



Dave Yost • Auditor of State

**CITY OF CLYDE
SANDUSKY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2012, the City adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Dave Yost
Auditor of State

Columbus, Ohio

December 23, 2013

**CITY OF CLYDE
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(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, 2012. 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 2012 are as follows:

- The total net position of the City increased \$2,088,271. Net position of governmental activities increased \$1,413,260 or 9.33% over 2011 net position and net position of business-type activities increased \$675,011 or 2.20% over restated 2011 net position. Net position at December 31, 2011 has been restated as described in Note 3.
- General revenues accounted for \$5,161,876 or 75.65% of total governmental activities revenue. Program specific revenues accounted for \$1,661,053 or 24.35% of total governmental activities revenue of \$6,822,929.
- The City had \$5,409,669 in expenses related to governmental activities; \$1,661,053 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$3,748,616 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$5,161,876.
- The general fund had revenues and other financing sources of \$4,455,943 in 2012. This represents an increase of \$410,363 from 2011 revenues and other financing sources. The expenditures and other financing uses of the general fund, which totaled \$4,128,095 in 2012, represent an increase of \$73,919 from 2011. The net increase in fund balance for the general fund was \$327,848 or 26.68%.
- The permanent improvement fund had revenues and other financing sources of \$3,624,215 in 2012. This represents an increase of \$2,427,330 from 2011 revenues. The expenditures and other financing uses of the permanent improvement fund, which totaled \$1,894,899 in 2012, represent a decrease of \$805,094 from 2011 expenditures and other financing uses. The net increase in fund balance for the permanent improvement fund was \$1,729,316 or 173.03%.
- Net position for the business-type activities, which are made up of the water, sewer, and electric enterprise funds, increased in 2012 by \$675,011.
- In the general fund, the actual revenues and other financing sources came in over the final budgeted revenues and other financing sources by \$236,840 and actual expenditures and other financing uses were \$493,390 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.

The Basic Financial Statements

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

**CITY OF CLYDE
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)
(Continued)

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

Reporting the City as a Whole

Statement of Net Position 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 2012?" The statement of net position 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 position and changes in those assets. This change in net position 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 position and the statement of activities, the City is divided into two distinct kinds of activities:

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

**CITY OF CLYDE
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)
(Continued)

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 year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

Proprietary Funds

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

Fiduciary Funds

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

Notes to the Basic Financial Statements

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

Government-wide Financial Analysis

The table below provides a summary of the City's net position for 2012 and 2011. The net position of the business-type activities at December 31, 2011 has been restated as described in Note 3.

**CITY OF CLYDE
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)
(Continued)

	Governmental Activities 2012	Business-type Activities 2012	Governmental Activities 2011	Restated Business-type Activities 2011	2012 Total	Restated 2011 Total
Assets:						
Current and other assets	\$ 4,204,653	\$ 12,302,188	\$ 3,653,920	\$ 12,710,676	\$ 16,506,841	\$ 16,364,596
Capital assets, net	16,850,994	28,601,706	16,175,953	29,745,508	45,452,700	45,921,461
Total assets	21,055,647	40,903,894	19,829,873	42,456,184	61,959,541	62,286,057
Deferred outflows	-	82,903	-	126,156	82,903	126,156
Liabilities:						
Long-term liabilities outstanding	3,966,514	8,402,110	2,443,818	9,352,638	12,368,624	11,796,456
Other liabilities	235,758	1,178,399	1,922,226	2,498,425	1,414,157	4,420,651
Total liabilities	4,202,272	9,580,509	4,366,044	11,851,063	13,782,781	16,217,107
Deferred inflows	293,670	-	317,384	-	293,670	317,384
Net position:						
Net investment in capital assets	13,344,834	20,671,612	12,233,701	19,824,490	34,016,446	32,058,191
Restricted	670,099	1,046,181	675,692	1,635,836	1,716,280	2,311,528
Unrestricted	2,544,772	9,688,495	2,237,052	9,270,951	12,233,267	11,508,003
Total net position	\$ 16,559,705	\$ 31,406,288	\$ 15,146,445	\$ 30,731,277	\$ 47,965,993	\$ 45,877,722

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2012, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$47,965,993. At year-end, net position was \$16,559,705 and \$31,406,288 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 assets. At year-end, capital assets represented 80.03% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, equipment, vehicles and infrastructure. The City's net investment in capital assets at December 31, 2012, was \$13,344,834 and \$20,671,612 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2012, the City is able to report positive balances in all three categories of net position, 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 position, \$1,716,280, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position of \$2,544,772 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 position for 2012 and 2011.

**CITY OF CLYDE
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)
(Continued)

	Change in Net Position					
	Governmental Activities 2012	Business-type Activities 2012	Governmental Activities 2011	Business-type Activities 2011	2012 Total	2011 Total
Revenues						
Program revenues:						
Charges for services	\$ 489,845	\$ 19,820,600	\$ 386,638	\$ 21,433,117	\$ 20,310,445	\$ 21,819,755
Operating grants and contributions	381,955	-	426,231	-	381,955	426,231
Capital grants and contributions	789,253	-	194,809	-	789,253	194,809
Total program revenues	<u>1,661,053</u>	<u>19,820,600</u>	<u>1,007,678</u>	<u>21,433,117</u>	<u>21,481,653</u>	<u>22,440,795</u>
General revenues:						
Property taxes	314,428	-	302,917	-	314,428	302,917
Income taxes	4,045,189	-	3,686,758	-	4,045,189	3,686,758
Other taxes	250,868	-	257,802	-	250,868	257,802
Unrestricted grants and entitlements	470,631	-	293,673	-	470,631	293,673
Investment earnings	25,777	4,308	43,801	-	30,085	43,801
Miscellaneous	54,983	49,105	34,524	61,767	104,088	96,291
Total general revenues	<u>5,161,876</u>	<u>53,413</u>	<u>4,619,475</u>	<u>61,767</u>	<u>5,215,289</u>	<u>4,681,242</u>
Total revenues	<u>6,822,929</u>	<u>19,874,013</u>	<u>5,627,153</u>	<u>21,494,884</u>	<u>26,696,942</u>	<u>27,122,037</u>
Expenses:						
General government	1,052,800	-	974,256	-	1,052,800	974,256
Security of persons and property	2,084,617	-	1,992,071	-	2,084,617	1,992,071
Public health and welfare	687,891	-	671,670	-	687,891	671,670
Transportation	926,289	-	751,766	-	926,289	751,766
Community environment	292,559	-	483,010	-	292,559	483,010
Leisure time activity	197,671	-	214,640	-	197,671	214,640
Interest and fiscal charges	167,842	-	148,282	-	167,842	148,282
Water	-	2,454,272	-	2,557,365	2,454,272	2,557,365
Sewer	-	2,089,080	-	2,049,743	2,089,080	2,049,743
Electric	-	14,635,416	-	16,632,788	14,635,416	16,632,788
Total expenses	<u>5,409,669</u>	<u>19,178,768</u>	<u>5,235,695</u>	<u>21,239,896</u>	<u>24,588,437</u>	<u>26,475,591</u>
Change in net position before transfers and extraordinary item	1,413,260	695,245	391,458	254,988	2,108,505	646,446
Extraordinary item	-	(20,234)	-	(214,268)	(20,234)	(214,268)
Transfers	-	-	(13,044)	13,044	-	-
Change in net position	1,413,260	675,011	378,414	53,764	2,088,271	432,178
Net position at beginning of year (restated)	<u>15,146,445</u>	<u>30,731,277</u>	<u>14,768,031</u>	<u>30,677,513</u>	<u>45,877,722</u>	<u>45,445,544</u>
Net position at end of year	<u>\$ 16,559,705</u>	<u>\$ 31,406,288</u>	<u>\$ 15,146,445</u>	<u>\$ 30,731,277</u>	<u>\$ 47,965,993</u>	<u>\$ 45,877,722</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)
(Continued)

Governmental Activities

Governmental activities net position increased \$1,413,260 in 2012. The increase is mainly the result of capital grants and contributions from the Ohio Public Works Commission (OPWC) and the Ohio Department of Transportation (ODOT). Another reason for the increase in net position is the increase in income tax revenue during 2012. This was a result of a declining unemployment rate during the year.

Security of persons and property, which primarily supports the operations of the police and fire departments, had expenses of \$2,084,617, which accounted for 38.54% of the total governmental activities expenses of the City. These expenses were partially funded by \$212,717 in direct charges to users of the services. General government expenses totaled \$1,052,800, which was partially funded by \$83,640 in direct charges to users of the services.

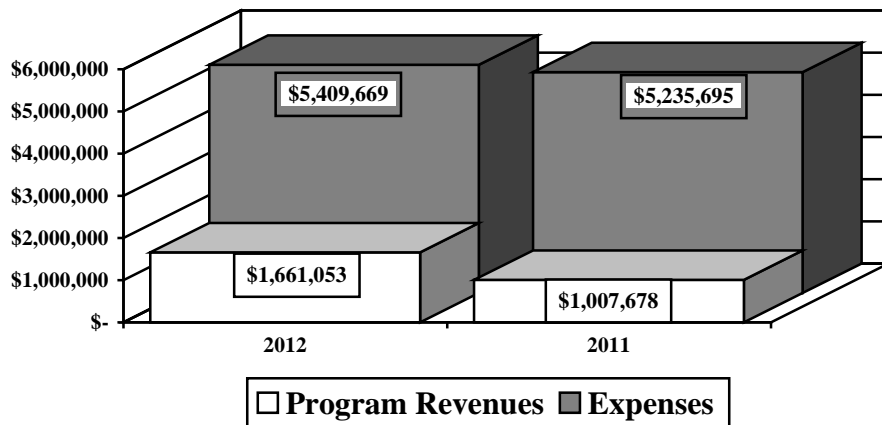
The State and federal government contributed to the City a total of \$381,955 in operating grants and contributions and \$789,253 in capital grants and contributions. These revenues are restricted to a particular program or purpose. \$313,663 of the operating grants and contributions received subsidized transportation programs. The OPWC contributed \$278,669 and ODOT contributed \$486,064 for various street projects during 2012.

General revenues totaled \$5,161,876 and amounted to 75.65% of total governmental revenues. These revenues primarily consist of property, kilowatt hour and income tax revenue of \$4,610,485. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including estate taxes, local government revenue and property tax reimbursements, making up \$470,631. This increased from 2011 due to a large increase in estate tax revenue. Estate taxes have been repealed effective January 1, 2013.

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 2012 and 2011.

Governmental Activities – Program Revenues vs. Total Expenses



**CITY OF CLYDE
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)
(Continued)

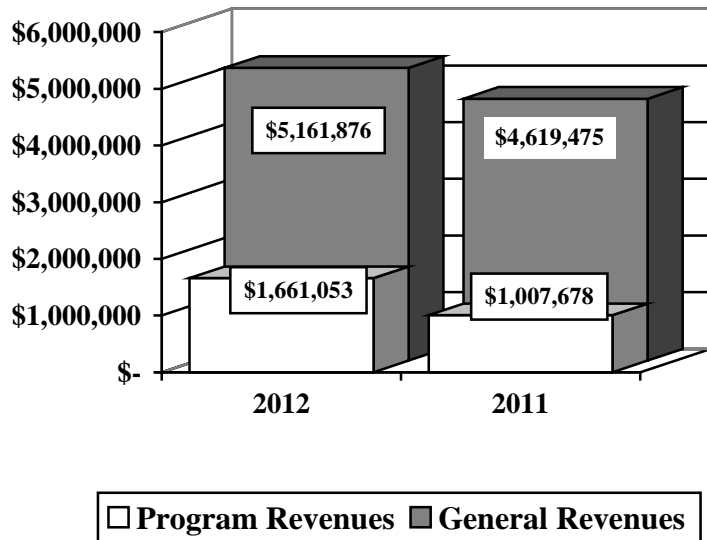
The following table shows the cost of services and net cost of services of the governmental activities for 2012 and 2011.

	Governmental Activities			
	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Program expenses:				
General government	\$ 1,052,800	\$ 956,030	\$ 974,256	\$ 854,326
Security of persons and property	2,084,617	1,845,585	1,992,071	1,827,301
Public health and welfare	687,891	618,301	671,670	586,543
Transportation	926,289	(152,107)	751,766	275,478
Community environment	292,559	212,401	483,010	457,133
Leisure time activity	197,671	100,564	214,640	78,954
Interest and fiscal charges	<u>167,842</u>	<u>167,842</u>	<u>148,282</u>	<u>148,282</u>
Total	<u>\$ 5,409,669</u>	<u>\$ 3,748,616</u>	<u>\$ 5,235,695</u>	<u>\$ 4,228,017</u>

The dependence upon general revenues for governmental activities is apparent, with 69.29% and 80.76% of expenses supported through taxes and other general revenues for 2012 and 2011, respectively.

The following graph shows general and program revenues of governmental activities for 2012 and 2011.

Governmental Activities – General and Program Revenues



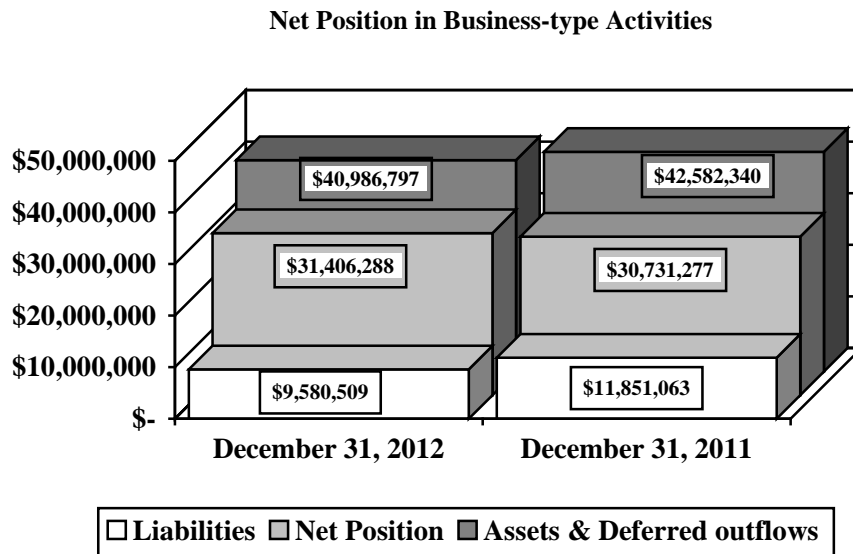
**CITY OF CLYDE
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)
(Continued)

Business-type Activities

Business-type activities include the water, sewer, and electric enterprise funds. These programs had program revenues of \$19,820,600, general revenues of \$53,413, extraordinary item costs of \$20,234 and expenses of \$19,178,768 for 2012. The water fund had expenses of \$2,454,272, which were entirely funded by user charges for services of \$2,669,154. The sewer fund had expenses of \$2,089,080, which were 84.97% funded by user charges for services of \$1,775,156. The electric fund had expenses of \$14,635,416, which were fully funded by user charges for services of \$15,376,290. Revenue and expenses in the electric fund decrease in 2012 due to lower usage from industrial customers in the City.

The graph below shows the business-type activities assets, deferred outflows, liabilities, deferred inflows and net position at December 31, 2012 and 2011.



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds reported a combined fund balance of \$2,946,997, which is \$2,070,095 greater than the previous year's fund balance of \$876,902. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2012 for all major and nonmajor governmental funds.

**CITY OF CLYDE
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)
(Continued)

	Fund Balances <u>12/31/12</u>	Fund Balances (deficit) <u>12/31/11</u>	Increase <u>(Decrease)</u>
Major fund:			
General	\$ 1,556,608	\$ 1,228,760	\$ 327,848
Permanent improvement	729,880	(999,436)	1,729,316
Nonmajor governmental funds	<u>660,509</u>	<u>647,578</u>	<u>12,931</u>
 Total	 <u>\$ 2,946,997</u>	 <u>\$ 876,902</u>	 <u>\$ 2,070,095</u>

General Fund

The City's general fund balance increased \$327,848, primarily due to increasing income tax revenue. The table that follows assists in illustrating the revenues of the general fund.

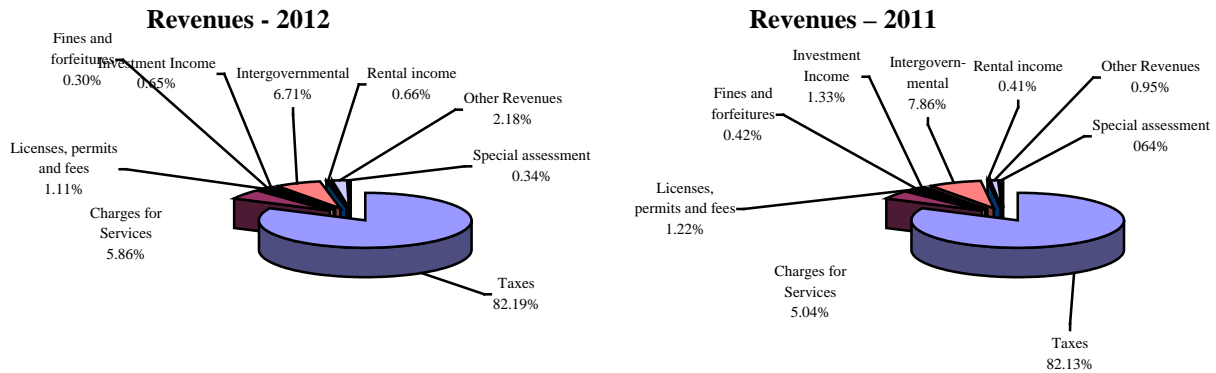
	2012 <u>Amount</u>	2011 <u>Amount</u>	Percentage <u>Change</u>
Revenues:			
Taxes	\$ 3,467,608	\$ 3,270,451	6.03 %
Charges for services	247,166	200,610	23.21 %
Licenses, permits and fees	46,895	48,389	(3.09) %
Fines and forfeitures	12,572	16,565	(24.11) %
Special assessments	14,708	25,695	(42.76) %
Intergovernmental	283,081	313,118	(9.59) %
Investment income	27,507	53,112	(48.21) %
Rental income	27,666	16,194	70.84 %
Other	<u>91,904</u>	<u>37,811</u>	143.06 %
 Total	 <u>\$ 4,219,107</u>	 <u>\$ 3,981,945</u>	 5.96 %

Tax revenue represents 82.19% of all general fund revenue. The City had an increase in tax collections during 2012. This is primarily due to more 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, 2012
(UNAUDITED)
(Continued)

The following charts show general fund revenues for 2012 and 2011.



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

	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Expenditures:			
General government	\$ 1,041,545	\$ 966,702	7.74 %
Security of persons and property	1,887,245	1,838,474	2.65 %
Public health and welfare	516,980	493,383	4.78 %
Community environment	231,145	411,780	(43.87) %
Capital outlay	232,487	49,830	366.56 %
Debt service	107,693	140,963	(23.60) %
Total	<u>\$ 4,017,095</u>	<u>\$ 3,901,132</u>	2.97 %

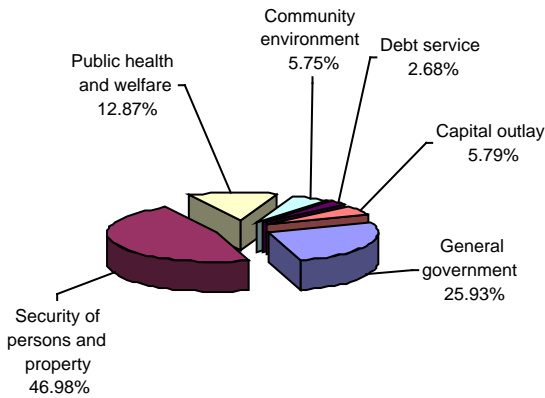
Community environment expenditures decreased due to a decrease in expenditures made for snow removal and other curbside services. Security of persons and property expenditures increased slightly during 2012. This was primarily due to the restoration of some services made to the City's police department. Capital outlay expenditures increased because of the purchase of a building to house the City's finance department. Overall expenditures increased 2.97%

The following charts show general fund expenditures for 2012 and 2011.

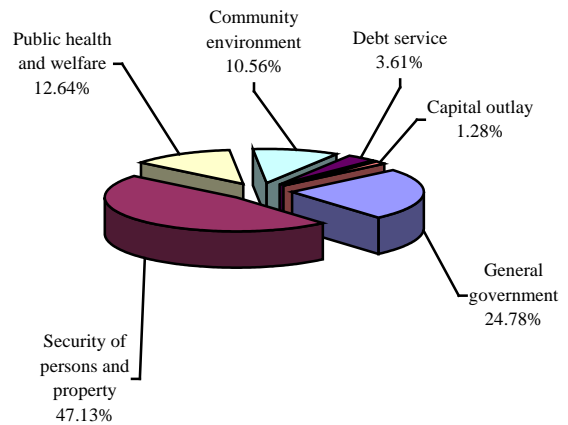
**CITY OF CLYDE
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)
(Continued)

Expenditures - 2012



Expenditures - 2011



Permanent Improvement Fund

The permanent improvement fund had revenues and other financing sources of \$3,624,215 in 2012. This represents an increase of \$2,427,330 from 2011 revenues. The expenditures and other financing uses of the permanent improvement fund, which totaled \$1,894,899 in 2012, represent a decrease of \$805,094 from 2011. The net increase in fund balance for the permanent improvement fund was \$1,729,316. The reason for these large changes in the permanent improvement fund is due to the swimming pool bond anticipation note being refinanced as a long-term bond. The permanent improvement fund also reported grants received from the OPWC and ODOT for various street improvement projects.

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 \$236,840 and actual expenditures and other financing uses were \$493,390 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.

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

**CITY OF CLYDE
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)
(Continued)

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 position of \$679,703. The most significant change in net position occurred in the electric fund, which increased \$827,981 over 2011. The electric fund had a decrease in operating revenues of \$1,664,198 or 9.76% from 2011 and a decrease in operating expenses of \$1,910,771 or 11.86%. The decrease in electric fund operating revenues and expenses is due to decreased usage by industrial users located within the City.

Capital Assets and Debt Administration

Capital Assets

At the end of 2012 the City had \$45,452,700 (net of accumulated depreciation) invested in land, construction in progress, buildings and improvements, land improvements, equipment, vehicles and infrastructure. Of this total, \$16,850,994 was reported in governmental activities and \$28,601,706 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 2012 balances compared to 2011.

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

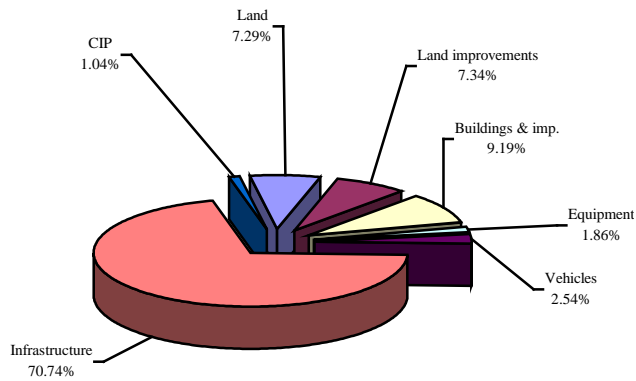
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 1,228,132	\$ 1,228,132	\$ 795,093	\$ 795,093	\$ 2,023,225	\$ 2,023,225
Construction-in-progress	175,466	481,094	-	-	175,466	481,094
Land improvements	1,237,534	1,314,517	184,892	207,739	1,422,426	1,522,256
Buildings and improvements	1,549,181	1,387,596	7,145,042	7,546,978	8,694,223	8,934,574
Equipment	313,447	364,545	2,335,705	2,700,375	2,649,152	3,064,920
Vehicles	427,313	569,289	58,990	45,729	486,303	615,018
Infrastructure	11,919,921	10,830,780	18,081,984	18,449,594	30,001,905	29,280,374
Totals	<u>\$ 16,850,994</u>	<u>\$ 16,175,953</u>	<u>\$ 28,601,706</u>	<u>\$ 29,745,508</u>	<u>\$ 45,452,700</u>	<u>\$ 45,921,461</u>

The following graphs show the breakdown of governmental capital assets by category for 2012 and 2011.

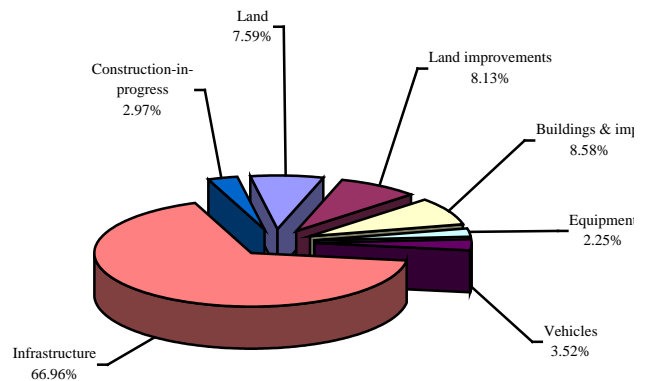
**CITY OF CLYDE
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)
(Continued)

**Capital Assets - Governmental Activities
2012**



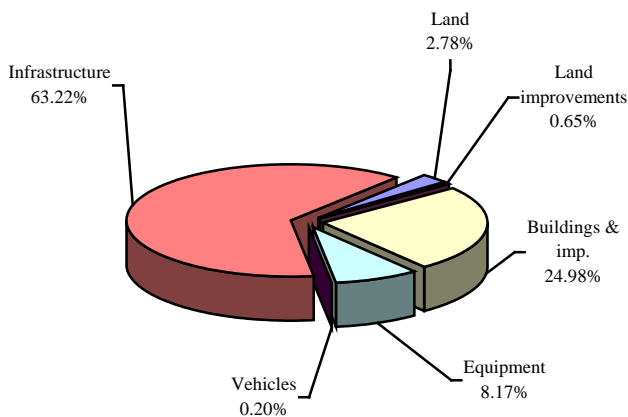
**Capital Assets - Governmental Activities
2011**



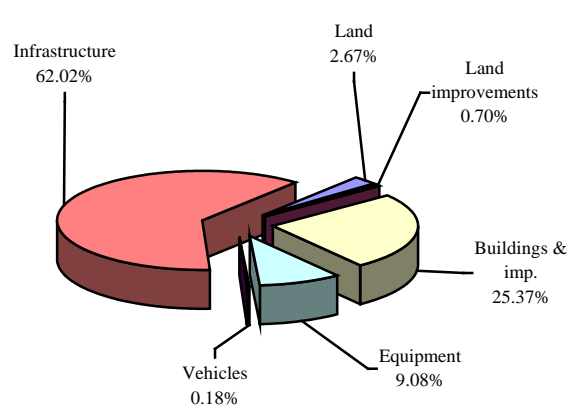
The City's largest capital asset category is infrastructure which includes roads, bridges, and sidewalks. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant.

The following graphs show the breakdown of business-type capital assets by category for 2012 and 2011.

Capital Assets - Business-type Activities 2012



Capital Assets - Business-type Activities 2011



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 63.22% of the City's total business-type capital assets.

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2012 and 2011:

**CITY OF CLYDE
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)
(Continued)

	<u>2012</u>	<u>2011</u>
General obligation bonds payable	\$ 1,705,000	\$ 2,045,000
Police pension liability	66,813	68,564
Fire rescue truck loan	-	23,540
Fire pumper truck loan	80,286	141,548
Bond Anticipation Note		1,700,000
Manuscript debt note	235,000	-
Income tax bonds payable	1,704,250	-
Capital lease	16,588	32,164
Compensated absences	<u>158,577</u>	<u>133,002</u>
Total long-term obligations	<u>\$ 3,966,514</u>	<u>\$ 4,143,818</u>

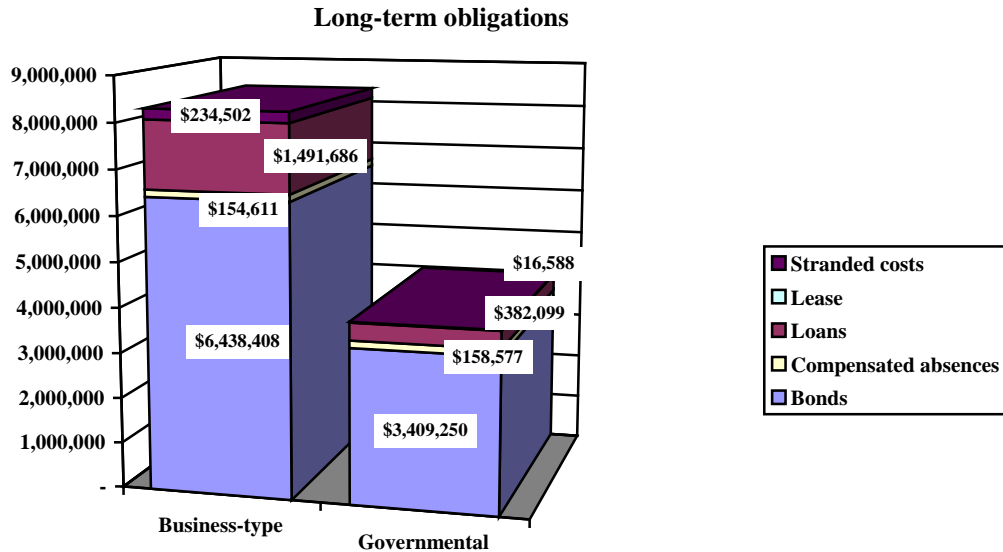
	<u>Business-type Activities</u>	
	<u>2012</u>	<u>2011</u>
Revenue bonds	\$ -	\$ 1,300,000
General obligation bonds	5,515,000	6,030,000
Income tax bonds	1,002,500	-
Deferred charges/unamortized premium	<u>(79,092)</u>	<u>(120,356)</u>
Total bonds	<u>6,438,408</u>	<u>7,209,644</u>
OWDA Loans	1,491,686	1,611,374
Bond anticipation note	-	1,100,000
Stranded costs	234,502	214,268
Compensated absences	<u>154,611</u>	<u>191,196</u>
Total long-term obligations	<u>\$ 8,319,207</u>	<u>\$ 10,326,482</u>

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

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

**CITY OF CLYDE
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)
(Continued)



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

The City of Clyde closed 2012 with total revenues for the year, including utility funds, of \$36.39 million versus expenditures of \$36.50 million, leaving the City's reserve cash balances at approximately \$11.60 million at year-end.

The City's income tax receipts were \$4,004,542 for 2012. The City's general fund balance increased from the prior year by approximately \$271,000 to \$1,046,418. The investment income had dropped to \$37,550 even though cash reserve balances decreased slightly. 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 2013.

2012 was still a year of fiscal watching. The national economy has held steady, and locally there appears to be a slight upswing, as reflected in the increase income tax collections. The policies and practices of the City of the past few years are still being observed.

During 2012 the City prepared the 2013 budget, which totals \$35,133,278. Anticipated expenditures from the general fund in 2012 total \$4.57 million.

Some of the City's significant accomplishments during 2012 are listed below:

The City purchased the former Home Savings building across from city hall and relocated the finance, income tax and utility departments. This new building includes a drive thru and a 24 hour drop box, amongst other operational enhancements.

- Total income tax revenue was \$4,004,542. Of this amount \$2,660,614 was the general fund's portion.
- The City received the "Auditor of State Award" for 2011 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.

**CITY OF CLYDE
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)
(Continued)

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 POSITION
DECEMBER 31, 2012

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 2,500,294	\$ 8,117,800	\$ 10,618,094
Investments.	-	235,000	235,000
Receivables (net of allowances for uncollectibles):			
Income taxes.	588,343	-	588,343
Real and other taxes	325,731	64,916	390,647
Accounts.	68,289	2,532,614	2,600,903
Due from other governments.	420,222	-	420,222
Special assessments	118,085	-	118,085
Accrued interest	6,696	4,308	11,004
Internal balance	68,426	(68,426)	-
Materials and supplies inventory.	84,880	348,368	433,248
Prepayments	23,687	21,427	45,114
Restricted assets:			
Equity in pooled cash and cash equivalents. .	-	1,046,181	1,046,181
Capital assets:			
Land and construction in progress.	1,403,598	795,093	2,198,691
Depreciable capital assets, net.	15,447,396	27,806,613	43,254,009
Total capital assets, net.	<u>16,850,994</u>	<u>28,601,706</u>	<u>45,452,700</u>
Total assets	<u>21,055,647</u>	<u>40,903,894</u>	<u>61,959,541</u>
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	-	82,903	82,903
Liabilities:			
Accounts payable.	56,821	981,823	1,038,644
Accrued wages and benefits.	116,865	80,952	197,817
Pension obligation payable.	36,200	28,129	64,329
Due to other governments	2,693	328	3,021
Accrued interest payable	23,179	87,167	110,346
Long-term liabilities:			
Due within one year	388,804	846,777	1,235,581
Due in more than one year.	<u>3,577,710</u>	<u>7,555,333</u>	<u>11,133,043</u>
Total liabilities	<u>4,202,272</u>	<u>9,580,509</u>	<u>13,782,781</u>
Deferred inflows of resources:			
Property taxes levied for the next year.	293,670	-	293,670
Net position:			
Net investment in capital assets.	13,344,834	20,671,612	34,016,446
Restricted for:			
Debt service	-	1,046,181	1,046,181
Transportation projects	535,932	-	535,932
Public health programs.	81,422	-	81,422
Police and fire programs.	52,745	-	52,745
Unrestricted	<u>2,544,772</u>	<u>9,688,495</u>	<u>12,233,267</u>
Total net position	<u>\$ 16,559,705</u>	<u>\$ 31,406,288</u>	<u>\$ 47,965,993</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE
SANDUSKY COUNTY**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,052,800	\$ 83,640	\$ 13,130	\$ -
Security of persons and property . . .	2,084,617	212,717	1,795	24,520
Public health and welfare	687,891	19,661	49,929	-
Transportation	926,289	-	313,663	764,733
Community environment	292,559	77,158	3,000	-
Leisure time activity	197,671	96,669	438	-
Interest and fiscal charges	167,842	-	-	-
Total governmental activities	<u>5,409,669</u>	<u>489,845</u>	<u>381,955</u>	<u>789,253</u>
Business-type activities:				
Water	2,454,272	2,669,154	-	-
Sewer	2,089,080	1,775,156	-	-
Electric	14,635,416	15,376,290	-	-
Total business-type activities	<u>19,178,768</u>	<u>19,820,600</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 24,588,437</u>	<u>\$ 20,310,445</u>	<u>\$ 381,955</u>	<u>\$ 789,253</u>

General revenues:

- Property taxes levied for:
 - General purposes
 - Police and fire pension
- Income taxes levied for:
 - General purposes
 - Capital outlay
- Other taxes:
 - Kilowatt hour taxes
- Grants and entitlements not restricted to specific programs
- Investment earnings
- Miscellaneous

Total general revenues

Extraordinary item - stranded costs

Change in net position

Net position at beginning of year (restated) .

Net position at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-type Activities	Total
\$ (956,030)	\$ -	\$ (956,030)
(1,845,585)	-	(1,845,585)
(618,301)	-	(618,301)
152,107	-	152,107
(212,401)	-	(212,401)
(100,564)	-	(100,564)
(167,842)	-	(167,842)
<u>(3,748,616)</u>	<u>-</u>	<u>(3,748,616)</u>
-	214,882	214,882
-	(313,924)	(313,924)
-	740,874	740,874
<u>-</u>	<u>641,832</u>	<u>641,832</u>
<u>(3,748,616)</u>	<u>641,832</u>	<u>(3,106,784)</u>
285,028	-	285,028
29,400	-	29,400
2,952,022	-	2,952,022
1,093,167	-	1,093,167
250,868	-	250,868
470,631	-	470,631
25,777	4,308	30,085
54,983	49,105	104,088
<u>5,161,876</u>	<u>53,413</u>	<u>5,215,289</u>
<u>-</u>	<u>(20,234)</u>	<u>(20,234)</u>
1,413,260	675,011	2,088,271
<u>15,146,445</u>	<u>30,731,277</u>	<u>45,877,722</u>
<u>\$ 16,559,705</u>	<u>\$ 31,406,288</u>	<u>\$ 47,965,993</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents . . .	\$ 1,254,008	\$ 576,937	\$ 621,440	\$ 2,452,385
Receivables (net of allowance for uncollectibles):				
Income taxes	411,840	176,503	-	588,343
Real and other taxes	291,252	-	34,479	325,731
Accounts	68,242	-	47	68,289
Due from other governments	290,341	-	129,881	420,222
Special assessments	19,584	98,501	-	118,085
Accrued interest	6,455	-	225	6,680
Due from other funds	64,588	-	-	64,588
Materials and supplies inventory	6,436	-	-	6,436
Prepayments	23,040	-	-	23,040
Total assets	<u>\$ 2,435,786</u>	<u>\$ 851,941</u>	<u>\$ 786,072</u>	<u>\$ 4,073,799</u>
Liabilities:				
Accounts payable	\$ 35,194	\$ 4,675	\$ 31	\$ 39,900
Accrued wages and benefits	100,728	-	3,201	103,929
Pension obligation payable	31,684	-	633	32,317
Due to other governments	2,693	-	-	2,693
Total liabilities	<u>170,299</u>	<u>4,675</u>	<u>3,865</u>	<u>178,839</u>
Deferred inflows of resources:				
Property taxes levied for the next year	262,585	-	31,085	293,670
Delinquent property tax revenue not available	28,667	-	3,394	32,061
Accrued interest not available	6,455	-	225	6,680
Special assessments revenue not available	19,584	64,269	-	83,853
Income tax revenue not available	123,940	53,117	-	177,057
Intergovernmental revenue not available	267,648	-	86,994	354,642
Total deferred inflows of resources	<u>708,879</u>	<u>117,386</u>	<u>121,698</u>	<u>947,963</u>
Fund balances:				
Nonspendable	29,476	-	-	29,476
Restricted	-	-	579,956	579,956
Committed	11,000	729,880	75,129	816,009
Assigned	606,732	-	5,424	612,156
Unassigned	909,400	-	-	909,400
Total fund balances	<u>1,556,608</u>	<u>729,880</u>	<u>660,509</u>	<u>2,946,997</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,435,786</u>	<u>\$ 851,941</u>	<u>\$ 786,072</u>	<u>\$ 4,073,799</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE
SANDUSKY COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2012

Total governmental fund balances	\$	2,946,997
 <i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities (excluding internal service funds capital assets) are not financial resources and therefore are not reported in the funds.		16,633,696
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Income taxes receivable	\$ 177,057	
Real and other taxes receivable	32,061	
Intergovernmental receivable	354,642	
Special assessments receivable	83,853	
Accrued interest receivable	6,680	
Total	654,293	654,293
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 \$3,838) are included in governmental activities on the statement of net position.		306,961
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(23,179)
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	151,126	
Police pension liability	66,813	
Capital lease payable	16,588	
General obligation bonds payable	1,705,000	
Income tax bonds payable	1,704,250	
Manuscript debt note payable	235,000	
Loans payable	80,286	
Total	(3,959,063)	(3,959,063)
Net position of governmental activities	\$	16,559,705

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, 2012

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Income taxes	\$ 2,929,463	\$ 1,083,499	\$ -	\$ 4,012,962
Real and other taxes.	538,145	-	29,204	567,349
Charges for services.	247,166	-	90,616	337,782
Licenses and permits	46,895	-	-	46,895
Fines and forfeitures	12,572	-	650	13,222
Intergovernmental.	283,081	764,733	316,061	1,363,875
Special assessments	14,708	71,733	-	86,441
Investment income.	27,507	-	1,082	28,589
Rental income	27,666	-	6,053	33,719
Contributions and donations.	40,650	-	52,117	92,767
Other	51,254	-	3,729	54,983
Total revenues	<u>4,219,107</u>	<u>1,919,965</u>	<u>499,512</u>	<u>6,638,584</u>
Expenditures:				
Current:				
General government	1,041,545	-	-	1,041,545
Security of persons and property	1,887,245	-	44,646	1,931,891
Public health and welfare.	516,980	-	57,695	574,675
Transportation	-	-	293,018	293,018
Community environment	231,145	61,819	-	292,964
Leisure time activity	-	-	197,575	197,575
Capital outlay	232,487	1,348,545	-	1,581,032
Debt service:				
Principal retirement.	100,378	-	341,751	442,129
Interest and fiscal charges	7,315	49,065	98,366	154,746
Total expenditures	<u>4,017,095</u>	<u>1,459,429</u>	<u>1,033,051</u>	<u>6,509,575</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>202,012</u>	<u>460,536</u>	<u>(533,539)</u>	<u>129,009</u>
Other financing sources (uses):				
Bond issuance.	-	1,704,250	-	1,704,250
Note issuance	235,000	-	-	235,000
Sale of capital assets.	1,836	-	-	1,836
Transfers in	-	-	546,470	546,470
Transfers (out).	(111,000)	(435,470)	-	(546,470)
Total other financing sources (uses)	<u>125,836</u>	<u>1,268,780</u>	<u>546,470</u>	<u>1,941,086</u>
Net change in fund balances	327,848	1,729,316	12,931	2,070,095
Fund balances (deficit) at beginning of year	<u>1,228,760</u>	<u>(999,436)</u>	<u>647,578</u>	<u>876,902</u>
Fund balances at end of year	<u>\$ 1,556,608</u>	<u>\$ 729,880</u>	<u>\$ 660,509</u>	<u>\$ 2,946,997</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, 2012

Net change in fund balances - total governmental funds	\$	2,070,095
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures.		
However, in the statement of activities, the cost of those assets (excluding internal service funds) is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.		
Capital asset additions	\$ 1,562,960	
Current year depreciation	<u>(823,371)</u>	
Total		739,589
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(8,872)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	32,227	
Real and other taxes	(2,053)	
Intergovernmental revenues	184,163	
Special assessments	(28,214)	
Investment income	<u>(1,884)</u>	
Total		184,239
Proceeds of bonds and notes 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 position.		
		(1,939,250)
Repayment of bond, lease and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		442,129
In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due.		
		(13,096)
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.		
		(29,580)
The internal service funds used by management to charge the costs of insurance and the City service department to individual funds are not reported in the statement of activities. Governmental fund expenditures and the related internal service funds revenue are eliminated. The net revenue (expense) of the internal service funds, including internal balances of (\$4,692), is allocated among the governmental activities.		
		<u>(31,994)</u>
Change in net position of governmental activities	\$	<u><u>1,413,260</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Revenues:				
Income taxes	\$ 2,541,000	\$ 2,541,000	\$ 2,660,614	\$ 119,614
Real and other taxes.	536,025	536,025	537,277	1,252
Charges for services.	184,740	184,740	183,981	(759)
Licenses and permits	41,500	41,500	48,191	6,691
Fines and forfeitures	12,000	12,000	12,818	818
Intergovernmental.	233,900	233,900	295,981	62,081
Special assessments	22,000	22,000	14,708	(7,292)
Investment income.	50,000	50,000	35,678	(14,322)
Rental income	10,000	10,000	21,666	11,666
Contributions and donations.	9,000	9,000	37,650	28,650
Other	37,919	18,000	44,605	26,605
Total revenues	<u>3,678,084</u>	<u>3,658,165</u>	<u>3,893,169</u>	<u>235,004</u>
Expenditures:				
Current:				
General government	963,083	991,683	839,334	152,349
Security of persons and property	2,296,715	2,298,615	2,016,402	282,213
Public health and welfare.	599,960	587,960	522,341	65,619
Community environment	169,589	169,589	177,893	(8,304)
Capital outlay	-	234,000	232,487	1,513
Total expenditures	<u>4,029,347</u>	<u>4,281,847</u>	<u>3,788,457</u>	<u>493,390</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(351,263)</u>	<u>(623,682)</u>	<u>104,712</u>	<u>728,394</u>
Other financing sources (uses):				
Note issuance	-	235,000	235,000	-
Sale of capital assets.	-	-	1,836	1,836
Transfers (out).	(131,000)	(142,000)	(142,000)	-
Total other financing sources (uses)	<u>(131,000)</u>	<u>93,000</u>	<u>94,836</u>	<u>1,836</u>
Net change in fund balances	(482,263)	(530,682)	199,548	730,230
Fund balances at beginning of year	724,942	724,942	724,942	-
Prior year encumbrances appropriated	50,197	50,197	50,197	-
Fund balance at end of year	<u>\$ 292,876</u>	<u>\$ 244,457</u>	<u>\$ 974,687</u>	<u>\$ 730,230</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE
SANDUSKY COUNTY**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Electric	Total	
Assets:					
Current assets:					
Equity in pooled cash and cash equivalents . . .	\$ 2,140,025	\$ 832,798	\$ 5,144,977	\$ 8,117,800	\$ 47,909
Investments	-	-	235,000	235,000	-
Receivables:					
Real and other taxes	-	-	64,916	64,916	-
Accounts	259,153	144,914	2,128,547	2,532,614	-
Accrued interest	-	-	4,308	4,308	16
Materials and supplies inventory	41,784	19,232	287,352	348,368	78,444
Prepayments	5,912	1,892	13,623	21,427	647
Total current assets	<u>2,446,874</u>	<u>998,836</u>	<u>7,878,723</u>	<u>11,324,433</u>	<u>127,016</u>
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	771,978	-	274,203	1,046,181	-
Capital assets:					
Land	497,238	274,511	23,344	795,093	-
Depreciable capital assets, net	10,356,417	6,596,992	10,853,204	27,806,613	217,298
Total capital assets, net	<u>10,853,655</u>	<u>6,871,503</u>	<u>10,876,548</u>	<u>28,601,706</u>	<u>217,298</u>
Total noncurrent assets	<u>11,625,633</u>	<u>6,871,503</u>	<u>11,150,751</u>	<u>29,647,887</u>	<u>217,298</u>
Total assets	<u>14,072,507</u>	<u>7,870,339</u>	<u>19,029,474</u>	<u>40,972,320</u>	<u>344,314</u>
Deferred outflows of resources:					
Unamortized deferred charges on debt refunding	-	-	82,903	82,903	-
Liabilities:					
Current liabilities:					
Accounts payable	56,040	10,369	915,414	981,823	16,921
Accrued wages and benefits	29,865	32,217	18,870	80,952	12,936
Pension obligation payable	9,170	11,667	7,292	28,129	3,883
Compensated absences	16,721	11,792	12,024	40,537	5,806
Due to other funds	-	-	64,588	64,588	-
Due to other governments	-	-	328	328	-
Accrued interest payable	65,541	12,719	8,907	87,167	-
OWDA loans payable - current	70,547	52,367	-	122,914	-
Stranded costs - current	-	-	16,000	16,000	-
Income tax bonds payable - current	-	-	132,326	132,326	-
Payable from restricted assets:					
Current portion of general obligation bonds	100,000	-	435,000	535,000	-
Total current liabilities	<u>347,884</u>	<u>131,131</u>	<u>1,610,749</u>	<u>2,089,764</u>	<u>39,546</u>
Long-term liabilities:					
Compensated absences	44,505	43,937	25,632	114,074	1,645
General obligation bonds	4,525,000	-	458,811	4,983,811	-
Income tax bonds	-	-	870,174	870,174	-
OWDA loans payable	702,272	666,500	-	1,368,772	-
Stranded costs	-	-	218,502	218,502	-
Total long-term liabilities	<u>5,271,777</u>	<u>710,437</u>	<u>1,573,119</u>	<u>7,555,333</u>	<u>1,645</u>
Total liabilities	<u>5,619,661</u>	<u>841,568</u>	<u>3,183,868</u>	<u>9,645,097</u>	<u>41,191</u>
Net position:					
Net investment in capital assets	5,455,836	6,152,636	9,063,140	20,671,612	217,298
Restricted for debt service	771,978	-	274,203	1,046,181	-
Unrestricted	2,225,032	876,135	6,591,166	9,692,333	85,825
Total net position	<u>\$ 8,452,846</u>	<u>\$ 7,028,771</u>	<u>\$ 15,928,509</u>	<u>31,410,126</u>	<u>\$ 303,123</u>
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds				(3,838)	
Net position of business-type activities				<u>\$ 31,406,288</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Business-type Activities - Enterprise Funds</u>				Governmental Activities - Internal Service Funds
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Total</u>	
Operating revenues:					
Charges for services	\$ 2,669,154	\$ 1,775,156	\$ 15,376,290	\$ 19,820,600	\$ 738,427
Other operating revenues	19,312	10,412	19,381	49,105	5,033
Total operating revenues.	<u>2,688,466</u>	<u>1,785,568</u>	<u>15,395,671</u>	<u>19,869,705</u>	<u>743,460</u>
Operating expenses:					
Personal services	972,026	969,823	1,000,441	2,942,290	495,462
Contract services.	329,446	493,170	12,429,827	13,252,443	50,387
Materials and supplies.	402,423	286,711	284,930	974,064	178,518
Depreciation.	492,108	306,026	490,614	1,288,748	55,676
Other	4,544	7,034	4,820	16,398	209
Total operating expenses.	<u>2,200,547</u>	<u>2,062,764</u>	<u>14,210,632</u>	<u>18,473,943</u>	<u>780,252</u>
Operating income (loss)	<u>487,919</u>	<u>(277,196)</u>	<u>1,185,039</u>	<u>1,395,762</u>	<u>(36,792)</u>
Nonoperating revenues (expenses):					
Interest and fiscal charges	(253,105)	(25,896)	(169,834)	(448,835)	-
Interest income.	-	-	4,308	4,308	106
Excise tax expense	-	-	(251,298)	(251,298)	-
Total nonoperating revenues (expenses).	<u>(253,105)</u>	<u>(25,896)</u>	<u>(416,824)</u>	<u>(695,825)</u>	<u>106</u>
Income (loss) before extraordinary items and transfers	234,814	(303,092)	768,215	699,937	(36,686)
Transfer in	-	-	80,000	80,000	-
Transfer out	(56,000)	(24,000)	-	(80,000)	-
Extraordinary item - stranded costs.	-	-	(20,234)	(20,234)	-
Change in net position	178,814	(327,092)	827,981	679,703	(36,686)
Net position at beginning of year (restated)	<u>8,274,032</u>	<u>7,355,863</u>	<u>15,100,528</u>		<u>339,809</u>
Net position at end of year	<u>\$ 8,452,846</u>	<u>\$ 7,028,771</u>	<u>\$ 15,928,509</u>		<u>\$ 303,123</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds.				(4,692)	
Change in net position of business-type activities.				<u>\$ 675,011</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE
SANDUSKY COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Business-type Activities - Enterprise Funds</u>				Governmental Activities - Internal Service Funds
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Total</u>	
Cash flows from operating activities:					
Cash received from charges for services	\$ 2,702,003	\$ 1,772,227	\$ 15,604,074	\$ 20,078,304	\$ 738,427
Cash received from other operations	19,312	10,412	20,986	50,710	5,033
Cash payments for personal services	(989,310)	(966,192)	(1,043,951)	(2,999,453)	(502,602)
Cash payments for contractual services	(327,263)	(509,717)	(12,600,207)	(13,437,187)	(50,253)
Cash payments for materials and supplies	(348,477)	(284,144)	(356,035)	(988,656)	(195,202)
Cash payments for other expenses	(4,544)	(5,825)	(4,820)	(15,189)	(209)
Net cash provided by (used in) operating activities	<u>1,051,721</u>	<u>16,761</u>	<u>1,620,047</u>	<u>2,688,529</u>	<u>(4,806)</u>
Cash flows from noncapital financing activities:					
Cash received from transfers in	-	-	80,000	80,000	-
Cash used in transfers out	(56,000)	(24,000)	-	(80,000)	-
Cash payments for excise taxes	-	-	(251,298)	(251,298)	-
Net cash provided by (used in) noncapital financing activities	<u>(56,000)</u>	<u>(24,000)</u>	<u>(171,298)</u>	<u>(251,298)</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(32,109)	-	(112,837)	(144,946)	-
Cash received from sale of bonds	-	-	1,002,500	1,002,500	-
Cash received from sale of notes	-	-	1,000,000	1,000,000	-
Cash payments for principal retirement	(339,157)	(50,531)	(3,645,000)	(4,034,688)	-
Cash payments for interest and fiscal charges	(255,439)	(26,806)	(151,222)	(433,467)	-
Net cash used in capital and related financing activities	<u>(626,705)</u>	<u>(77,337)</u>	<u>(1,906,559)</u>	<u>(2,610,601)</u>	<u>-</u>
Cash flows from investing activities:					
Interest received	-	-	-	-	137
Purchase of investments	-	-	(235,000)	(235,000)	-
Net cash provided by (used in) investing activities	<u>-</u>	<u>-</u>	<u>(235,000)</u>	<u>(235,000)</u>	<u>137</u>
Net increase (decrease) in cash and cash equivalents	369,016	(84,576)	(692,810)	(408,370)	(4,669)
Cash and cash equivalents at beginning of year	<u>2,542,987</u>	<u>917,374</u>	<u>6,111,990</u>	<u>9,572,351</u>	<u>52,578</u>
Cash and cash equivalents at end of year	<u>\$ 2,912,003</u>	<u>\$ 832,798</u>	<u>\$ 5,419,180</u>	<u>\$ 9,163,981</u>	<u>\$ 47,909</u>

- - Continued

**CITY OF CLYDE
SANDUSKY COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Electric	Total	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 487,919	\$ (277,196)	\$ 1,185,039	\$ 1,395,762	\$ (36,792)
Adjustments:					
Depreciation.	492,108	306,026	490,614	1,288,748	55,676
Changes in assets and liabilities:					
Decrease (increase) in materials and supplies invento	8,483	541	(33,874)	(24,850)	(32,456)
Decrease (increase) in accounts receivable.	32,849	(2,929)	229,389	259,309	-
Decrease (increase) in prepayments	(220)	(139)	665	306	134
Increase (decrease) in accounts payable	47,866	(13,173)	(208,276)	(173,583)	15,907
Increase (decrease) in accrued wages and benefits . .	1,770	4,252	(9,623)	(3,601)	214
Increase (decrease) in compensated absences payable	(13,665)	2,372	(25,292)	(36,585)	(4,005)
Decrease in pension obligation payable.	(5,389)	(2,993)	(8,595)	(16,977)	(3,484)
Net cash provided by (used in) operating activities . . .	\$ 1,051,721	\$ 16,761	\$ 1,620,047	\$ 2,688,529	\$ (4,806)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE
SANDUSKY COUNTY**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2012

	Private-Purpose Trust
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 7,312
Receivables:	
Accrued interest.	4
Total assets	7,316
Net position:	
Held in trust for private cemetery care.	7,316
Total net position	\$ 7,316

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE
SANDUSKY COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Private-Purpose Trust
Additions:	
Interest	\$ 19
Deductions:	
Cemetery care	39
Change in net position	(20)
Net position at beginning of year	7,336
Net position at end of year	\$ 7,316

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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 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.

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

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

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

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, 2012. Financial information may be obtained from Arthur J. Gallagher & Co., Crown Centre Building, 5505 Rockside Road, 10th Floor, Cleveland, Ohio 44131-2157.

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

B. Basis of Presentation - Fund Accounting

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

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

C. Fund Accounting

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

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

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

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 and deferred inflows 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 position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

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

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

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

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

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

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. 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.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

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

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, deferred outflows, liabilities and deferred inflows associated with the operation of the City are included on the statement of net position.

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 position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating 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 inflows 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.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

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

Non-exchange 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 non-exchange 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.

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the City that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the City that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance year 2013 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows. 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, 2012, are recorded as deferred inflows on the governmental fund financial statements.

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

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, (e.g. police), and object (e.g. 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.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

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

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. 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 2012, investments were limited to nonnegotiable certificates of deposit, U.S. government money market mutual funds, investments in City owned debt 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.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

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

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2012. 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, 2012.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2012 amounted to \$27,507, which included \$25,280 assigned from other funds of the City.

For purposes of the statement of cash flows and for presentation on the statement of net position, 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 position, 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 position 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,

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

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

water and sewer lines, electric transmission, overhead and underground lines, electric transformers, substations and street lights. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

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

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

K. Compensated Absences

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

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

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

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.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

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

L. Prepayments

Payments made to vendors for services that will benefit beyond December 31, 2012, 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. Bond Premium and Discount/Accounting Gain or Loss

Bond premiums and discounts are amortized over the term of the bonds using the straight-line method. Bond premiums are presented as an addition to the face amount of the bonds. Bond discounts are presented as a reduction to the face amount of the bonds.

For advance refundings 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 a deferred outflow.

On the governmental fund financial statements, issuance costs, bond premiums, and deferred charges from refunding 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 position, 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.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

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

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.

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.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

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

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.

T. Net Position

Net position represents the difference between assets plus deferred outflows less liabilities plus deferred inflows. The net position component "net investment in capital assets," 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is 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 2012, AMP-Ohio notified the City that the amount due for the City's portion of stranded costs associated with the termination of the American Municipal Power Generating Station (AMPGS) Project was increased. This resulted in an extraordinary item of \$20,234 recognized in the electric fund. The City had no special items during 2012.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For 2012, the City has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the City.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)

governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the City.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows or resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the City's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 had the following effect on the financial statements of the City:

	Business-type Activities	Enterprise Funds	
		Water	Electric
Net assets as previously reported	\$ 30,861,242	\$ 8,311,260	\$ 15,193,265
Removal of unamortized bond issuance costs	(129,965)	(37,228)	(92,737)
Net position at January 1, 2012	\$ 30,731,277	\$ 8,274,032	\$ 15,100,528

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;

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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, 2012, the carrying amount of all City deposits was \$9,742,886. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

31, 2012, \$8,670,849 of the City's bank balance of \$9,842,560 was exposed to custodial risk as discussed below, while \$1,122,546 was covered by the Federal Deposit Insurance Corporation.

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

C. Investments

As of December 31, 2012, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
STAR Ohio	\$ 1,309,145	\$ 1,309,145	\$ -	\$ -	\$ -	\$ -
Investment in City owned debt	235,000	-	-	-	-	235,000
U.S. government money market mutual funds	619,196	619,196	-	-	-	-
Total	\$ 2,163,341	\$ 1,928,341	\$ -	\$ -	\$ -	\$ 235,000

The weighted average maturity of investments is 0.44 years.

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. The investment in City owned debt was not rated.

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, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 1,309,145	60.52%
Investment in City owned debt	235,000	10.86%
U.S. Government money market mutual funds	619,196	28.62%
	<u>\$ 2,163,341</u>	<u>100.00%</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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 position as of December 31, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 9,742,886
Investments	2,163,341
Cash on hand	<u>360</u>
Total	<u>\$ 11,906,587</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 2,500,294
Business-type activities	9,398,981
Private-purpose trust fund	<u>7,312</u>
Total	<u>\$ 11,906,587</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended December 31, 2012, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:	
General fund	\$ 111,000
Permanent improvement fund	<u>435,470</u>
Total transfers to nonmajor governmental funds	<u>546,470</u>
 Transfers to electric fund from:	
Water fund	56,000
Sewer fund	<u>24,000</u>
Total transfers to electric fund	<u>80,000</u>
Total transfers	<u>\$ 626,470</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.

- B. Due from/to other funds consisted of the following at December 31, 2012, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Electric	\$ 64,588

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

NOTE 5 - INTERFUND TRANSACTIONS – (Continued)

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 position.

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. 2012 public utility property taxes became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 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, 2012 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow since the current taxes were not levied to finance 2012 operations and the collection of delinquent taxes has been offset by deferred inflow 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 a deferred inflow.

The full tax rate for all City operations for the year ended December 31, 2012 was \$3.20 per \$1,000 of assessed value.

The assessed values of real and public utility property upon which 2012 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 73,161,010
Commercial/industrial/mineral	36,810,530
<u>Public utility</u>	
Real	10,720
Personal	<u>1,923,220</u>
Total assessed value	<u>\$ 111,905,480</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

NOTE 7 - LOCAL INCOME TAX

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

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

Income tax proceeds are to be used to pay the cost of administering the tax. The first one percent of the income tax revenue is allocated 55% to the general fund and 45% to the permanent improvement fund. The additional one-half percent tax is placed in the general fund for municipal operations. Income tax revenue for 2012 was \$4,012,962 as reported in the fund financial statements.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2012, 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, 2012.

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

Governmental activities:

Income taxes	\$ 588,343
Real and other taxes	325,731
Accounts	68,289
Due from other governments	420,222
Special assessments	118,085
Accrued interest	6,696

Business-type activities:

Real and other taxes	64,916
Accounts	2,532,614
Accrued interest	4,308

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

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

<u>Governmental activities:</u>	<u>Balance 12/31/2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 12/31/2012</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,228,132	\$ -	\$ -	\$ 1,228,132
Construction in progress	<u>481,094</u>	<u>1,270,525</u>	<u>(1,576,153)</u>	<u>175,466</u>
Total capital assets, not being depreciated	<u>1,709,226</u>	<u>1,270,525</u>	<u>(1,576,153)</u>	<u>1,403,598</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,368,024	-	-	2,368,024
Buildings and improvements	3,210,284	250,000	-	3,460,284
Equipment	905,230	-	(11,572)	893,658
Vehicles	2,920,635	42,435	-	2,963,070
Infrastructure	<u>18,028,939</u>	<u>1,576,153</u>	<u>-</u>	<u>19,605,092</u>
Total capital assets, being depreciated	<u>27,433,112</u>	<u>1,868,588</u>	<u>(11,572)</u>	<u>29,290,128</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,053,507)	(76,983)	-	(1,130,490)
Buildings and improvements	(1,822,688)	(88,415)	-	(1,911,103)
Equipment	(540,685)	(42,226)	2,700	(580,211)
Vehicles	(2,351,346)	(184,411)	-	(2,535,757)
Infrastructure	<u>(7,198,159)</u>	<u>(487,012)</u>	<u>-</u>	<u>(7,685,171)</u>
Total accumulated depreciation	<u>(12,966,385)</u>	<u>(879,047)</u>	<u>2,700</u>	<u>(13,842,732)</u>
Total capital assets, being depreciated, net	<u>14,466,727</u>	<u>989,541</u>	<u>(8,872)</u>	<u>15,447,396</u>
Governmental activities capital assets, net	<u>\$ 16,175,953</u>	<u>\$ 2,260,066</u>	<u>\$ (1,585,025)</u>	<u>\$ 16,850,994</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

NOTE 9 - CAPITAL ASSETS - (Continued)

<u>Business-type activities:</u>	<u>Balance 12/31/2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 12/31/2012</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 795,093	\$ -	\$ -	\$ 795,093
Total capital assets, not being depreciated	<u>795,093</u>	<u>-</u>	<u>-</u>	<u>795,093</u>
<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	24,893	-	221,897
Infrastructure	<u>24,754,789</u>	<u>120,053</u>	<u>-</u>	<u>24,874,842</u>
Total capital assets, being depreciated	<u>48,530,374</u>	<u>144,946</u>	<u>-</u>	<u>48,675,320</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(539,553)	(22,847)	-	(562,400)
Buildings and improvements	(6,524,600)	(401,936)	-	(6,926,536)
Equipment	(6,059,336)	(364,670)	-	(6,424,006)
Vehicles	(151,275)	(11,632)	-	(162,907)
Infrastructure	<u>(6,305,195)</u>	<u>(487,663)</u>	<u>-</u>	<u>(6,792,858)</u>
Total accumulated depreciation	<u>(19,579,959)</u>	<u>(1,288,748)</u>	<u>-</u>	<u>(20,868,707)</u>
Total capital assets, being depreciated, net	<u>28,950,415</u>	<u>(1,143,802)</u>	<u>-</u>	<u>27,806,613</u>
Business-type activities capital assets, net	<u>\$ 29,745,508</u>	<u>\$ (1,143,802)</u>	<u>\$ -</u>	<u>\$ 28,601,706</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(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	\$ 13,120
Security of persons and property	195,274
Public health and welfare	122,387
Transportation	487,012
Community environment	5,578
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>55,676</u>
Total depreciation expense - governmental activities	<u>\$ 879,047</u>

Business-type activities:

Water	\$ 492,108
Sewer	306,026
Electric	<u>490,614</u>
Total depreciation expense - business-type activities	<u>\$ 1,288,748</u>

NOTE 10 - CAPITAL LEASE

In a prior year, 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 position in the amount of \$80,000. Accumulated depreciation as of December 31, 2012 was \$15,000, leaving a current book value of \$65,000. A corresponding liability was recorded in the statement of net position. Principal payments in 2012 totaled \$15,576 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, 2012:

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2013	<u>\$ 17,666</u>
Total	17,666
Less: amount representing interest	<u>(1,078)</u>
Present value of net minimum lease payments	<u>\$ 16,588</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

NOTE 11 - LONG-TERM OBLIGATIONS

A. During 2012, the following changes occurred in the City's governmental activities long-term obligations:

Governmental activities:	<u>Interest Rate</u>	<u>Balance 12/31/11</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/12</u>	<u>Amount Due in One Year</u>
<u>General obligation bonds:</u>						
Woodland/Premier	2.00% -					
General obligation bonds	4.15%	\$ 115,000	\$ -	\$ (115,000)	\$ -	\$ -
Vine/Main Street improvements	1.70% -					
General obligation bonds	5.00%	<u>1,930,000</u>	<u>-</u>	<u>(225,000)</u>	<u>1,705,000</u>	<u>140,000</u>
Total general obligation debt		<u>2,045,000</u>	<u>-</u>	<u>(340,000)</u>	<u>1,705,000</u>	<u>140,000</u>
<u>Income tax bonds:</u>						
Swimming pool bonds	3.125%	<u>-</u>	<u>1,704,250</u>	<u>-</u>	<u>1,704,250</u>	<u>90,795</u>
<u>Loans:</u>						
Fire rescue truck loan	3.84%	23,540	-	(23,540)	-	-
Fire pumper truck loan	4.14%	<u>141,548</u>	<u>-</u>	<u>(61,262)</u>	<u>80,286</u>	<u>63,891</u>
Total loans		<u>165,088</u>	<u>-</u>	<u>(84,802)</u>	<u>80,286</u>	<u>63,891</u>
<u>Other long-term obligations:</u>						
Police pension liability	N/A	68,564	-	(1,751)	66,813	1,827
Manuscript note payable	2.00%	-	235,000	-	235,000	47,000
Capital lease	6.50%	32,164	-	(15,576)	16,588	16,588
Compensated absences		<u>133,002</u>	<u>152,774</u>	<u>(127,199)</u>	<u>158,577</u>	<u>28,703</u>
Total other obligations		<u>233,730</u>	<u>387,774</u>	<u>(144,526)</u>	<u>476,978</u>	<u>94,118</u>
Total governmental activities long-term obligations		<u>\$ 2,443,818</u>	<u>\$ 2,092,024</u>	<u>\$ (569,328)</u>	<u>\$ 3,966,514</u>	<u>\$ 388,804</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 matured 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 were 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, 2012, this debt was paid off.

Income tax bonds: On November 1, 2012, the City issued income tax bonds in the amount of \$1,704,250. The proceeds of these bonds were received in the permanent improvement fund and used

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

to retire the \$1,700,000 swimming pool bond anticipation notes (see Note 12). The bonds bear an interest rate of 3.125% and mature on November 1, 2027. The principal and interest payments are made from income tax revenue in the permanent improvement fund.

Police pension liability: An accrual has been set up 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, which matured on May 13, 2012. 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.

Manuscript note payable: On January 31, 2012, the City's general fund issued a manuscript note in the amount of \$235,000, which was purchased by the electric fund. The proceeds of these notes were used to purchase land and real property to house the City's finance department. The notes bear an interest rate of 2% and will be repaid from the general fund in five equal annual installments beginning on January 31, 2013. This note payable is not included in the City's calculation of net investment in capital assets. The notes are recorded as an investment in the electric fund.

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 position 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, 2012, are as follows:

Year Ending December 31,	Police Pension			Fire Pumper Truck Loan		
	Principal	Interest	Total	Principal	Interest	Total
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	2,161	2,486	4,647	-	-	-
2018 - 2022	12,282	10,952	23,234	-	-	-
2023 - 2027	15,154	8,077	23,231	-	-	-
2028 - 2032	18,700	4,534	23,234	-	-	-
2033 - 2035	10,725	684	11,409	-	-	-
Total	<u>\$ 66,813</u>	<u>\$ 37,530</u>	<u>\$ 104,343</u>	<u>\$ 80,286</u>	<u>\$ 2,540</u>	<u>\$ 82,826</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Year Ending <u>December 31,</u>	<u>Vine/Main Street G.O. Bonds</u>			<u>Swimming Pool Income Tax Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 140,000	\$ 81,248	\$ 221,248	\$ 90,795	\$ 53,258	\$ 144,053
2014	145,000	75,088	220,088	93,633	50,420	144,053
2015	150,000	68,562	218,562	96,559	47,494	144,053
2016	155,000	61,662	216,662	99,576	44,477	144,053
2017	165,000	54,455	219,455	102,688	41,365	144,053
2018 - 2022	950,000	146,050	1,096,050	563,627	156,638	720,265
2023 - 2027	-	-	-	657,372	62,893	720,265
Total	<u>\$ 1,705,000</u>	<u>\$ 487,065</u>	<u>\$ 2,192,065</u>	<u>\$ 1,704,250</u>	<u>\$ 456,545</u>	<u>\$ 2,160,795</u>

Year Ending <u>December 31,</u>	<u>Manuscript Notes Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 47,000	\$ 4,700	\$ 51,700
2014	47,000	3,760	50,760
2015	47,000	2,820	49,820
2016	47,000	1,880	48,880
2017	<u>47,000</u>	<u>940</u>	<u>47,940</u>
Total	<u>\$ 235,000</u>	<u>\$ 14,100</u>	<u>\$ 249,100</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

C. During 2012, the following changes occurred in the City's business-type activities long-term obligations:

Business-type activities:	<u>Interest Rate</u>	<u>Balance 12/31/11</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/12</u>	<u>Amount Due in One Year</u>
<u>Mortgage revenue bonds:</u>						
Electric system mortgage revenue refunding bonds, series 1998	4.00%- 5.25%	\$ 1,125,000	\$ -	\$ (1,125,000)	\$ -	\$ -
Total mortgage revenue bonds		<u>1,125,000</u>	<u>-</u>	<u>(1,125,000)</u>	<u>-</u>	<u>-</u>
<u>OWDA loans:</u>						
Sewer plant OWDA loan	3.90%	346,389	-	(27,274)	319,115	28,348
Sewer sludge dewatering improvements	3.25%	423,009	-	(23,257)	399,752	24,019
Water system OWDA loan	2.00%	841,976	-	(69,157)	772,819	70,547
Total OWDA loans		<u>1,611,374</u>	<u>-</u>	<u>(119,688)</u>	<u>1,491,686</u>	<u>122,914</u>
<u>General obligation bonds:</u>						
Water system general obligation bonds series 1997	3.00%- 6.30%	4,720,000	-	(95,000)	4,625,000	100,000
Electric system G.O. refunding bonds	2.00%- 4.125%	1,310,000	-	(420,000)	890,000	435,000
Total general obligation bonds		<u>6,030,000</u>	<u>-</u>	<u>(515,000)</u>	<u>5,515,000</u>	<u>535,000</u>
<u>Income tax bonds:</u>						
Electric building bonds	2.625%	-	1,002,500	-	1,002,500	132,326
Total income tax bonds		<u>-</u>	<u>1,002,500</u>	<u>-</u>	<u>1,002,500</u>	<u>132,326</u>
<u>Revenue bonds:</u>						
Water system improvement revenue bonds	2.10%- 4.65%	175,000	-	(175,000)	-	-
Total revenue bonds		<u>175,000</u>	<u>-</u>	<u>(175,000)</u>	<u>-</u>	<u>-</u>
<u>Other obligations:</u>						
Stranded costs payable		214,268	20,234	-	234,502	16,000
Compensated absences		191,196	149,938	(186,523)	154,611	40,537
Total other obligations		<u>405,464</u>	<u>170,172</u>	<u>(186,523)</u>	<u>389,113</u>	<u>56,537</u>
Total business-type activities long-term obligations		<u>\$ 9,346,838</u>	<u>\$ 1,172,672</u>	<u>\$ (2,121,211)</u>	8,398,299	<u>\$ 846,777</u>
Unamortized premium on bonds					3,811	
Total on statement of net position					<u>\$ 8,402,110</u>	

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

Mortgage revenue bonds: 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. The City completely retired the outstanding mortgage revenue bonds during 2012.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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, 2012, \$1,065,000 of this debt was still outstanding.

The City had pledged 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 were payable solely from electric customer net revenues and were payable through 2012. Principal and interest paid for the current year and total customer net revenues available for debt service were \$1,197,053 and \$1,949,856, 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 position. The principal balance of the electric and water system refunding bonds at December 31, 2012 was \$890,000 and \$4,625,000, 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 deferred outflow, 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, 2012, the City has outstanding borrowings of \$1,491,686.

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 had pledged 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 were payable solely from water customer net revenues and were payable through 2012.

Principal and interest paid for the current year and total customer net revenues available for debt service were \$179,070 and \$1,752,005, respectively.

Income tax bonds: On November 1, 2012, the City issued income tax bonds in the amount of \$1,002,500. The proceeds of these bonds were receipted in the electric fund and used to retire the \$1,000,000 electric building bond anticipation notes (see Note 12). The bonds bear an interest rate of 2.625% and mature on November 1, 2019. The principal and interest payments are made from the electric fund.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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 \$508,382, plus accrued interest of \$2,518, less a development fee of \$276,398 for the AMP Fremont Energy Center (AFEC). This liability is scheduled to be repaid over a fourteen year period beginning in 2013. The City retains the option to repay the balance of the liability at any point over the next fourteen years. A specific payment schedule has not been established by the City as of December 31, 2012. Principal and interest payments will be made from the electric fund. See Note 22 for AMPGS project history.

- D.** The annual requirements amortize business-type activities long-term obligations outstanding as of December 31, 2012, are as follows:

Year Ending December 31,	Electric Building Bonds			OWDA Loans		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 132,326	\$ 26,316	\$ 158,642	\$ 122,914	\$ 40,075	\$ 162,989
2014	135,799	22,842	158,641	126,235	36,753	162,988
2015	139,364	19,277	158,641	129,654	33,335	162,989
2016	143,022	15,619	158,641	133,176	29,814	162,990
2017	146,776	11,865	158,641	136,800	26,189	162,989
2018 - 2022	305,213	12,070	317,283	722,033	72,653	794,686
2023 - 2026	-	-	-	120,874	7,984	128,858
Total	<u>\$ 1,002,500</u>	<u>\$ 107,989</u>	<u>\$ 1,110,489</u>	<u>\$ 1,491,686</u>	<u>\$ 246,803</u>	<u>\$ 1,738,489</u>

Year Ending December 31,	Electric General Obligation Refunding Bonds			Water Improvement General Obligation Bonds		
	Principal	Interest	Interest	Principal	Interest	Interest
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	-	-	-	120,000	208,250	328,250
2018 - 2022	-	-	-	710,000	942,250	1,652,250
2023 - 2027	-	-	-	905,000	744,000	1,649,000
2028 - 2022	-	-	-	1,155,000	490,625	1,645,625
2023 - 2037	-	-	-	1,305,000	168,125	1,473,125
Total	<u>\$ 890,000</u>	<u>\$ 54,938</u>	<u>\$ 944,938</u>	<u>\$ 4,625,000</u>	<u>\$ 3,442,000</u>	<u>\$ 8,067,000</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

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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, 2012, the City's total debt margin was \$8,340,825 and the unvoted debt margin was \$6,154,801.

NOTE 12 - NOTES PAYABLE

Changes in the City's note activity for the year ended December 31, 2012, were as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>12/31/2011</u>	<u>Issued</u>	<u>Retired</u>	<u>12/31/2012</u>
<u>Governmental fund notes:</u>				
2011 Swimming pool note - 2.25%	\$ 1,700,000	\$ -	\$ (1,700,000)	\$ -
2012 Swimming pool note - 1.35%	<u>-</u>	<u>1,700,000</u>	<u>(1,700,000)</u>	<u>-</u>
Total governmental fund notes	<u>\$ 1,700,000</u>	<u>\$ 1,700,000</u>	<u>\$ (3,400,000)</u>	<u>\$ -</u>
	<u>Balance</u>			<u>Balance</u>
	<u>12/31/2011</u>	<u>Issued</u>	<u>Retired</u>	<u>12/31/2012</u>
<u>Enterprise fund notes:</u>				
2011 Electric system note - 2.25%	\$ 1,100,000	\$ -	\$ (1,100,000)	\$ -
2012 Electric system note - 1.35%	<u>-</u>	<u>1,000,000</u>	<u>(1,000,000)</u>	<u>-</u>
Total enterprise fund notes	<u>\$ 1,100,000</u>	<u>\$ 1,000,000</u>	<u>\$ (2,100,000)</u>	<u>\$ -</u>

The 2011 notes were issued on May 4, 2011 and matured on May 3, 2012. The 2011 notes bore an interest rate of 2.25% and were retired from the permanent improvement and electric funds, respectively.

On May 2, 2012, the City issued bond anticipation notes in the amount of \$2,700,000. \$1,700,000 was used to retire the 2011 governmental fund bond anticipation note described above. This note bore an interest rate of 1.35% and matured on November 1, 2012. This note was retired using the income tax bond proceeds described in Note 11.A. The remaining proceeds of \$1,000,000 were used to retire the enterprise fund bond anticipation note described above. This note bore an interest rate of 1.35% and matured on November 1, 2012. This note was retired using the income tax bond proceeds described in Note 11.C.

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 \$46,958 at December 31, 2012. 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 \$22,282 at December 31, 2012. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(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 \$243,948 at December 31, 2012. 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 loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters.

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 local governments. PEP provides property and casualty insurance for its members. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), 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, 2012, 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, 2012 and 2011 (the latest information available):

<u>Casualty & Property Coverage</u>	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	<u>(14,208,353)</u>	<u>(14,187,273)</u>
Retained earnings	<u>\$20,181,216</u>	<u>\$19,175,131</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

NOTE 14 - RISK MANAGEMENT - (Continued)

These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the City's share of these unpaid claims collectible in future years is approximately \$120,000.

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

<u>Contributions to PEP</u>	
2010	\$116,836
2011	108,909
2012	119,542

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, 2012, the pool had cash reserves of \$3,187,349 which, in the opinion of management, is adequate for any claims against the pool.

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

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

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

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 2012, member and contribution rates were consistent across all three plans. The 2012 member contribution rates were 10.00% for members. The City's contribution rate for 2012 was 14.00% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2012 was 10.00%. The City's contribution rate for pension benefits for members in the Combined Plan for 2012 was 7.95%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$328,631, \$302,857, and \$280,205, respectively; 92.32% has been contributed for 2012 and 100% has been contributed for 2011 and 2010. The remaining 2012 pension liability has been reported as pension obligation payable on the basic financial statements. Contributions to the member-directed plan for 2012 were \$10,756 made by the City and \$7,683 made by the plan members.

B. Ohio Police and Fire Pension Fund

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

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

NOTE 15 - PENSION PLANS – (Continued)

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 2012, 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 \$112,730 and \$13,369 for the year ended December 31, 2012, \$79,682 and \$9,487 for the year ended December 31, 2011, and \$71,994, and \$10,984, for the year ended December 31, 2010. The full amount has been contributed for 2011 and 2010. 93.70% has been contributed for 2012. The remaining 2012 pension liability has been reported as pension obligation payable on the basic financial statements.

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.

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). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2012, 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 2012 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2012 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.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were \$134,913, \$124,250, and \$158,398, respectively; 92.32% has been contributed for 2012 and 100% has been contributed for 2011 and 2010. The remaining 2012 post-employment health care benefits liability has been reported as pension obligation payable on the basic financial statements.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

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.

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 or by visiting the website at www.op-f.org.

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, 2012, 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

**CITY OF CLYDE
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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 \$59,680 and \$5,232 for the year ended December 31, 2012, \$42,185 and \$3,712 for the year ended December 31, 2011, and \$38,114, and \$4,298, for the year ended December 31, 2010. The full amount has been contributed for 2011 and 2010. 93.70% has been contributed for 2012. The remaining 2012 post-employment health care benefits liability has been reported as pension obligation payable on the basic financial statements.

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);
- (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:

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 199,548
Net adjustment for revenue accruals	37,675
Net adjustment for expenditure accruals	(26,833)
Funds budgeted elsewhere	45,726
Adjustment for encumbrances	<u>71,732</u>
GAAP basis	<u>\$ 327,848</u>

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, 2012.

B. Litigation

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

NOTE 19 - MASTER LEASE-PURCHASE AND SUBLEASE PURCHASE AGREEMENT

To provide for the acquisition, construction, equipping, improvement and installing of a new hospital in Bellevue, Ohio and to retire the Bellevue Hospital Series 2002 note, the City has authorized a master lease-purchase and sublease-purchase agreement dated July 1, 2003, with Fifth Third Bank, and the Bellevue Hospital in a principal amount of \$10,000,000. The agreement includes a statement to the effect that the City's obligations thereunder, which constitute "revenue obligations" within the meaning of Section 140.06 of the Act, are not obligations, debt or bonded indebtedness of the City. As of December 31, 2012 the principal outstanding aggregated \$7,738,592.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

NOTE 20 - 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:

Fund balance	General	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Materials and supplies inventory	\$ 6,436	\$ -	\$ -	\$ 6,436
Prepays	<u>23,040</u>	<u>-</u>	<u>-</u>	<u>23,040</u>
Total nonspendable	<u>29,476</u>	<u>-</u>	<u>-</u>	<u>29,476</u>
Restricted:				
Public health programs	-	-	81,422	81,422
Transportation programs	-	-	448,723	448,723
Police and fire purposes	<u>-</u>	<u>-</u>	<u>49,811</u>	<u>49,811</u>
Total restricted	<u>-</u>	<u>-</u>	<u>579,956</u>	<u>579,956</u>
Committed:				
Capital improvements	-	729,880	-	729,880
Underground storage tank	11,000	-	-	11,000
Recreation	<u>-</u>	<u>-</u>	<u>75,129</u>	<u>75,129</u>
Total committed	<u>11,000</u>	<u>729,880</u>	<u>75,129</u>	<u>816,009</u>
Assigned:				
Debt service	-	-	5,424	5,424
Subsequent year appropriations	529,884	-	-	529,884
General government	18,643	-	-	18,643
Security of persons and property	31,687	-	-	31,687
Community environment	894	-	-	894
Other purposes	<u>25,624</u>	<u>-</u>	<u>-</u>	<u>25,624</u>
Total assigned	<u>606,732</u>	<u>-</u>	<u>5,424</u>	<u>612,156</u>
Unassigned	<u>909,400</u>	<u>-</u>	<u>-</u>	<u>909,400</u>
Total fund balances	<u>\$ 1,556,608</u>	<u>\$ 729,880</u>	<u>\$ 660,509</u>	<u>\$ 2,946,997</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

NOTE 21 - 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	\$ 50,330
Permanent improvement	<u>105,167</u>
Total	<u>\$ 155,497</u>

NOTE 22 - 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, 2012, 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 with 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, 2012 AMP has a regulatory asset of \$96,544,650 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 the City 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

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

NOTE 22 - AMERICAN MUNICIPAL POWER GENERATING STATION PROJECT - (Continued)

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 AMPGS Project stranded costs on its revolving credit facility as 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.

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, 2012 the City of Clyde has a potential stranded cost obligation of \$510,900 for the AMPGS Project. The City does not have any payments on deposit with AMP at December 31, 2012. See Note 11 for recording of stranded costs.

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, 2012. See Note 11 for recorded 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 AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 23, 2013, wherein we noted the City implemented the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control over financial reporting that we consider a material weakness.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-001 described in the accompanying schedule of findings to be a material weakness.

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, opining 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*.

Entity's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dave Yost
Auditor of State

Columbus, Ohio

December 23, 2013

**CITY OF CLYDE
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012**

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

FINDING NUMBER 2012-001

Material Weakness

The City's management is responsible for the fair presentation of the financial statements. Errors were noted in the financial statements resulting in four audit adjustments. The adjustments were as follows:

- Intergovernmental revenue and capital outlay expenditures in the permanent improvement fund and capital grants and contributions on the statement of activities were overstated by \$558,317.
- Capital assets and net position - net investment in capital assets were overstated for governmental activities by \$718,351.
- Transportation expenditures on the statement of activities were understated by \$160,034 due to the expenses being incorrectly capitalized as capital assets.
- Accumulated Depreciation and Transportation expenditures were overstated by \$17,197.

The accompanying financial statements have been adjusted to correct these errors. Additional unadjusted differences were noted in smaller relative amounts.

To ensure the City's financial statements and notes to the statements are complete and accurate, Council should adopt policies and procedures, including a final review of the statements and notes by the Finance Director and Council, to identify and correct errors and misclassifications.

Officials' Response:

Council will address these issues at the next council meeting.