>	<b>5,627,153</b>	<b>21,494,884</b>	<b>6,399,133</b>	<b>21,961,757</b>	<b>27,122,037</b>	<b>28,360,890</b>
<b>Expenses:</b>						
General government	974,256		1,032,261		974,256	1,032,261
Security of persons and property	1,992,071		2,004,026		1,992,071	2,004,026
Public health and welfare	671,670		633,989		671,670	633,989
Transportation	751,766		764,255		751,766	764,255
Community environment	483,010		388,025		483,010	388,025
Leisure time activity	214,640		234,876		214,640	234,876
Interest and fiscal charges	148,282		207,205		148,282	207,205
Water		2,557,365		2,627,814	2,557,365	2,627,814
Sewer		2,049,743		1,933,086	2,049,743	1,933,086
Electric		16,632,788		18,361,204	16,632,788	18,361,204
<b>Total expenses</b>	<b>5,235,695</b>	<b>21,239,896</b>	<b>5,264,637</b>	<b>22,922,104</b>	<b>26,475,591</b>	<b>28,186,741</b>
Change in net assets before transfers and extraordinary item	391,458	254,988	1,134,496	(960,347)	646,446	174,149
Extraordinary item		(214,268)			(214,268)	
Transfers	(13,044)	13,044	(832,110)	832,110		
<b>Change in net assets</b>	<b>378,414</b>	<b>53,764</b>	<b>302,386</b>	<b>(128,237)</b>	<b>432,178</b>	<b>174,149</b>
<b>Net assets at beginning of year</b>	<b>14,768,031</b>	<b>30,807,478</b>	<b>14,465,645</b>	<b>30,935,715</b>	<b>45,575,509</b>	<b>45,401,360</b>
<b>Net assets at end of year</b>	<b>\$ 15,146,445</b>	<b>\$ 30,861,242</b>	<b>\$ 14,768,031</b>	<b>\$ 30,807,478</b>	<b>\$ 46,007,687</b>	<b>\$ 45,575,509</b>

**Governmental Activities**

Governmental activities net assets increased \$378,414 in 2011. The increase is mainly a result of a decrease in the amount of transfers out from the governmental activities to the business-type activities.

Security of persons and property, which primarily supports the operations of the police and fire departments, had expenses of \$1,992,071, which accounted for 38.05% of the total governmental

**CITY OF CLYDE  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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activities expenses of the City. These expenses were partially funded by \$164,696 in direct charges to users of the services. General government expenses totaled \$974,256, which was partially funded by \$78,115 in direct charges to users of the services and \$41,815 in capital grants and contributions.

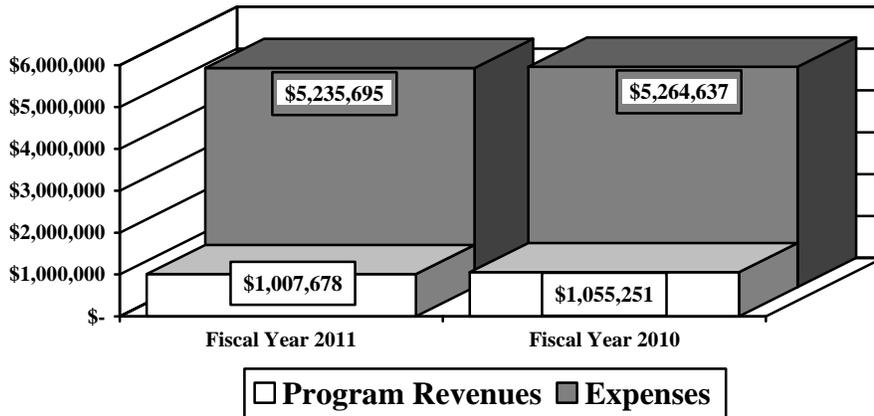
The State and federal government contributed to the City a total of \$426,231 in operating grants and contributions and \$194,809 in capital grants and contributions. These revenues are restricted to a particular program or purpose. \$323,294 of the operating grants and contributions received subsidized transportation programs.

General revenues totaled \$4,619,475 and amounted to 82.10% of total governmental revenues. These revenues primarily consist of property, kilowatt hour and income tax revenue of \$4,247,477. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government revenue and property tax reimbursements, making up \$293,673.

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 2011 and 2010.

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



**CITY OF CLYDE  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
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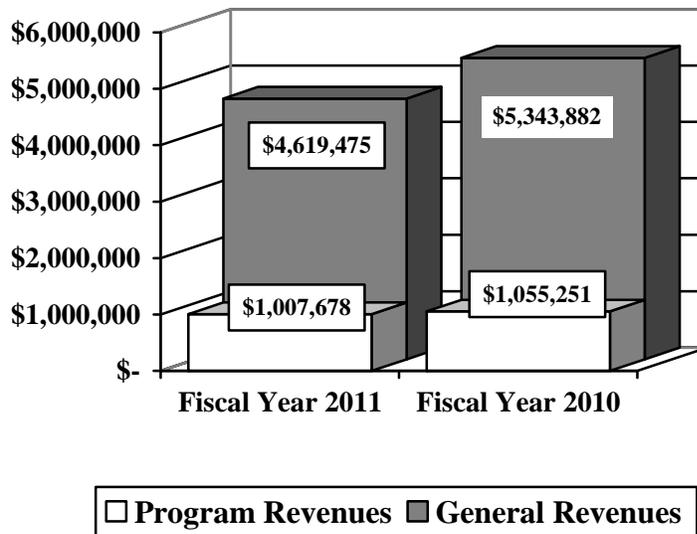
The following table shows the cost of services and net cost of services of the governmental activities for 2011 and 2010.

	<b>Governmental Activities</b>			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2011	2011	2010	2010
<b>Program expenses:</b>				
General government	\$ 974,256	\$ 854,326	\$ 1,032,261	\$ 909,834
Security of persons and property	1,992,071	1,827,301	2,004,026	1,855,821
Public health and welfare	671,670	586,543	633,989	573,508
Transportation	751,766	275,478	764,255	181,106
Community environment	483,010	457,133	388,025	344,861
Leisure time activity	214,640	78,954	234,876	137,051
Interest and fiscal charges	148,282	148,282	207,205	207,205
<b>Total</b>	<b>\$ 5,235,695</b>	<b>\$ 4,228,017</b>	<b>\$ 5,264,637</b>	<b>\$ 4,209,386</b>

The dependence upon general revenues for governmental activities is apparent, with 80.76% and 79.96% of expenses supported through taxes and other general revenues for 2011 and 2010, respectively.

The following graph shows general and program revenues of governmental activities for 2011 and 2010.

**Governmental Activities – General and Program Revenues**



**CITY OF CLYDE  
SANDUSKY COUNTY**

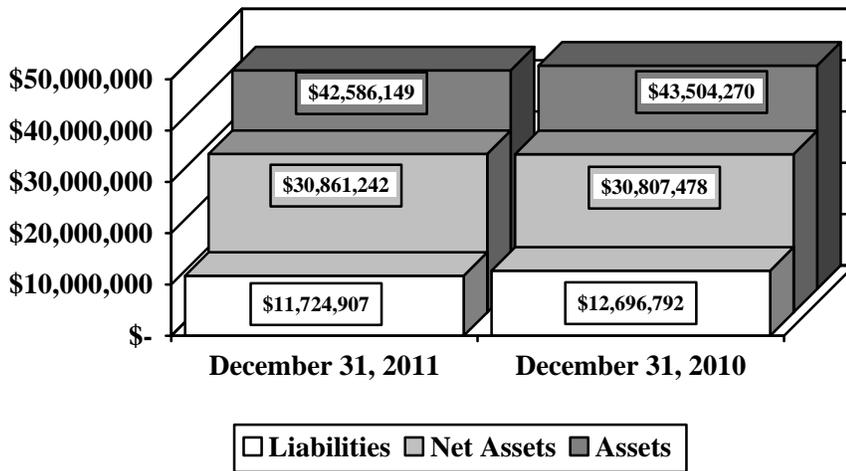
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Business-type Activities**

Business-type activities include the water, sewer, and electric enterprise funds. These programs had program revenues of \$21,433,117, general revenues of \$61,767, transfers from governmental activities of \$13,044, extraordinary item costs of \$214,268 and expenses of \$21,239,896 for 2011. The water fund had expenses of \$2,557,365, which were entirely funded by user charges for services of \$2,598,068. The sewer fund had expenses of \$2,049,743, which were 88.15% funded by user charges for services of \$1,806,900. The electric fund had expenses of \$16,632,788, which were fully funded by user charges for services of \$17,028,149. General revenues of the business-type activities increased \$32,208, which is mostly due to adjustments made to account for the City's reappraisal of capital assets. See Note 9 for detail.

The graph below shows the business-type activities assets, liabilities and net assets at December 31, 2011 and 2010.

**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 \$876,902, which is \$1,439,210 less than the previous year's fund balance of \$2,316,112. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2011 for all major and nonmajor governmental funds. The fund balances of the City were restated at December 31, 2010 as described in Note 3.B to the basic financial statements.

**CITY OF CLYDE  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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	Fund Balances (deficit) <u>12/31/11</u>	Restated Fund Balances <u>12/31/10</u>	Increase (Decrease) <u></u>
<b>Major fund:</b>			
General	\$ 1,228,760	\$ 1,237,356	\$ (8,596)
Permanent improvement	(999,436)	503,672	(1,503,108)
Nonmajor governmental funds	<u>647,578</u>	<u>575,084</u>	<u>72,494</u>
<b>Total</b>	<b><u>\$ 876,902</u></b>	<b><u>\$ 2,316,112</u></b>	<b><u>\$ (1,439,210)</u></b>

**General Fund**

The City's general fund balance decreased \$8,596, primarily due to transfers out to other funds. The table that follows assists in illustrating the revenues of the general fund.

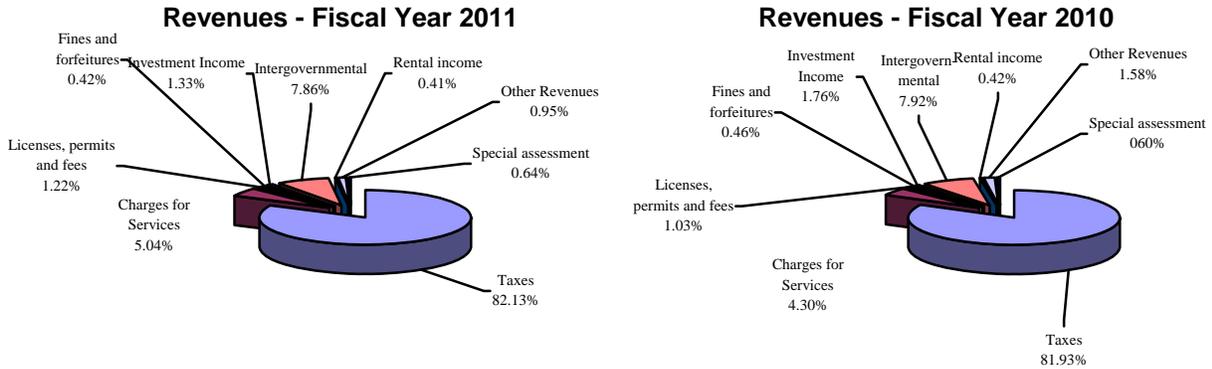
	<u>2011 Amount</u>	<u>2010 Amount</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Taxes	\$ 3,270,451	\$ 3,588,339	(8.86) %
Charges for services	200,610	188,459	6.45 %
Licenses, permits and fees	48,389	45,050	7.41 %
Fines and forfeitures	16,565	20,060	(17.42) %
Special assessments	25,695	26,148	(1.73) %
Intergovernmental	313,118	346,758	(9.70) %
Investment income	53,112	77,031	(31.05) %
Rental income	16,194	18,404	(12.01) %
Other	<u>37,811</u>	<u>69,248</u>	(45.40) %
<b>Total</b>	<b><u>\$ 3,981,945</u></b>	<b><u>\$ 4,379,497</u></b>	<b>(9.08) %</b>

Tax revenue represents 82.14% of all general fund revenue. The City had a decrease in tax collections during 2011. This is primarily due to less employment at Whirlpool Corporation, which is the City's largest employer. The decrease in investment income is due to decreases in interest rates. The decrease in intergovernmental revenues is due to decreased reimbursements received from the State for the phase-out of the tangible personal property tax and State cuts in the Local Government Fund. All other revenues remained consistent with the prior year.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED  
(CONTINUED)**

The following charts show general fund revenues for 2011 and 2010.



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

	2011 Amount	2010 Amount	Percentage Change
<b>Expenditures:</b>			
General government	\$ 966,702	\$ 1,003,248	(3.64) %
Security of persons and property	1,838,474	1,777,797	3.41 %
Public health and welfare	493,383	431,721	14.28 %
Community environment	411,780	282,988	45.51 %
Capital Outlay	49,830		100.00 %
Debt service	140,963	124,464	13.26 %
<b>Total</b>	<b><u>\$ 3,901,132</u></b>	<b><u>\$ 3,620,218</u></b>	<b>7.76 %</b>

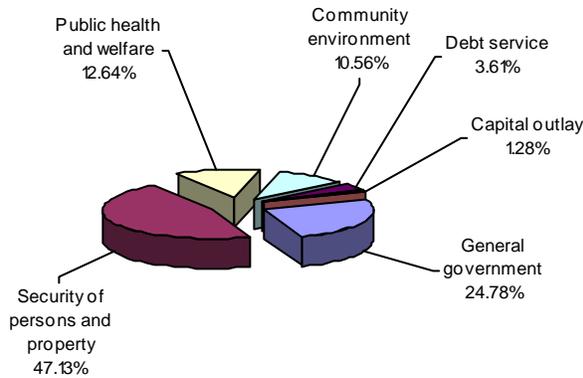
Community environment expenditures increased due to an increase in expenditures made for snow removal and other curbside services. Security of persons and property expenditures increased slightly during 2011. This was primarily due to the restoration of some services made to the City's police department. Capital outlay expenditures increased because of a capital lease the City entered into for the acquisition of two police cruisers. Overall expenditures increased 7.21%

**CITY OF CLYDE  
SANDUSKY COUNTY**

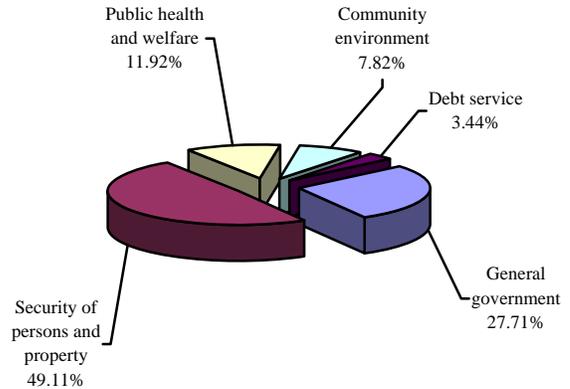
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED  
(CONTINUED)**

The following charts show general fund expenditures for 2011 and 2010.

**Expenditures - Fiscal Year 2011**



**Expenditures - Fiscal Year 2010**



***Permanent Improvement Fund***

The permanent improvement fund had revenues of \$1,196,885 in 2011. This represents a decrease of \$1,964,921 from 2010 revenues. The expenditures and other financing uses of the permanent improvement fund, which totaled \$2,699,993 in 2011, represent a decrease of \$538,563 from 2010. The net decrease in fund balance for the permanent improvement fund was \$1,503,108 or 298.43%. The reason for these large changes in the permanent improvement fund is due to the roll-over over the swimming pool bond anticipation note. Since the maturity date of the new note issued in 2012 does not go beyond one year from the balance sheet date in this report, the 2011 note is entirely shown as a fund liability of the permanent improvement fund. This differs from prior year treatment where only the current portion of the note was shown as a fund liability.

***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.

In the general fund, the actual revenues and other financing sources came in over the final budgeted revenues and other financing sources by \$26,422 and actual expenditures and other financing uses were \$363,169 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues were unchanged during the year. Total budgeted expenditures and other financing uses were also unchanged during the year.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED  
(CONTINUED)**

***Proprietary Funds***

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

The City's proprietary funds, consisting of the enterprise funds water, sewer and electric, reported a combined increase in net assets of \$52,831. The most significant change in net assets occurred in the electric fund, which increased \$305,098 over 2010. The electric fund had a decrease in operating revenues of \$424,497 or 2.43% from 2010 and a decrease in operating expenses of \$1,691,721 or 9.50%. The decrease in electric fund operating expenses is due to decreased costs for purchased power.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of 2011 the City had \$45,921,461 (net of accumulated depreciation) invested in land, construction in progress, buildings and improvements, land improvements, equipment, vehicles and infrastructure. Of this total, \$16,175,953 was reported in governmental activities and \$29,745,508 was reported in business-type activities. See Note 9 to the basic financial statements for more detail on the City's capital assets. The following table shows 2011 balances compared to 2010 (certain 2010 balances have been restated as described in Note 9 to the basic financial statements):

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

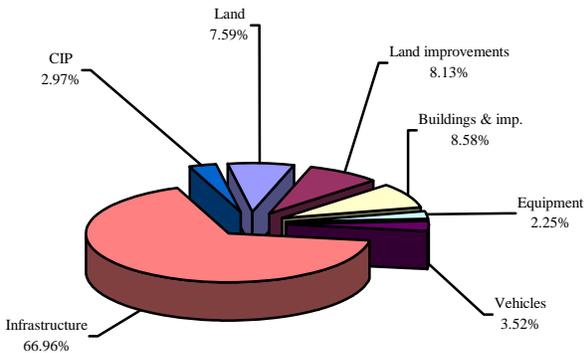
	Governmental Activities		Business-type Activities		Total	
	2011	Restated 2010	2011	Restated 2010	2011	Restated 2010
Land	\$ 1,228,132	\$ 1,228,132	\$ 795,093	\$ 795,093	\$ 2,023,225	\$ 2,023,225
Construction-in-progress	481,094	81,094			481,094	81,094
Land improvements	1,314,517	1,410,876	207,739	234,619	1,522,256	1,645,495
Buildings and improvements	1,387,596	1,472,325	7,546,978	7,975,194	8,934,574	9,447,519
Equipment	364,545	321,681	2,700,375	3,135,805	3,064,920	3,457,486
Vehicles	569,289	672,701	45,729	54,254	615,018	726,955
Infrastructure	<u>10,830,780</u>	<u>11,280,687</u>	<u>18,449,594</u>	<u>18,933,435</u>	<u>29,280,374</u>	<u>30,214,122</u>
Totals	<u>\$ 16,175,953</u>	<u>\$ 16,467,496</u>	<u>\$ 29,745,508</u>	<u>\$ 31,128,400</u>	<u>\$ 45,921,461</u>	<u>\$ 47,595,896</u>

**CITY OF CLYDE  
SANDUSKY COUNTY**

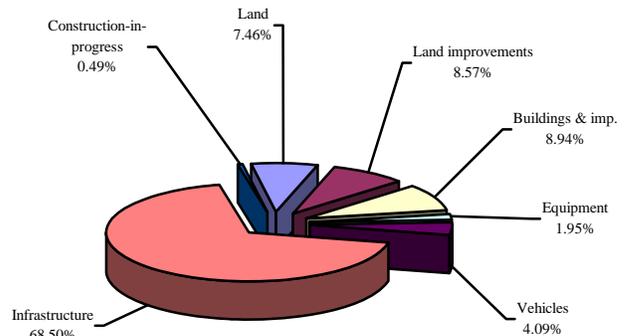
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED  
(CONTINUED)**

The following graphs show the breakdown of governmental capital assets by category for 2011 and 2010.

**Capital Assets - Governmental Activities  
2011**



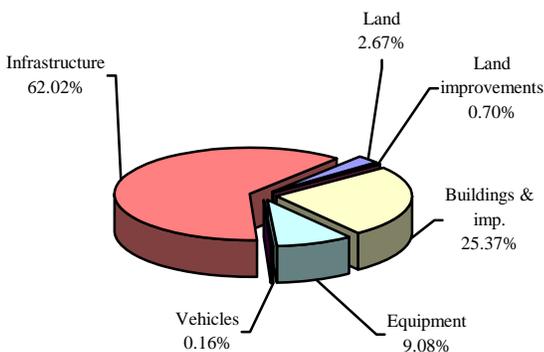
**Capital Assets - Governmental Activities  
2010**



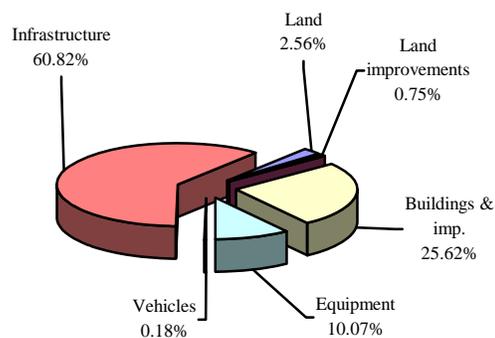
The City's largest capital asset category is infrastructure which includes roads, bridges, and sidewalks. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant.

The following graphs show the breakdown of business-type capital assets by category for 2011 and 2010.

**Capital Assets - Business-type Activities  
2011**



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



The City's largest business-type capital asset category is infrastructure that primarily includes water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 62.02% of the City's total business-type capital assets.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED  
(CONTINUED)**

***Debt Administration***

The City had the following long-term obligations outstanding at December 31, 2011 and 2010:

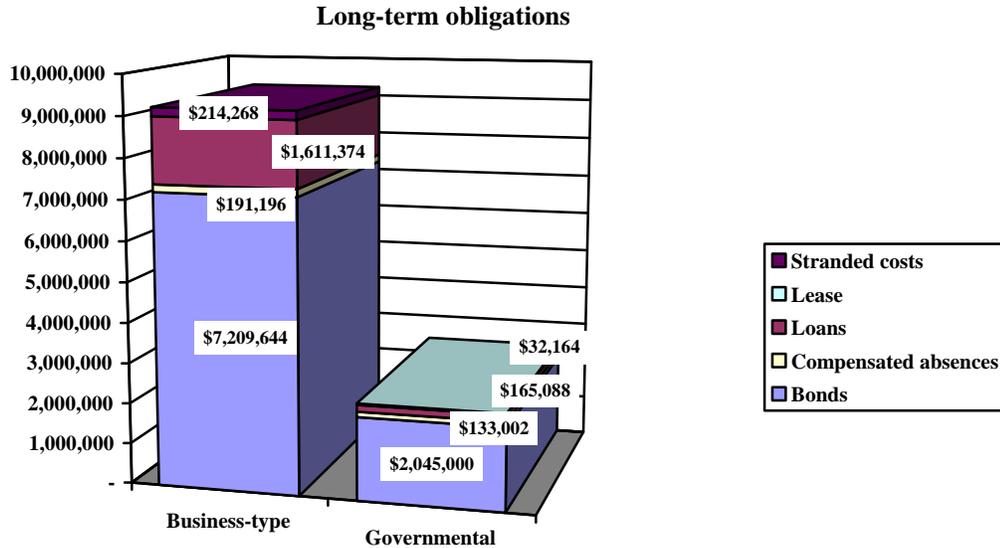
	Governmental Activities	
	2011	2010
General obligation bonds payable	\$ 2,045,000	\$ 2,365,000
Police pension liability	68,564	70,243
Fire rescue truck loan	23,540	78,543
Fire pumper truck loan	141,548	200,320
Land loan		56,614
Bond anticipation note	1,700,000	100,000
Capital lease	32,164	
Compensated absences	133,002	145,071
Total long-term obligations	<b>\$ 4,143,818</b>	<b>\$ 3,015,791</b>
	Business-type Activities	
	2011	2010
Revenue bonds	\$ 1,300,000	\$ 1,800,000
General obligation bonds	6,030,000	6,525,000
Deferred charges/unamortized premium	(120,356)	(161,622)
Total bonds	7,209,644	8,163,378
OWDA Loans	1,611,374	1,727,928
Bond anticipation note	1,100,000	140,000
Stranded costs	214,268	
Compensated absences	191,196	145,215
Total long-term obligations	<b>\$ 10,326,482</b>	<b>\$ 10,176,521</b>

See Note 11 to the basic financial statements for more detail on the City's long-term obligations.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED  
(CONTINUED)**

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



**Economic Conditions and Outlook (all amounts below are on a cash basis)**

The City of Clyde closed 2011 with total revenues for the year, including utility funds, of \$37.6 million versus expenditures of \$36.6 million, increasing the City's cash balances to approximately \$11.8 million from \$10.8 million

The City's income tax receipts were \$3,831,899 for 2011. The City's general fund balance slightly decreased from the prior year by approximately \$53,000 to \$775,138. This is partly due to the fact that in July 2011, the State of Ohio began to cut back Local Government Funding, which directly impacts the City's general fund in a negative way. The investment income had dropped to \$54,870 while cash reserve balances have increased by \$1 million. With interest rates at an all-time low, and the conservative investment strategy of the City, the amount of investment income will level off, or slightly decrease in 2012.

2011 was still a year of cost savings measures. The national economy as well as locally has not seen a significant rebound. The policies and practices of the City over the past few years were maintained. Employees of the City had forgone their raises per their union contracts for yet another year, and made a concession on their retirement "pickup". Capital projects were minimal.

During 2011 the City prepared the 2012 budget, which totals \$40,653,955. Anticipated expenditures from the general fund in 2012 total \$4.43 million.

Some of the City's significant accomplishments during 2011 are listed below:

- Total investment earnings were \$54,870. Of this amount \$52,518 was the general fund's portion.
- Total income tax revenue was \$3,831,899. Of this amount \$2,492,352 was the general fund's portion.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED  
(CONTINUED)**

- The City received the "Auditor of State Award" for 2010 from Ohio Auditor of State, Dave Yost. The award is given those entities that file timely financial reports in accordance with GAAP, as well as receive a "clean" audit report. "Clean" audit means the financial audit did not contain findings for recovery, material citations, material weaknesses, significant deficiencies, Single Audit findings, or any questioned costs.

**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 Mr. Craig Davis, Finance Director, City of Clyde, 222 N. Main Street, Clyde, Ohio 43410-1637.

**CITY OF CLYDE  
SANDUSKY COUNTY**

STATEMENT OF NET ASSETS  
DECEMBER 31, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . .	\$ 2,220,904	\$ 7,936,515	\$ 10,157,419
Receivables (net of allowances for uncollectibles):			
Income taxes . . . . .	547,697		547,697
Real and other taxes . . . . .	351,498	64,017	415,515
Accounts . . . . .	17,757	2,791,923	2,809,680
Due from other governments . . . . .	250,487		250,487
Special assessments . . . . .	112,067		112,067
Accrued interest . . . . .	17,050		17,050
Internal balance . . . . .	62,866	(62,866)	
Materials and supplies inventory . . . . .	52,540	323,518	376,058
Prepayments . . . . .	21,054	21,733	42,787
Unamortized bond issue costs . . . . .		129,965	129,965
Restricted assets:			
Equity in pooled cash and cash equivalents. . .		1,635,836	1,635,836
Capital assets:			
Land and construction in progress . . . . .	1,709,226	795,093	2,504,319
Depreciable capital assets, net . . . . .	14,466,727	28,950,415	43,417,142
Total capital assets, net . . . . .	<u>16,175,953</u>	<u>29,745,508</u>	<u>45,921,461</u>
Total assets . . . . .	<u>19,829,873</u>	<u>42,586,149</u>	<u>62,416,022</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	35,137	1,155,406	1,190,543
Accrued wages and benefits . . . . .	106,469	84,553	191,022
Pension obligation payable . . . . .	45,037	45,106	90,143
Due to other governments . . . . .		297	297
Accrued interest payable . . . . .	35,583	113,063	148,646
Notes payable . . . . .	1,700,000	1,100,000	2,800,000
Unearned revenue . . . . .	317,384		317,384
Long-term liabilities:			
Due within one year . . . . .	467,889	1,225,141	1,693,030
Due in more than one year . . . . .	1,975,929	8,001,341	9,977,270
Total liabilities . . . . .	<u>4,683,428</u>	<u>11,724,907</u>	<u>16,408,335</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt . . . . .	12,233,701	19,954,455	32,188,156
Restricted for:			
Debt service . . . . .		1,635,836	1,635,836
Transportation projects . . . . .	515,187		515,187
Public health programs . . . . .	94,774		94,774
Police and fire programs . . . . .	65,731		65,731
Unrestricted . . . . .	<u>2,237,052</u>	<u>9,270,951</u>	<u>11,508,003</u>
Total net assets . . . . .	<u>\$ 15,146,445</u>	<u>\$ 30,861,242</u>	<u>\$ 46,007,687</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE  
SANDUSKY COUNTY**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government . . . . .	\$ 974,256	\$ 78,115		\$ 41,815
Security of persons and property . . . . .	1,992,071	164,696	\$ 74	
Public health and welfare . . . . .	671,670	33,539	51,588	
Transportation . . . . .	751,766		323,294	152,994
Community environment . . . . .	483,010	21,852	4,025	
Leisure time activity . . . . .	214,640	88,436	47,250	
Interest and fiscal charges . . . . .	148,282			
Total governmental activities . . . . .	<u>5,235,695</u>	<u>386,638</u>	<u>426,231</u>	<u>194,809</u>
<b>Business-type activities:</b>				
Water . . . . .	2,557,365	2,598,068		
Sewer . . . . .	2,049,743	1,806,900		
Electric . . . . .	16,632,788	17,028,149		
Total business-type activities . . . . .	<u>21,239,896</u>	<u>21,433,117</u>		
Total primary government . . . . .	<u>\$ 26,475,591</u>	<u>\$ 21,819,755</u>	<u>\$ 426,231</u>	<u>\$ 194,809</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 . . . . .

Extraordinary item - stranded costs . . . . .

Transfers . . . . .

Total general revenues,  
transfers and extraordinary items . . . . .

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**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (854,326)		\$ (854,326)
(1,827,301)		(1,827,301)
(586,543)		(586,543)
(275,478)		(275,478)
(457,133)		(457,133)
(78,954)		(78,954)
(148,282)		(148,282)
<u>(4,228,017)</u>		<u>(4,228,017)</u>
	40,703	40,703
	(242,843)	(242,843)
	<u>395,361</u>	<u>395,361</u>
	<u>193,221</u>	<u>193,221</u>
<u>(4,228,017)</u>	<u>193,221</u>	<u>(4,034,796)</u>
274,582		274,582
28,335		28,335
2,719,301		2,719,301
967,457		967,457
257,802		257,802
293,673		293,673
43,801		43,801
34,524	61,767	96,291
<u>4,619,475</u>	<u>61,767</u>	<u>4,681,242</u>
	(214,268)	(214,268)
<u>(13,044)</u>	<u>13,044</u>	
<u>4,606,431</u>	<u>(139,457)</u>	<u>4,466,974</u>
378,414	53,764	432,178
<u>14,768,031</u>	<u>30,807,478</u>	<u>45,575,509</u>
<u>\$ 15,146,445</u>	<u>\$ 30,861,242</u>	<u>\$ 46,007,687</u>

**CITY OF CLYDE  
SANDUSKY COUNTY**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . .	\$ 937,161	\$ 622,585	\$ 608,580	\$ 2,168,326
Receivables (net of allowance for uncollectibles):				
Income taxes . . . . .	383,388	164,309		547,697
Real and other taxes . . . . .	318,545		32,953	351,498
Accounts . . . . .	16,257		1,500	17,757
Due from other governments . . . . .	113,783		136,704	250,487
Special assessments . . . . .	33,127	78,940		112,067
Accrued interest . . . . .	16,462		541	17,003
Due from other funds . . . . .	63,720			63,720
Materials and supplies inventory . . . . .	6,552			6,552
Prepayments . . . . .	20,188		85	20,273
	<u>1,909,183</u>	<u>865,834</u>	<u>780,363</u>	<u>3,555,380</u>
Total assets . . . . .	<u>\$ 1,909,183</u>	<u>\$ 865,834</u>	<u>\$ 780,363</u>	<u>\$ 3,555,380</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 15,242	\$ 17,381	\$ 1,500	\$ 34,123
Accrued wages and benefits . . . . .	88,878		4,869	93,747
Pension obligation payable . . . . .	36,769		901	37,670
Accrued interest payable . . . . .		25,500		25,500
Notes payable . . . . .		1,700,000		1,700,000
Deferred revenue . . . . .	251,905	122,389	95,760	470,054
Unearned revenue . . . . .	287,629		29,755	317,384
	<u>680,423</u>	<u>1,865,270</u>	<u>132,785</u>	<u>2,678,478</u>
Total liabilities . . . . .	<u>680,423</u>	<u>1,865,270</u>	<u>132,785</u>	<u>2,678,478</u>
<b>Fund balances:</b>				
Nonspendable . . . . .	26,740		85	26,825
Restricted . . . . .			580,415	580,415
Committed . . . . .	11,000		61,654	72,654
Assigned . . . . .	514,683		5,424	520,107
Unassigned (deficit) . . . . .	676,337	(999,436)		(323,099)
	<u>1,228,760</u>	<u>(999,436)</u>	<u>647,578</u>	<u>876,902</u>
Total fund balances . . . . .	<u>1,228,760</u>	<u>(999,436)</u>	<u>647,578</u>	<u>876,902</u>
Total liabilities and fund balances . . . . .	<u>\$ 1,909,183</u>	<u>\$ 865,834</u>	<u>\$ 780,363</u>	<u>\$ 3,555,380</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE  
SANDUSKY COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2011

<b>Total governmental fund balances</b>		<b>\$ 876,902</b>
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities (excluding internal service funds capital assets) are not financial resources and therefore are not reported in the funds.		15,902,979
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Income taxes receivable	\$ 144,830	
Real and other taxes receivable	34,114	
Intergovernmental receivable	170,479	
Special assessments receivable	112,067	
Accrued interest receivable	8,564	
Total	470,054	470,054
An 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 \$854) are included in governmental activities on the statement of net assets.		338,955
Accrued interest payable is not due and payable in the current period and therefore is not reported in the governmental funds.		(10,083)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	121,546	
Police pension liability	68,564	
Capital lease payable	32,164	
General obligation bonds payable	2,045,000	
Loans payable	165,088	
Total	(2,432,362)	(2,432,362)
<b>Net assets of governmental activities</b>		<b>\$ 15,146,445</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE  
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Income taxes . . . . .	\$ 2,741,570	\$ 977,001		\$ 3,718,571
Real and other taxes. . . . .	528,881		\$ 27,973	556,854
Charges for services. . . . .	200,610		83,429	284,039
Licenses and permits . . . . .	48,389			48,389
Fines and forfeitures . . . . .	16,565		2,537	19,102
Intergovernmental. . . . .	313,118	152,994	327,455	793,567
Special assessments . . . . .	25,695	19,291		44,986
Investment income. . . . .	53,112		2,053	55,165
Rental income . . . . .	16,194		5,007	21,201
Contributions and donations. . . . .	6,906	41,815	96,218	144,939
Other . . . . .	30,905	5,784	2,253	38,942
Total revenues . . . . .	<u>3,981,945</u>	<u>1,196,885</u>	<u>546,925</u>	<u>5,725,755</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	966,702			966,702
Security of persons and property . . . . .	1,838,474		30,201	1,868,675
Public health and welfare. . . . .	493,383		55,251	548,634
Transportation . . . . .			323,472	323,472
Community environment . . . . .	411,780	15,839		427,619
Leisure time activity . . . . .			214,767	214,767
Capital outlay . . . . .	49,830	431,609		481,439
Debt service:				
Principal retirement. . . . .	131,441	1,756,614	321,679	2,209,734
Interest and fiscal charges . . . . .	9,522	67,187	111,712	188,421
Total expenditures . . . . .	<u>3,901,132</u>	<u>2,271,249</u>	<u>1,057,082</u>	<u>7,229,463</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>80,813</u>	<u>(1,074,364)</u>	<u>(510,157)</u>	<u>(1,503,708)</u>
<b>Other financing sources (uses):</b>				
Sale of assets. . . . .	13,805		13,907	27,712
Capital lease transaction. . . . .	49,830			49,830
Transfers in . . . . .			568,744	568,744
Transfers (out). . . . .	(153,044)	(428,744)		(581,788)
Total other financing sources (uses) . . . . .	<u>(89,409)</u>	<u>(428,744)</u>	<u>582,651</u>	<u>64,498</u>
Net change in fund balances . . . . .	(8,596)	(1,503,108)	72,494	(1,439,210)
<b>Fund balances at</b>				
<b>beginning of year (restated) . . . . .</b>	<u>1,237,356</u>	<u>503,672</u>	<u>575,084</u>	<u>2,316,112</u>
<b>Fund balances (deficit) at end of year . . . . .</b>	<u>\$ 1,228,760</u>	<u>\$ (999,436)</u>	<u>\$ 647,578</u>	<u>\$ 876,902</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE  
SANDUSKY COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011

**Net change in fund balances - total governmental funds** \$ (1,439,210)

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

Governmental funds report capital outlays as expenditures.

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

Capital asset additions	\$ 538,500	
Current year depreciation	<u>(783,277)</u>	
Total		(244,777)

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

Income taxes	(31,813)	
Real and other taxes	3,865	
Intergovernmental revenues	(25,101)	
Special assessments	(63,470)	
Investment income	<u>(9,959)</u>	
Total		(126,478)

Proceeds of capital leases are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.

(49,830)

Repayment of bond, note, loan and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.

2,209,734

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

40,139

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.

16,014

The internal service funds are 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 revenue are eliminated. The net revenue (expense) of the internal service funds, including internal balances of (\$933), is allocated among the governmental activities.

(27,178)

**Change in net assets of governmental activities** \$ 378,414

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE  
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)
<b>Revenues:</b>				
Income taxes . . . . .	\$ 2,479,630	\$ 2,479,630	\$ 2,492,352	\$ 12,722
Real and other taxes. . . . .	539,409	539,409	532,123	(7,286)
Charges for services. . . . .	173,270	173,270	178,240	4,970
Licenses and permits . . . . .	42,000	42,000	47,519	5,519
Fines and forfeitures . . . . .	12,000	12,000	18,408	6,408
Intergovernmental. . . . .	307,700	307,700	320,825	13,125
Special assessments . . . . .	22,000	22,000	25,695	3,695
Investment income. . . . .	70,000	70,000	52,519	(17,481)
Rental income . . . . .	11,000	11,000	16,194	5,194
Contributions and donations. . . . .	10,000	10,000	2,881	(7,119)
Other . . . . .	23,000	23,000	15,870	(7,130)
<b>Total revenues . . . . .</b>	<u>3,690,009</u>	<u>3,690,009</u>	<u>3,702,626</u>	<u>12,617</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	928,187	913,687	780,271	133,416
Security of persons and property . . . . .	2,350,035	2,228,535	2,016,740	211,795
Public health and welfare. . . . .	568,951	568,951	496,079	72,872
Community environment . . . . .	175,563	311,563	353,433	(41,870)
<b>Total expenditures . . . . .</b>	<u>4,022,736</u>	<u>4,022,736</u>	<u>3,646,523</u>	<u>376,213</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>(332,727)</u>	<u>(332,727)</u>	<u>56,103</u>	<u>388,830</u>
<b>Other financing sources (uses):</b>				
Sale of assets. . . . .	-	-	13,805	13,805
Transfers (out). . . . .	(160,000)	(160,000)	(173,044)	(13,044)
<b>Total other financing sources (uses) . . . . .</b>	<u>(160,000)</u>	<u>(160,000)</u>	<u>(159,239)</u>	<u>761</u>
Net change in fund balances . . . . .	(492,727)	(492,727)	(103,136)	389,591
<b>Fund balances at</b>				
beginning of year (restated) . . . . .	769,086	769,086	769,086	
Prior year encumbrances appropriated . . . . .	58,992	58,992	58,992	
<b>Fund balance at end of year . . . . .</b>	<u>\$ 335,351</u>	<u>\$ 335,351</u>	<u>\$ 724,942</u>	<u>\$ 389,591</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF CLYDE  
SANDUSKY COUNTY**

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2011

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
<b>Assets:</b>			
Current assets:			
Equity in pooled cash and cash equivalents . . .	\$ 1,638,463	\$ 917,374	\$ 5,380,678
Receivables (net of allowance for uncollectibles):			
Real and other taxes . . . . .			64,017
Accounts . . . . .	292,002	141,985	2,357,936
Accrued interest . . . . .			
Materials and supplies inventory . . . . .	50,267	19,773	253,478
Prepayments . . . . .	5,692	1,753	14,288
Unamortized bond issue costs . . . . .	37,228		92,737
Total current assets . . . . .	<u>2,023,652</u>	<u>1,080,885</u>	<u>8,163,134</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents . . . . .	904,524		731,312
Capital assets:			
Land . . . . .	497,238	274,511	23,344
Depreciable capital assets, net . . . . .	<u>10,816,416</u>	<u>6,903,018</u>	<u>11,230,981</u>
Total capital assets, net . . . . .	<u>11,313,654</u>	<u>7,177,529</u>	<u>11,254,325</u>
Total noncurrent assets . . . . .	<u>12,218,178</u>	<u>7,177,529</u>	<u>11,985,637</u>
Total assets . . . . .	<u>14,241,830</u>	<u>8,258,414</u>	<u>20,148,771</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable . . . . .	8,174	23,542	1,123,690
Accrued wages and benefits . . . . .	28,095	27,965	28,493
Pension obligation payable . . . . .	14,559	14,660	15,887
Compensated absences . . . . .	17,915	12,824	13,714
Due to other funds . . . . .			63,720
Due to other governments . . . . .			297
Accrued interest payable . . . . .	67,875	13,629	31,559
Notes payable . . . . .			1,100,000
OWDA loans payable - current . . . . .	69,157	50,531	
Stranded costs - current . . . . .			16,000
Payable from restricted assets:			
Current portion of general obligation bonds . . . . .	270,000		420,000
Current portion of revenue bonds . . . . .			355,000
Total current liabilities . . . . .	<u>475,775</u>	<u>143,151</u>	<u>3,168,360</u>
Long-term liabilities:			
Compensated absences . . . . .	56,976	40,533	49,234
General obligation bonds . . . . .	4,625,000		769,644
Revenue bonds . . . . .			770,000
OWDA loans payable . . . . .	772,819	718,867	
Stranded costs . . . . .			198,268
Total long-term liabilities . . . . .	<u>5,454,795</u>	<u>759,400</u>	<u>1,787,146</u>
Total liabilities . . . . .	<u>5,930,570</u>	<u>902,551</u>	<u>4,955,506</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt . . . . .	5,613,906	6,408,131	7,932,418
Restricted for debt service . . . . .	904,524		731,312
Unrestricted . . . . .	1,792,830	947,732	6,529,535
Total net assets . . . . .	<u>\$ 8,311,260</u>	<u>\$ 7,355,863</u>	<u>\$ 15,193,265</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>
\$ 7,936,515	\$ 52,578
64,017	
2,791,923	
	47
323,518	45,988
21,733	781
129,965	
<u>11,267,671</u>	<u>99,394</u>
1,635,836	
795,093	
<u>28,950,415</u>	<u>272,974</u>
<u>29,745,508</u>	<u>272,974</u>
<u>31,381,344</u>	<u>272,974</u>
<u>42,649,015</u>	<u>372,368</u>
1,155,406	1,014
84,553	12,722
45,106	7,367
44,453	2,046
63,720	
297	
113,063	
1,100,000	
119,688	
16,000	
690,000	
355,000	
<u>3,787,286</u>	<u>23,149</u>
146,743	9,410
5,394,644	
770,000	
1,491,686	
198,268	
<u>8,001,341</u>	<u>9,410</u>
<u>11,788,627</u>	<u>32,559</u>
19,954,455	272,974
1,635,836	
9,270,097	66,835
<u>30,860,388</u>	<u>\$ 339,809</u>
854	
<u>\$ 30,861,242</u>	

**CITY OF CLYDE  
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Electric</b>
<b>Operating revenues:</b>			
Charges for services . . . . .	\$ 2,598,068	\$ 1,806,900	\$ 17,028,149
Other operating revenues . . . . .	12,599	17,448	31,720
Total operating revenues. . . . .	2,610,667	1,824,348	17,059,869
<b>Operating expenses:</b>			
Personal services . . . . .	1,028,459	948,976	1,054,103
Contract services. . . . .	308,315	485,052	14,266,238
Materials and supplies. . . . .	377,323	279,816	292,632
Depreciation. . . . .	574,370	304,664	503,858
Other . . . . .	3,252	3,593	4,572
Total operating expenses. . . . .	2,291,719	2,022,101	16,121,403
Operating income (loss) . . . . .	318,948	(197,753)	938,466
<b>Nonoperating revenues (expenses):</b>			
Interest and fiscal charges . . . . .	(265,762)	(27,700)	(249,630)
Interest income. . . . .			
Excise tax expense . . . . .			(262,514)
Total nonoperating revenues (expenses). . . . .	(265,762)	(27,700)	(512,144)
Income (loss) before capital contributions, extraordinary items and transfers . . . . .	53,186	(225,453)	426,322
Transfer in . . . . .			93,044
Transfer out . . . . .	(56,000)	(24,000)	
Extraordinary item - stranded costs. . . . .			(214,268)
Capital contributions. . . . .			
Change in net assets . . . . .	(2,814)	(249,453)	305,098
<b>Net assets at beginning of year (restated) . . . . .</b>	<b>8,314,074</b>	<b>7,605,316</b>	<b>14,888,167</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 8,311,260</b>	<b>\$ 7,355,863</b>	<b>\$ 15,193,265</b>

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

Change in net assets of business-type activities.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 21,433,117	\$ 803,692
61,767	
21,494,884	803,692
3,031,538	506,217
15,059,605	35,895
949,771	240,998
1,382,892	89,066
11,417	225
20,435,223	872,401
1,059,661	(68,709)
(543,092)	
	164
(262,514)	
(805,606)	164
254,055	(68,545)
93,044	
(80,000)	
(214,268)	
	42,300
52,831	(26,245)
	366,054
	<u>\$ 339,809</u>
933	
<u>\$ 53,764</u>	

**CITY OF CLYDE  
SANDUSKY COUNTY**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Electric</b>
<b>Cash flows from operating activities:</b>			
Cash received from charges for services . . . . .	\$ 2,587,877	\$ 1,825,327	\$ 17,259,400
Cash received from other operations . . . . .	12,599	17,448	30,115
Cash payments for personal services . . . . .	(1,022,494)	(948,603)	(1,034,430)
Cash payments for contractual services . . . . .	(305,719)	(463,643)	(14,329,176)
Cash payments for materials and supplies . . . . .	(378,092)	(287,014)	(254,000)
Cash payments for other expenses . . . . .	(3,252)	(3,593)	(4,572)
Net cash provided by operating activities . . . . .	<u>890,919</u>	<u>139,922</u>	<u>1,667,337</u>
<b>Cash flows from noncapital financing activities:</b>			
Cash received from transfers in . . . . .			93,044
Cash used in transfers out . . . . .	(56,000)	(24,000)	
Cash payments for excise taxes . . . . .			(262,514)
Net cash used in noncapital financing activities . . . . .	<u>(56,000)</u>	<u>(24,000)</u>	<u>(169,470)</u>
<b>Cash flows from capital and related financing activities:</b>			
Cash received from sale of notes . . . . .			1,100,000
Cash payments for principal retirement . . . . .	(322,794)	(48,760)	(1,980,000)
Cash payments for interest and fiscal charges . . . . .	(269,124)	(28,577)	(184,408)
Net cash used in capital and related financing activities . . . . .	<u>(591,918)</u>	<u>(77,337)</u>	<u>(1,064,408)</u>
<b>Cash flows from investing activities:</b>			
Interest received . . . . .			
Net cash provided by investing activities . . . . .			
Net increase in cash and cash equivalents . . . . .	243,001	38,585	433,459
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<u>2,299,986</u>	<u>878,789</u>	<u>5,678,531</u>
<b>Cash and cash equivalents at end of year . . . . .</b>	<u>\$ 2,542,987</u>	<u>\$ 917,374</u>	<u>\$ 6,111,990</u>

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 21,672,604	\$ 803,692
60,162	
(3,005,527)	(515,651)
(15,098,538)	(35,794)
(919,106)	(250,301)
(11,417)	(225)
<hr/>	<hr/>
2,698,178	1,721
<hr/>	<hr/>
93,044	
(80,000)	
(262,514)	
<hr/>	<hr/>
(249,470)	
<hr/>	<hr/>
1,100,000	
(2,351,554)	
(482,109)	
<hr/>	<hr/>
(1,733,663)	
<hr/>	<hr/>
	205
<hr/>	<hr/>
	205
<hr/>	<hr/>
715,045	1,926
8,857,306	50,652
<u>\$ 9,572,351</u>	<u>\$ 52,578</u>

- - Continued

**CITY OF CLYDE  
SANDUSKY COUNTY**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>			
Operating income (loss) . . . . .	\$ 318,948	\$ (197,753)	\$ 938,466
Adjustments:			
Depreciation. . . . .	574,370	304,664	503,858
Changes in assets and liabilities:			
(Increase) in materials and supplies inventory . . . . .	(7,840)	(10,725)	(1,026)
Decrease (increase) in accounts receivable. . . . .	(10,191)	18,427	229,646
Decrease (increase) in prepayments . . . . .	2,713	3,001	(2,905)
Increase (decrease) in accounts payable . . . . .	6,954	21,935	(20,375)
Increase (decrease) in accrued wages and benefits . . . . .	1,371	(6,166)	(12,957)
Increase in compensated absences payable. . . . .	4,914	5,289	35,778
Increase (increase) in pension obligation payable. . . . .	<u>(320)</u>	<u>1,250</u>	<u>(3,148)</u>
Net cash provided by (used in) operating activities . . . . .	<u>\$ 890,919</u>	<u>\$ 139,922</u>	<u>\$ 1,667,337</u>

The service department internal service fund received \$42,300 in capital contributions from other funds.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 1,059,661	\$ (68,709)
1,382,892	89,066
(19,591)	(6,294)
237,882	
2,809	101
8,514	(3,229)
(17,752)	(12,898)
45,981	3,945
<u>(2,218)</u>	<u>(261)</u>
<u>\$ 2,698,178</u>	<u>\$ 1,721</u>

**CITY OF CLYDE  
SANDUSKY COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
DECEMBER 31, 2011

	<b>Private-Purpose Trust</b>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and cash equivalents . . . . .	\$ 7,326
Receivables:	
Accrued interest. . . . .	10
Total assets . . . . .	7,336
<b>Net assets:</b>	
Held in trust for private cemetery care. . . . .	7,336
Total net assets. . . . .	\$ 7,336

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE  
SANDUSKY COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<b>Private-Purpose Trust</b>
<b>Additions:</b>	
Interest. . . . .	\$ 29
<b>Deductions:</b>	
Cemetery care. . . . .	25
Change in net assets . . . . .	4
<b>Net assets at beginning of year. . . . .</b>	<b>7,332</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 7,336</b>

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, 2011**

**NOTE 1 - DESCRIPTION OF THE CITY**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

*JOINTLY GOVERNED ORGANIZATION*

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

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(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, 2011. Financial information may be obtained from Arthur J. Gallagher & Co., Crown Centre Building, 5505 Rockside Road, 10<sup>th</sup> Floor, Cleveland, Ohio 44131-2157.

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

**B. Basis of Presentation - Fund Accounting**

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

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

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.

CITY OF CLYDE  
SANDUSKY COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)

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

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

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

**C. Fund Accounting**

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

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

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Other governmental funds of the City are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

**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.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

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

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

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

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

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

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

**D. Measurement Focus and Basis of Accounting**

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

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

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  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(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. Agency funds do not report a measurement focus as they do not report operations.

**E. Basis of Accounting**

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

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

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

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.

CITY OF CLYDE  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)

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

***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, 2011, but which were levied to finance year 2012 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, 2011, 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 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.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

The certificate of estimated resources may be further amended during the year if the Finance Director determines and the Budget Commission agrees, that estimates need to be either increased or decreased. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the City Council.

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

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

**G. Cash and Cash Equivalents**

Cash balances of the City's funds 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 2011, investments were limited to nonnegotiable certificates of deposit, U.S. government money market mutual funds and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio).

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

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2011. STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on December 31, 2011.

**CITY OF CLYDE  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2011 amounted to \$53,112, which included \$49,188 assigned from other funds of the City.

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

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

**H. Inventories of Materials and Supplies**

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

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

**I. Restricted Assets**

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

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

**J. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, irrigation systems, traffic signals, water and sewer lines, electric transmission, overhead and underground lines, electric transformers, substations and street lights.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

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, 2011  
(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, 2011, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditures/expense in the year in which it was consumed.

**M. Accrued Liabilities and Long-Term Obligations**

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

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

**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.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

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

**O. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds".

These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**P. Interfund Activity**

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

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

**Q. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

*Restricted* - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the Finance Director the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**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 2011, the internal service funds received \$42,300 in capital contributions from governmental funds.

**T. Net Assets**

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

**CITY OF CLYDE  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

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

**U. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. During 2011, AMP-Ohio notified the City that it would be required to pay its portion of stranded costs associated with the termination of the American Municipal Power Generating Station (AMPGS) project. This resulted in a long-term obligation for which the total cost of \$214,268 has been recognized as an extraordinary item in the electric fund. The City had no special items during 2011.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2011, the City has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the City.

**B. Fund Reclassifications**

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the City's governmental fund balances as previously reported:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance as previously reported	\$ 1,226,356	\$ 503,672	\$ 586,084	\$ 2,316,112
Fund reclassifications:				
Underground storage tank	<u>11,000</u>	<u>                    </u>	<u>(11,000)</u>	<u>                    </u>
Restated fund balance at January 1, 2011	<u>\$ 1,237,356</u>	<u>\$ 503,672</u>	<u>\$ 575,084</u>	<u>\$ 2,316,112</u>

The fund reclassifications did not have an effect on net assets as previously reported.

**C. Deficit Fund Balances**

Fund balances at December 31, 2011 included the following individual fund deficit:

<u>Major governmental fund</u>	<u>Deficit</u>
Permanent improvement	\$ 999,436

The deficit fund balance in the permanent improvement fund is the result of a notes payable liability at year end. The general fund is liable for any deficits in this fund and provides transfers when cash is required, not when accruals occur.

**D. Budgetary Prior Period Adjustment**

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. The City has elected to report only the legally budgeted general fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at December 31, 2011 is as follows:

**Budgetary Basis**

	<u>General Fund</u>
Balance at December 31, 2010	\$ 825,069
Funds budgeted elsewhere	<u>(55,983)</u>
Restated balance at January 1, 2011	<u>\$ 769,086</u>

**E. Restatement of Net Assets**

The net assets of the governmental activities and business-type activities have been restated to report corrections of errors reported in the prior year. See Note 9 for details regarding the effects to capital assets as previously reported. The following is the effect on net assets previously reported as of December 31, 2010:

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net assets, December 31, 2010	\$ 14,612,770	\$ 30,018,000
Adjustment for capital assets	<u>155,261</u>	<u>789,478</u>
Restated net assets, January 1, 2011	<u>\$ 14,768,031</u>	<u>\$ 30,807,478</u>

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Internal Service Funds</u>
Net assets, December 31, 2010	\$ 8,409,283	\$ 7,327,717	\$ 14,281,079	\$ 343,398
Adjustment for capital assets	<u>(95,209)</u>	<u>277,599</u>	<u>607,088</u>	<u>22,656</u>
Restated net assets, January 1, 2011	<u>\$ 8,314,074</u>	<u>\$ 7,605,316</u>	<u>\$ 14,888,167</u>	<u>\$ 366,054</u>

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits that the City Council has identified as not required for use within the current five year period of designation of depositories.

Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**CITY OF CLYDE  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio).

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

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

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

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

**A. Cash on Hand**

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

**B. Deposits with Financial Institutions**

At December 31, 2011, the carrying amount of all City deposits was \$9,440,242. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2011, \$7,154,955 of the City's bank balance of \$9,563,324 was exposed to custodial risk as discussed below, while \$2,408,369 was covered by the Federal Deposit Insurance Corporation.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

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, 2011, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	\$ 1,001,129	\$ 1,001,129
U.S. Government money market mutual funds	<u>1,358,850</u>	<u>1,358,850</u>
	<u>\$ 2,359,979</u>	<u>\$ 2,359,979</u>

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

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

*Concentration of Credit Risk:* The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 1,001,129	42.42%
U.S. Government money market mutual funds	<u>1,358,850</u>	<u>57.58%</u>
	<u>\$ 2,359,979</u>	<u>100.00%</u>

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 9,440,242
Investments	2,359,979
Cash on hand	<u>360</u>
Total	<u>\$ 11,800,581</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 2,220,904
Business-type activities	9,572,351
Private-purpose trust fund	<u>7,326</u>
Total	<u>\$ 11,800,581</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

A. Interfund transfers for the year ended December 31, 2011, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:	
General fund	\$ 140,000
Permanent improvement fund	<u>428,744</u>
Total transfers to nonmajor governmental funds	<u>568,744</u>
 Transfers to electric fund from:	
General fund	13,044
Water fund	56,000
Sewer fund	<u>24,000</u>
Total transfers to electric fund	<u>93,044</u>
 Total transfers	 <u>\$ 661,788</u>

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

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

- B. Due from/to other funds consisted of the following at December 31, 2011, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Electric	\$ 63,720

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

**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date.

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Clyde. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2011 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 2011 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

The full tax rate for all City operations for the year ended December 31, 2011 was \$3.20 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2011 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 72,924,450
Commercial/industrial/mineral	31,232,040
<u>Public utility</u>	
Real	10,300
Personal	<u>1,836,350</u>
Total assessed value	<u>\$ 106,003,140</u>

**NOTE 7 - LOCAL INCOME TAX**

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

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

Income tax proceeds are to be used to pay the cost of administering the tax. The first one percent of the income tax revenue is allocated 55% to the general fund and 45% to the permanent improvement fund. The additional one-half percent tax is placed in the general fund for municipal operations. Income tax revenue for 2011 was \$3,718,571 as reported in the fund financial statements.

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2011, 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, 2011.

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, 2011  
(Continued)**

**NOTE 8 – RECEIVABLES – (Continued)**

**Governmental activities:**

Income taxes	\$ 547,697
Real and other taxes	351,498
Accounts	17,757
Due from other governments	250,487
Special assessments	112,067
Accrued interest	17,050

**Business-type activities:**

Real and other taxes	64,017
Accounts	2,791,923

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 governmental activities and business-type activities have been restated to correct errors and omissions due to a new appraisal of the City's capital assets performed during 2011. The effect on capital assets is as follows:

	Balance 12/31/10	Adjustments	Restated Balance 12/31/10
<b><u>Governmental activities:</u></b>			
Land	\$ 1,228,132		\$ 1,228,132
Construction in progress	81,094		81,094
Land improvements	2,368,024		2,368,024
Buildings and improvements	3,164,360	\$ 45,924	3,210,284
Equipment	1,034,974	(230,544)	804,430
Vehicles	2,680,419	160,216	2,840,635
Infrastructure	18,028,939	-	18,028,939
Less: accumulated depreciation	<u>(12,273,707)</u>	<u>179,665</u>	<u>(12,094,042)</u>
Total	<u>\$ 16,312,235</u>	<u>\$ 155,261</u>	<u>\$ 16,467,496</u>
<b><u>Business-type activities:</u></b>			
Land	\$ 795,093		\$ 795,093
Land improvements	587,984	\$ 159,308	747,292
Buildings and improvements	15,264,126	(1,192,548)	14,071,578
Equipment	6,831,278	1,928,433	8,759,711
Vehicles	598,345	(401,341)	197,004
Infrastructure	24,732,789	22,000	24,754,789
Less: accumulated depreciation	<u>(18,470,693)</u>	<u>273,626</u>	<u>(18,197,067)</u>
Total	<u>\$ 30,338,922</u>	<u>\$ 789,478</u>	<u>\$ 31,128,400</u>

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

B. Capital asset activity for the year ended December 31, 2011 was as follows:

<b><u>Governmental activities:</u></b>	Restated Balance <u>12/31/2010</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/2011</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,228,132			\$ 1,228,132
Construction in progress	<u>81,094</u>	<u>\$ 400,000</u>		<u>481,094</u>
Total capital assets, not being depreciated	<u>1,309,226</u>	<u>400,000</u>		<u>1,709,226</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,368,024	-		2,368,024
Buildings and improvements	3,210,284	-		3,210,284
Equipment	804,430	100,800		905,230
Vehicles	2,840,635	80,000		2,920,635
Infrastructure	<u>18,028,939</u>	<u>-</u>		<u>18,028,939</u>
Total capital assets, being depreciated	<u>27,252,312</u>	<u>180,800</u>		<u>27,433,112</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(957,148)	(96,359)		(1,053,507)
Buildings and improvements	(1,737,959)	(84,729)		(1,822,688)
Equipment	(482,749)	(57,936)		(540,685)
Vehicles	(2,167,934)	(183,412)		(2,351,346)
Infrastructure	<u>(6,748,252)</u>	<u>(449,907)</u>		<u>(7,198,159)</u>
Total accumulated depreciation	<u>(12,094,042)</u>	<u>(872,343)</u>		<u>(12,966,385)</u>
Total capital assets, being depreciated, net	<u>15,158,270</u>	<u>(691,543)</u>		<u>14,466,727</u>
Governmental activities capital assets, net	<u>\$ 16,467,496</u>	<u>\$ (291,543)</u>		<u>\$ 16,175,953</u>

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

<b><u>Business-type activities:</u></b>	Restated Balance <u>12/31/2010</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/2011</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 795,093			\$ 795,093
<i>Capital assets, being depreciated:</i>				
Land improvements	747,292			747,292
Buildings and improvements	14,071,578			14,071,578
Equipment	8,759,711			8,759,711
Vehicles	197,004			197,004
Infrastructure	24,754,789			24,754,789
Total capital assets, being depreciated	<u>48,530,374</u>			<u>48,530,374</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(512,673)	\$ (26,880)		(539,553)
Buildings and improvements	(6,096,384)	(428,216)		(6,524,600)
Equipment	(5,623,906)	(435,430)		(6,059,336)
Vehicles	(142,750)	(8,525)		(151,275)
Infrastructure	(5,821,354)	(483,841)		(6,305,195)
Total accumulated depreciation	<u>(18,197,067)</u>	<u>(1,382,892)</u>		<u>(19,579,959)</u>
Total capital assets, being depreciated, net	<u>30,333,307</u>	<u>(1,382,892)</u>		<u>28,950,415</u>
Business-type activities capital assets, net	<u>\$ 31,128,400</u>	<u>\$ (1,382,892)</u>		<u>\$ 29,745,508</u>

**CITY OF CLYDE  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

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

**Governmental activities:**

General government	\$ 7,907
Security of persons and property	174,510
Public health and welfare	144,275
Transportation	449,907
Community environment	6,678
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>89,066</u>
<b>Total depreciation expense - governmental activities</b>	<b><u>\$ 872,343</u></b>

**Business-type activities:**

Water	\$ 574,370
Sewer	304,664
Electric	<u>503,858</u>
<b>Total depreciation expense - business-type activities</b>	<b><u>\$ 1,382,892</u></b>

**NOTE 10 - CAPITAL LEASE**

During 2011, the City entered into a capitalized lease agreement for two police cruisers. This lease agreement meets the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General capital assets consisting of vehicles have been capitalized in the statement of net assets in the amount of \$80,000. Accumulated depreciation as of December 31, 2011 was \$5,000, leaving a current book value of \$75,000. A corresponding liability of \$49,830 was recorded in the statement of net assets. Principal payments in 2011 totaled \$17,666 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2011:

<u>Year Ended December 31,</u>	<u>Amount</u>
2012	\$ 17,667
2013	<u>17,666</u>
<b>Total</b>	<b>35,333</b>
<b>Less: amount representing interest</b>	<b><u>(3,169)</u></b>
<b>Present value of net minimum lease payments</b>	<b><u>\$ 32,164</u></b>

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS**

A. During 2011, the following changes occurred in the City's governmental activities long-term obligations:

<b>Governmental activities:</b>	<u>Interest Rate</u>	<u>Balance 12/31/10</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/11</u>	<u>Due in One Year</u>
<u>General obligation bonds:</u>						
Woodland/Premier	2.00% -					
General obligation bonds	4.15%	\$ 215,000		\$ (100,000)	\$ 115,000	\$ 115,000
Vine/Main Street improvement	1.70% -					
General obligation bonds	5.00%	<u>2,150,000</u>		<u>(220,000)</u>	<u>1,930,000</u>	<u>225,000</u>
Total general obligation debt		<u>2,365,000</u>		<u>(320,000)</u>	<u>2,045,000</u>	<u>340,000</u>
<u>Loans:</u>						
Fire rescue truck loan	3.84%	78,543		(55,003)	23,540	23,540
Fire pumper truck loan	4.14%	200,320		(58,772)	141,548	61,262
Land loan	5.00%	<u>56,614</u>		<u>(56,614)</u>		
Total loans		<u>335,477</u>		<u>(170,389)</u>	<u>165,088</u>	<u>84,802</u>
<u>Other long-term obligations:</u>						
Police pension liability	N/A	70,243		(1,679)	68,564	1,751
Capital lease	6.50%		\$ 49,830	(17,666)	32,164	15,605
Bond anticipation note	2.25%	1,700,000		(1,700,000)		
Compensated absences		<u>145,071</u>	<u>116,922</u>	<u>(128,991)</u>	<u>133,002</u>	<u>25,731</u>
Total other obligations		<u>1,915,314</u>	<u>166,752</u>	<u>(1,848,336)</u>	<u>233,730</u>	<u>43,087</u>
Total governmental activities long-term obligations		<u>\$ 4,615,791</u>	<u>\$ 166,752</u>	<u>\$ (2,338,725)</u>	<u>\$ 2,443,818</u>	<u>\$ 467,889</u>

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

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, 2011, \$100,000 of this debt was still outstanding.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**NOTE 11 - 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 bore an interest rate of 3.84%. The principal and interest payments were 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 bore an interest rate of 5.0%. The principal and interest payments were made from the permanent improvement fund, a nonmajor governmental fund.

Bond anticipation note: On May 6, 2010, the City issued a \$1,800,000 bond anticipation note. This note matured on May 5, 2011 and bore an interest rate of 2.25%. This note was retired from the permanent improvement fund. \$1,700,000 of this bond anticipation note was recorded as a long-term obligation while \$100,000 was recorded as a liability of the permanent improvement fund (see Note 12).

Capital lease: Capital lease obligations are paid from the general fund. See Note 10 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, 2011, are as follows:

**CITY OF CLYDE  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

Year Ending December 31,	Police Pension			Fire Rescue/Pumper Truck Loans		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 1,751	\$ 2,896	\$ 4,647	\$ 84,802	\$ 5,224	\$ 90,026
2013	1,827	2,820	4,647	63,891	2,370	66,261
2014	1,905	2,742	4,647	16,395	170	16,565
2015	1,987	2,660	4,647			
2016	2,072	2,575	4,647			
2017 - 2021	11,776	11,458	23,234			
2022 - 2026	14,530	8,702	23,232			
2027 - 2031	17,930	5,303	23,233			
2032 - 2035	14,786	1,270	16,056			
Total	<u>\$ 68,564</u>	<u>\$ 40,426</u>	<u>\$ 108,990</u>	<u>\$ 165,088</u>	<u>\$ 7,764</u>	<u>\$ 172,852</u>

Year Ending December 31,	Vine/Main Street G.O. Bonds			Woodland/Premier G.O. Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 225,000	\$ 90,697	\$ 315,697	\$ 115,000	\$ 4,773	\$ 119,773
2013	140,000	81,248	221,248			
2014	145,000	75,088	220,088			
2015	150,000	68,562	218,562			
2016	155,000	61,662	216,662			
2017 - 2021	905,000	190,005	1,095,005			
2022	210,000	10,500	220,500			
Total	<u>\$ 1,930,000</u>	<u>\$ 577,762</u>	<u>\$ 2,507,762</u>	<u>\$ 115,000</u>	<u>\$ 4,773</u>	<u>\$ 119,773</u>

C. During 2011, the following changes occurred in the City's business-type activities long-term obligations:

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

<b>Business-type activities:</b>	Interest Rate	Balance 12/31/10	Additions	Retirements	Balance 12/31/11	Amount Due in One Year
<u>Mortgage revenue bonds:</u>						
Electric system mortgage revenue refunding bonds, series 1998	4.00%- 5.25%	\$ 1,460,000		\$ (335,000)	\$ 1,125,000	\$ 355,000
Total mortgage revenue bonds		1,460,000		(335,000)	1,125,000	355,000
<u>OWDA loans:</u>						
Sewer plant OWDA loan	3.90%	372,630		(26,241)	346,389	27,274
Sewer sludge dewatering improvements	3.25%	445,528		(22,519)	423,009	23,257
Water system OWDA loan	2.00%	909,770		(67,794)	841,976	69,157
Total OWDA loans		1,727,928		(116,554)	1,611,374	119,688
<u>General obligation bonds:</u>						
Water system general obligation bonds series 199	3.00%- 6.30%	4,810,000		(90,000)	4,720,000	95,000
Electric system G.O. refunding bonds	2.00%- 4.125%	1,715,000		(405,000)	1,310,000	420,000
Total general obligation bonds		6,525,000		(495,000)	6,030,000	515,000
<u>Revenue bonds:</u>						
Water system improvement revenue bonds	2.10%- 4.65%	340,000		(165,000)	175,000	175,000
Total revenue bonds		340,000		(165,000)	175,000	175,000
<u>Bond anticipation note:</u>						
Electric system note	3.50%	1,100,000		(1,100,000)		
Total bond anticipation notes		1,100,000		(1,100,000)		
<u>Other obligations:</u>						
Stranded costs payable			\$ 214,268		214,268	16,000
Compensated absences		145,215	179,065	(133,084)	191,196	44,453
Total other obligations		145,215	393,333	(133,084)	405,464	60,453
Total business-type activities long-term obligations		<u>\$ 11,298,143</u>	<u>\$ 393,333</u>	<u>\$ (2,344,638)</u>	9,346,838	<u>\$ 1,225,141</u>
Unamortized deferred charges on refundings					(126,156)	
Unamortized premium on bonds					5,800	
Total on statement of net assets					<u>\$ 9,226,482</u>	

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

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

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

In prior years, the City defeased electric system mortgage revenue bonds, Series B by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the City's financial statements. At December 31, 2011, \$1,550,000 of this debt was still outstanding.

The City has pledged future electric customer revenues, net of specified operating expenses, to repay the Series 1998 electric system mortgage revenue refunding bonds. The Series 1998 electric system mortgage revenue refunding bonds are payable solely from electric customer net revenues and are payable through 2014. The total principal and interest remaining to be paid on the Series 1998 electric system mortgage revenue refunding bonds is \$1,262,400. Principal and interest paid for the current year and total customer net revenues were \$422,600 and \$2,173,636, 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, 2011 was \$1,310,000 and \$4,720,000, 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, 2011, the City has outstanding borrowings of \$1,611,374.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

Bond anticipation note: On May 6, 2010, the City issued a \$1,240,000 bond anticipation note. This note matured on May 5, 2011 and bore an interest rate of 2.25%. This note was retired from the electric fund. \$1,100,000 of this bond anticipation note was recorded as a long-term obligation while \$140,000 was recorded as a current liability of the electric fund (see Note 12).

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

The City has pledged future water customer revenues, net of specified operating expenses, to repay the Series 2002 water system improvement revenue bonds. The Series 2002 water system improvement revenue bonds are payable solely from water customer net revenues and are payable through 2012. The total principal and interest remaining to be paid on the Series 2002 water system improvement revenue bonds is \$179,070. Principal and interest paid for the current year and total customer net revenues were \$176,891 and \$1,797,842, respectively.

Stranded costs payable: The City is required to pay a portion of stranded costs incurred by AMP-Ohio in relation to the termination of the American Municipal Power Generating Station (AMPGS) project from which the City was supposed to receive electrical distribution benefits. The City's liability is made up of an AMPGS obligation of \$490,666 less a development fee of \$276,398 for the AMP Fremont Energy Center (AFEC). This liability is scheduled to be repaid over a fifteen year period beginning in 2012. The City retains the option to repay the balance of the liability at any point over the next fifteen years. A specific payment schedule has not been established by the City as of December 31, 2011. Principal and interest payments will be made from the electric fund. See Note 23 for AMPGS project history.

- D. The annual requirements amortize business-type activities long-term obligations outstanding as of December 31, 2011, are as follows:

Year Ending December 31,	Electric Revenue Bonds			OWDA Loans		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 355,000	\$ 67,500	\$ 422,500	\$ 119,688	\$ 43,301	\$ 162,989
2013	375,000	46,200	421,200	122,914	40,075	162,989
2014	395,000	23,700	418,700	126,235	36,753	162,988
2015				129,654	33,335	162,989
2016				133,176	29,814	162,990
2017 - 2021				722,473	92,473	814,946
2022 - 2026				257,234	14,353	271,587
Total	<u>\$ 1,125,000</u>	<u>\$ 137,400</u>	<u>\$ 1,262,400</u>	<u>\$ 1,611,374</u>	<u>\$ 290,104</u>	<u>\$ 1,901,478</u>

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

Year Ending December 31,	Electric General Obligation Refunding Bonds			Water Improvement General Obligation Bonds		
	Principal	Interest	Interest	Principal	Interest	Interest
2012	\$ 420,000	\$ 52,969	\$ 472,969	\$ 95,000	\$ 234,875	\$ 329,875
2013	435,000	36,169	471,169	100,000	230,000	330,000
2014	455,000	18,769	473,769	105,000	225,000	330,000
2015				110,000	219,625	329,625
2016				115,000	214,125	329,125
2017 - 2021				675,000	976,375	1,651,375
2022 - 2026				860,000	787,625	1,647,625
2027 - 2031				1,100,000	546,250	1,646,250
2022 - 2036				1,405,000	239,125	1,644,125
2037				155,000	3,875	158,875
Total	<u>\$ 1,310,000</u>	<u>\$ 107,907</u>	<u>\$ 1,417,907</u>	<u>\$ 4,720,000</u>	<u>\$ 3,676,875</u>	<u>\$ 8,396,875</u>

Year Ending December 31,	Water System Improvement Revenue Bonds		
	Principal	Interest	Interest
2012	<u>\$ 175,000</u>	<u>\$ 4,070</u>	<u>\$ 179,070</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, 2011, the City's total debt margin was \$9,085,330 and the unvoted debt margin was \$5,830,173.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**NOTE 12 - NOTES PAYABLE**

Changes in the City's note activity for the year ended December 31, 2011, were as follows:

	Balance 12/31/2010	Issued	Retired	Balance 12/31/2011
<u>Governmental fund notes:</u>				
2010 Swimming pool note - 2.25%	\$ 100,000		\$ (100,000)	
2011 Swimming pool note - 2.25%		\$ 1,700,000		\$ 1,700,000
Total governmental fund notes	\$ 100,000	\$ 1,700,000	\$ (100,000)	\$ 1,700,000
	Balance 12/31/2010	Issued	Retired	Balance 12/31/2011
<u>Enterprise fund notes:</u>				
2010 Electric system note - 2.25%	\$ 140,000		\$ (140,000)	
2011 Electric system note - 2.25%		\$ 1,100,000		\$ 1,100,000
Total enterprise fund notes	\$ 140,000	\$ 1,100,000	\$ (140,000)	\$ 1,100,000

The 2010 notes were issued on May 6, 2010 and matured on May 5, 2011. The 2010 notes bore an interest rate of 2.25% and were retired from the permanent improvement and electric funds, respectively.

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

**NOTE 13 - 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 \$38,428 at December 31, 2011. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

City employees may accumulate up to 120 hours of compensatory time at time and a-half in lieu of direct pay of overtime hours worked. The total obligation for compensatory time accrual for the City as a whole amounted to \$31,785 at December 31, 2011. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

**CITY OF CLYDE  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**NOTE 13 - OTHER EMPLOYEE BENEFITS - (Continued)**

City employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement an employee is paid for forty percent of accumulated sick leave within various limits, 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 \$253,985 at December 31, 2011. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

**NOTE 14 - RISK MANAGEMENT**

**A. Property and Casualty Insurance**

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

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

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010:

**CITY OF CLYDE  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**NOTE 14 - RISK MANAGEMENT – (Continued)**

	<u>2011</u>	<u>2010</u>
Assets	\$33,362,404	\$34,952,010
Liabilities	(14,187,273)	(14,320,812)
Net Assets	<u>\$19,175,131</u>	<u>\$20,631,198</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$13 million and \$12.9 million of estimated incurred claims payable. The assets above also include approximately \$12.1 million and \$12.4 million of unpaid claims to be billed to approximately 455 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Government's share of these unpaid claims collectible in future years is approximately \$100,000.

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

<u>Contributions to PEP</u>	
<u>2011</u>	<u>2010</u>
\$108,909	\$116,836

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

**B. Employee Health Insurance**

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

The pool is for employee benefits and includes life insurance, accidental death and dismemberment insurance, health insurance and prescription drug insurance. Each member has an option on the coverage it has elected to provide for its employees. The City provides, to its employees, all available options offered by the pool. The employee benefits pools include the following municipalities: Archbold, Bowling Green, Carey, Clyde, Defiance, Fayette, Hicksville, Napoleon, Oberlin, Sandusky, Upper Sandusky and Willard. As of December 31, 2010 (the latest information available), the pool had cash reserves of \$3,714,339 which, in the opinion of management, is adequate for any claims against the pool.

**CITY OF CLYDE  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**NOTE 14 - RISK MANAGEMENT – (Continued)**

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**

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% 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.

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 which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and contribution rates were consistent across all three plans. The 2011 member contribution rates were 10.00% for members. The City's contribution rate for 2011 was 14.00% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2011 was 10.00%. The City's contribution rate for pension benefits for members in the Combined Plan for 2011 was 7.95%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$302,857, \$280,205, and \$268,084, respectively; 91.25% has been contributed for 2011 and 100% has been contributed for 2010 and 2009. Contributions to the member-directed plan for 2011 were \$9,707 made by the City and \$6,934 made by the plan members.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**NOTE 15 - PENSION PLANS – (Continued)**

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

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

Funding Policy - 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. Contribution rates are established by State statute. For 2011, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$79,682 and \$9,487 for the year ended December 31, 2011, \$71,994 and \$10,984 for the year ended December 31, 2010, and \$84,211 and \$8,708, for the year ended December 31, 2009. The full amount has been contributed for 2010 and 2009. 88.65% has been contributed for 2011.

**NOTE 16 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

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

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefits (OPER) as described by GASB Statement 45. ADD LANGUAGE.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). The Ohio Revised Code 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.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2011, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2011 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2011 was 6.05%.

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, 2011, 2010, and 2009 were \$124,250, \$158,398, and \$188,652, respectively; 91.25% has been contributed for 2011 and 100% has been contributed for 2010 and 2009.

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

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

Plan Description - The City contributes to the OP&F Pension Fund sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents. The health care coverage provided by OP&F meets the definitions of an Other Post Employment Benefit (OPEB) as described by GASB Statement 45.

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.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages 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. Active members do not make contributions to the OPEB Plan.

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

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, 2011, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$42,185 and \$3,712 for the year ended December 31, 2011, \$38,114 and \$4,298 for the year ended December 31, 2010, and \$44,582 and \$3,408, for the year ended December 31, 2009. The full amount has been contributed for 2010 and 2009. 88.65% has been contributed for 2011.

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING**

While 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 and disbursements.

The statement of revenue, expenditures and changes in fund balance - 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 the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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 fund</u>
Budget basis	\$ (103,136)
Net adjustment for revenue accruals	(82,946)
Net adjustment for expenditure accruals	(14,822)
Net adjustment for other sources/uses	49,830
Funds budgeted elsewhere	92,281
Adjustment for encumbrances	50,197
GAAP basis	\$ (8,596)

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the income tax fund, the veteran's widow trust fund, the guarantee deposit trust fund, the memorial tree fund, the fair board fund and the underground storage tank fund.

**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, 2011.

**B. Litigation**

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

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**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, 2011 the principal outstanding aggregated \$8,079,806.

**NOTE 20 - OTHER COMMITMENTS**

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 37,075
Permanent improvement	127,877
Other governmental	<u>2,412</u>
Total	<u>\$ 167,364</u>

**NOTE 21 - FUND BALANCE**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**NOTE 21 - FUND BALANCE - (Continued)**

Fund balance	General	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Materials and supplies inventory	\$ 6,552			\$ 6,552
Prepays	20,188		\$ 85	20,273
Total nonspendable	<u>26,740</u>		<u>85</u>	<u>26,825</u>
Restricted:				
Public health programs			94,774	94,774
Transportation programs			424,546	424,546
Police and fire purposes			61,095	61,095
Total restricted			<u>580,415</u>	<u>580,415</u>
Committed:				
Underground storage tank	11,000			11,000
Recreation			61,654	61,654
Total committed	<u>11,000</u>		<u>61,654</u>	<u>72,654</u>
Assigned:				
Debt service			5,424	5,424
Subsequent year appropriations	451,985			451,985
General government	34,823			34,823
Security of persons and property	1,290			1,290
Community environment	889			889
Other purposes	25,696			25,696
Total assigned	<u>514,683</u>		<u>5,424</u>	<u>520,107</u>
Unassigned (deficit)	<u>676,337</u>	<u>\$ (999,436)</u>		<u>(323,099)</u>
Total fund balances	<u>\$ 1,228,760</u>	<u>\$ (999,436)</u>	<u>\$ 647,578</u>	<u>\$ 876,902</u>

**NOTE 22 - SUBSEQUENT EVENT**

On May 2, 2012, the City issued a bond anticipation note in the amount of \$2,700,000. \$1,700,000 was used to retire the governmental activities bond anticipation note described in Note 12. The remaining proceeds of \$1,000,000 were used to retire the business-type activities bond anticipation note described in Note 12. The note bears an interest rate of 1.35% and matures on October 2, 2012.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**NOTE 23 - AMERICAN MUNICIPAL POWER GENERATING STATION PROJECT**

The City of Clyde is a participant in the American Municipal Power Generating Station Project (the "AMPGS Project"). The City executed a take-or-pay contract on November 1, 2007 in order to participate in the AMPGS Project.

**History of the AMPGS Project**

In November 2009, the participants of the AMP Generating Station Project (the "AMPGS Project") voted to terminate the development of the pulverized coal power plant in Meigs County, Ohio. The AMPGS Project was to be a 1,000 MW base load, clean-coal technology plant scheduled to go on-line in 2014. This pulverized coal plant was estimated to be a \$3 billion project, but the project's estimated capital costs increased by 37% and the engineer, procure and construct ("EPC") contractor could not guarantee that the costs would not continue to escalate. At the termination date, minimal construction had been performed on the AMPGS Project at the Meigs County site.

At the same time, the participants voted to pursue conversion of the project to a Natural Gas Combined Cycle Plant (the "NGCC Plant") to be developed under a lump-sum-turn-key fixed-price contract that would be open to interested AMP members. The NGCC Plant was planned to be developed on the Meigs County site previously planned for the AMPGS project. In February 2011, development of the NGCC Plant was suspended due to the availability of purchasing the AMP Fremont Energy Center ("AFEC") at a favorable price. AMP intends to develop this site for the construction of a generating asset; however, at December 31, 2011, the type of generating asset has not been determined.

As mentioned above, the AMPGS project participants signed "take or pay" contracts with AMP. As such, the participants of the project are obligated to pay all costs incurred for the project. To date it has not been determined what those total final costs are for the project participants.

As a result of these decisions to date, the AMPGS Project costs have been reclassified out of construction work-in-progress and into plant held for future use or regulatory assets in the combined balance sheet. AMP has reclassified \$34,881,075 of costs to plant held for future use as these costs were determined to be associated with the undeveloped Meigs County site regardless of the determination of which type of generating asset will be developed on the site. The remaining costs previously incurred were determined to be impaired but reclassified as a regulatory asset which is fully recoverable from the AMPGS Project participants as part of their unconditional obligation under the "take or pay" contract. At December 31, 2011 AMP has a regulatory asset of \$86,548,349 for the recovery of these abandoned construction costs. AMP is currently working with the AMPGS project participants to establish a formal plan for the recovery on a participant by participant basis.

AMP has consistently communicated with the AMPGS participants as to the risks and uncertainties with respect to the outstanding potential liability the Village has as a result of the cancellation of the AMPGS Project. Meetings with AMPGS Project participants have been held as necessary to communicate any updates to both costs being incurred and ongoing litigation. At the request of the participants, on November 18, 2011 and December 13, 2011 AMP sent memos to AMPGS participants providing the participant's information identifying their potential AMPGS stranded cost liability and providing options for payment of those stranded costs, if the participant so chose. These memos were not invoices, but provided the participants with information which they could utilize in determining if they wanted to pay down a portion or all of the identified maximum exposure. AMP is holding the AMPGS Project stranded costs on its revolving credit facility and is accruing interest in addition to legal fees being incurred in its case with the EPC contractor. AMP would hold any payments received as a deposit in order to cease interest accruals on that portion paid.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**NOTE 23 - AMERICAN MUNICIPAL POWER GENERATING STATION PROJECT – (Continued)**

Based on an allocation to the City of Clyde of 3,000 kW and the allocation methodology, both approved as the same by the AMP Board of Trustees, as of December 31, 2011 the City of Clyde has a potential stranded cost obligation of \$490,666 for the AMPGS Project. See Note 11 for Stranded Cost.

**AMP Fremont Energy Center (AFEC) Development Fee**

The AFEC Development Fee is the amount paid by AFEC participants to the AMPGS project as a Development Fee in August, 2011. AFEC participants are a separate group of AMP members that obtained financing for engineering, consulting and other development costs for expertise obtained by AMP for Natural Gas Combined Cycle power plants. This amount is financed by AMP, Inc. and is to be collected through debt service from AFEC participants. The Development Fee paid by all AFEC Participants is credited to the potential AMPGS costs of each AFEC participant that is also an AMPGS participant in proportion to their relative percentage of AFEC (but not less than zero) as approved by the AMP Board. The City is a participant in the AFEC project and has received a credit to reduce its share of AMPGS potential stranded costs.

Based on the allocation methodology approved by the AMP Board of Trustees as mentioned above, the City receives a credit of \$276,398 for being a participant in both projects. This credit is proportionate to its AFEC allocation kW share of 2,640 and the total kW share of those participating in both projects. The City has recorded this credit in its financial statements as of December 31, 2011. See Note 11 for recording of stranded costs.

In making its determination as to how to proceed with the accounting treatment for the potential AMPGS Project liability, the City has relied on information provided by AMP and its legal counsel with respect to the data and City management.

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# Dave Yost • Auditor of State

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

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

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clyde, Sandusky County, Ohio (the City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 28, 2012, wherein we noted the City adopted Governmental Accounting Standards Board Statement 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

City of Clyde  
Sandusky County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by Government Auditing Standards  
Page 2

We noted a certain matter not requiring inclusion in this report that we reported to the City's management in a separate letter dated November 28, 2012.

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

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

**Dave Yost**  
Auditor of State

November 28, 2012



# Dave Yost • Auditor of State

CITY OF CLYDE

SANDUSKY COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
DECEMBER 18, 2012