



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, 2013, 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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 October 29, 2014, 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

October 29, 2014

**CITY OF CLYDE
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(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, 2013. 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 2013 are as follows:

- The total net position of the City increased \$3,144,824. Net position of governmental activities increased \$2,349,429 or 14.19% over 2012 net position and net position of business-type activities increased \$795,395 or 2.53% over 2012 net position.
- General revenues accounted for \$4,994,747 or 66.04% of total governmental activities revenue. Program specific revenues accounted for \$2,568,517 or 33.96% of total governmental activities revenue of \$7,563,264.
- The City had \$5,213,835 in expenses related to governmental activities; \$2,568,517 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$2,645,318 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$4,994,747.
- The general fund had revenues and other financing sources of \$4,266,261 in 2013. This represents a decrease of \$189,682 from 2012 revenues and other financing sources. The expenditures and other financing uses of the general fund, which totaled \$3,824,305 in 2013, represent a decrease of \$303,790 from 2012. The net increase in fund balance for the general fund was \$441,956 or 28.39%.
- The permanent improvement fund had revenues of \$3,012,589 in 2013. This represents a decrease of \$611,626 from 2012 revenues and other financing sources. The expenditures and other financing uses of the permanent improvement fund, which totaled \$2,669,109 in 2013, represent an increase of \$774,210 from 2012 expenditures and other financing uses. The net increase in fund balance for the permanent improvement fund was \$343,480 or 47.06%.
- Net position for the business-type activities, which are made up of the water, sewer, and electric enterprise funds, increased in 2013 by \$795,395.
- In the general fund, the actual revenues and other financing sources came in over the final budgeted revenues and other financing sources by \$360,825 and actual expenditures and other financing uses were \$639,068 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues were unchanged during the year. Total budgeted expenditures and other financing uses were also unchanged during the year.

The Basic Financial Statements

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

The statement of net 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.

**CITY OF CLYDE
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)
(Continued)

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 2013?" 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.

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.

**CITY OF CLYDE
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)
(Continued)

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 2013 and 2012.

**CITY OF CLYDE
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)
(Continued)

	Net Position					
	Governmental Activities 2013	Business-type Activities 2013	Governmental Activities 2012	Business-type Activities 2012	2013 Total	2012 Total
Assets:						
Current and other assets	\$ 4,823,375	\$ 13,319,579	\$ 4,204,653	\$ 12,302,188	\$ 18,142,954	\$ 16,506,841
Capital assets, net	<u>18,318,355</u>	<u>27,621,093</u>	<u>16,850,994</u>	<u>28,601,706</u>	<u>45,939,448</u>	<u>45,452,700</u>
Total assets	<u>23,141,730</u>	<u>40,940,672</u>	<u>21,055,647</u>	<u>40,903,894</u>	<u>64,082,402</u>	<u>61,959,541</u>
Deferred outflows of resources	<u>-</u>	<u>39,649</u>	<u>-</u>	<u>82,903</u>	<u>39,649</u>	<u>82,903</u>
Liabilities:						
Long-term liabilities outstanding	3,729,722	7,494,946	3,966,514	8,402,110	11,224,668	12,368,624
Other liabilities	<u>210,014</u>	<u>1,283,692</u>	<u>235,758</u>	<u>1,178,399</u>	<u>1,493,706</u>	<u>1,414,157</u>
Total liabilities	<u>3,939,736</u>	<u>8,778,638</u>	<u>4,202,272</u>	<u>9,580,509</u>	<u>12,718,374</u>	<u>13,782,781</u>
Deferred inflows of resources	<u>292,860</u>	<u>-</u>	<u>293,670</u>	<u>-</u>	<u>292,860</u>	<u>293,670</u>
Net position:						
Net investment in capital assets	15,021,800	20,439,973	13,344,834	20,671,612	35,461,773	34,016,446
Restricted	716,412	1,035,230	670,099	1,046,181	1,751,642	1,716,280
Unrestricted	<u>3,170,922</u>	<u>10,726,480</u>	<u>2,544,772</u>	<u>9,688,495</u>	<u>13,897,402</u>	<u>12,233,267</u>
Total net position	<u>\$ 18,909,134</u>	<u>\$ 32,201,683</u>	<u>\$ 16,559,705</u>	<u>\$ 31,406,288</u>	<u>\$ 51,110,817</u>	<u>\$ 47,965,993</u>

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2013, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$51,110,817. At year-end, net position was \$18,909,134 and \$32,201,683 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 71.69% 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, 2013, was \$15,021,800 and \$20,439,973 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, 2013, 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, \$1,751,642, 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 \$3,170,922 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net position for 2013 and 2012.

**CITY OF CLYDE
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)
(Continued)**

	Change in Net Position					
	Governmental	Business-type	Governmental	Business-type	2013	2012
	Activities	Activities	Activities	Activities	Total	Total
	2013	2013	2012	2012		
Revenues						
Program revenues:						
Charges for services	\$ 353,576	\$ 20,130,242	\$ 489,845	\$ 19,820,600	\$ 20,483,818	\$ 20,310,445
Operating grants and contributions	391,854	-	381,955	-	391,854	381,955
Capital grants and contributions	<u>1,823,087</u>	<u>-</u>	<u>789,253</u>	<u>-</u>	<u>1,823,087</u>	<u>789,253</u>
Total program revenues	<u>2,568,517</u>	<u>20,130,242</u>	<u>1,661,053</u>	<u>19,820,600</u>	<u>22,698,759</u>	<u>21,481,653</u>
General revenues:						
Property taxes	289,178	-	314,428	-	289,178	314,428
Income taxes	4,166,925	-	4,045,189	-	4,166,925	4,045,189
Other taxes	250,828	-	250,868	-	250,828	250,868
Unrestricted grants and entitlements	182,098	-	470,631	-	182,098	470,631
Investment earnings	19,189	2,005	25,777	4,308	21,194	30,085
Miscellaneous	<u>86,529</u>	<u>179,802</u>	<u>54,983</u>	<u>49,105</u>	<u>266,331</u>	<u>104,088</u>
Total general revenues	<u>4,994,747</u>	<u>181,807</u>	<u>5,161,876</u>	<u>53,413</u>	<u>5,176,554</u>	<u>5,215,289</u>
Total revenues	<u>7,563,264</u>	<u>20,312,049</u>	<u>6,822,929</u>	<u>19,874,013</u>	<u>27,875,313</u>	<u>26,696,942</u>
Expenses:						
General government	1,038,328	-	1,052,800	-	1,038,328	1,052,800
Security of persons and property	2,202,855	-	2,084,617	-	2,202,855	2,084,617
Public health and welfare	645,395	-	687,891	-	645,395	687,891
Transportation	675,047	-	926,289	-	675,047	926,289
Community environment	338,746	-	292,559	-	338,746	292,559
Leisure time activity	172,605	-	197,671	-	172,605	197,671
Interest and fiscal charges	140,859	-	167,842	-	140,859	167,842
Water	-	2,439,422	-	2,454,272	2,439,422	2,454,272
Sewer	-	1,973,091	-	2,089,080	1,973,091	2,089,080
Electric	<u>-</u>	<u>15,104,141</u>	<u>-</u>	<u>14,635,416</u>	<u>15,104,141</u>	<u>14,635,416</u>
Total expenses	<u>5,213,835</u>	<u>19,516,654</u>	<u>5,409,669</u>	<u>19,178,768</u>	<u>24,730,489</u>	<u>24,588,437</u>
Change in net position before transfers and extraordinary item	2,349,429	795,395	1,413,260	695,245	3,144,824	2,108,505
Extraordinary item	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,234)</u>	<u>-</u>	<u>(20,234)</u>
Change in net position	2,349,429	795,395	1,413,260	675,011	3,144,824	2,088,271
Net position at beginning 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>
Net position at end of year	<u>\$ 18,909,134</u>	<u>\$ 32,201,683</u>	<u>\$ 16,559,705</u>	<u>\$ 31,406,288</u>	<u>\$ 51,110,817</u>	<u>\$ 47,965,993</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)
(Continued)

Governmental Activities

Governmental activities net position increased \$2,349,429 in 2013. The increase is mainly the result of capital grants and contributions from the Ohio Public Works Commission (OPWC). Another reason for the increase in net position is the increase in income tax revenue during 2013. 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 \$2,202,855, which accounted for 42.25% of the total governmental activities expenses of the City. These expenses were partially funded by \$138,736 in direct charges to users of the services. General government expenses totaled \$1,038,328, which was partially funded by \$77,724 in direct charges to users of the services.

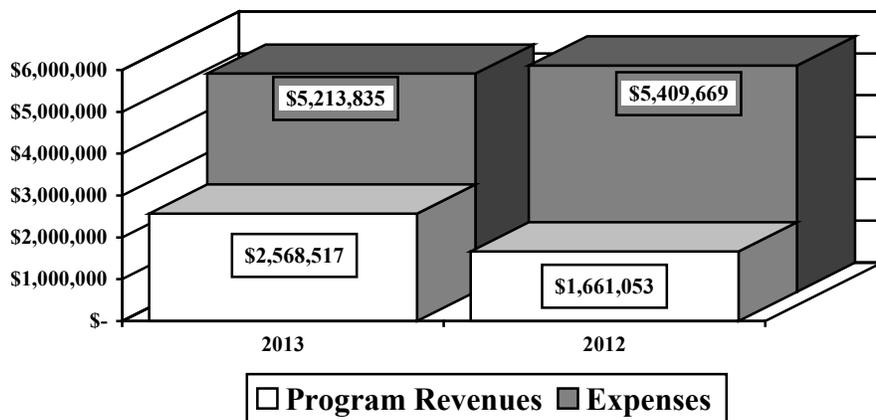
The State and federal government contributed to the City a total of \$391,854 in operating grants and contributions and \$1,823,087 in capital grants and contributions. These revenues are restricted to a particular program or purpose. \$334,835 of the operating grants and contributions received subsidized transportation programs.

General revenues totaled \$4,994,747 and amounted to 66.03% of total governmental revenues. These revenues primarily consist of property, kilowatt hour and income tax revenue of \$4,706,931. 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 \$182,098. This decreased from 2012 due to a large decrease 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 2013 and 2012.

Governmental Activities – Program Revenues vs. Total Expenses



**CITY OF CLYDE
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)
(Continued)

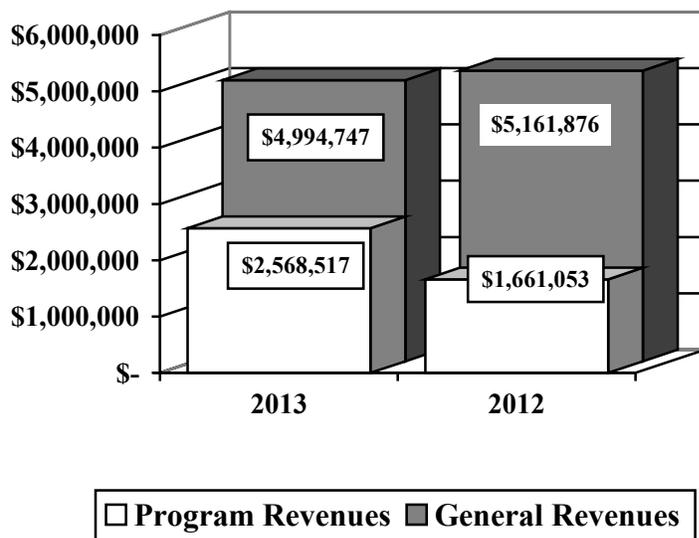
The following table shows the cost of services and net cost of services of the governmental activities for 2013 and 2012.

	Governmental Activities			
	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
Program expenses:				
General government	\$ 1,038,328	\$ 951,817	\$ 1,052,800	\$ 956,030
Security of persons and property	2,202,855	2,046,089	2,084,617	1,845,585
Public health and welfare	645,395	581,791	687,891	618,301
Transportation	675,047	(1,464,875)	926,289	(152,107)
Community environment	338,746	288,592	292,559	212,401
Leisure time activity	172,605	101,045	197,671	100,564
Interest and fiscal charges	140,859	140,859	167,842	167,842
Total	<u><u>\$ 5,213,835</u></u>	<u><u>\$ 2,645,318</u></u>	<u><u>\$ 5,409,669</u></u>	<u><u>\$ 3,748,616</u></u>

The dependence upon general revenues for governmental activities is apparent, with 50.74% and 69.29% of expenses supported through taxes and other general revenues for 2013 and 2012, respectively.

The following graph shows general and program revenues of governmental activities for 2013 and 2012.

Governmental Activities – General and Program Revenues



**CITY OF CLYDE
SANDUSKY COUNTY**

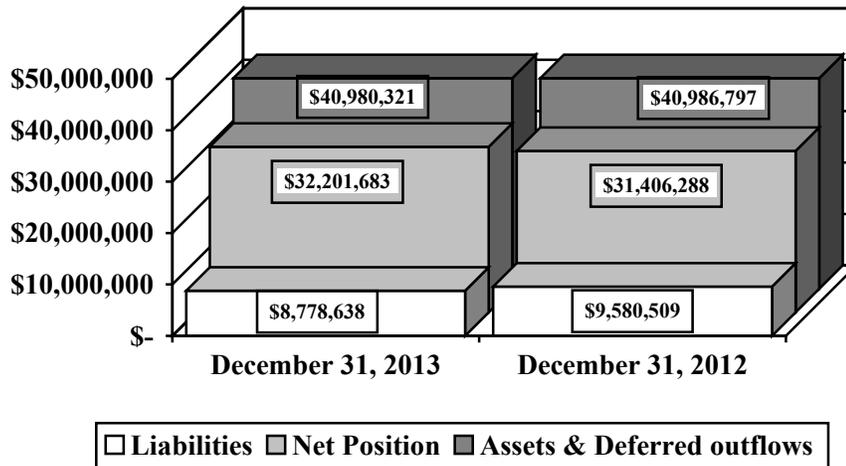
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)
(Continued)

Business-type Activities

Business-type activities include the water, sewer, and electric enterprise funds. These programs had program revenues of \$20,130,242, general revenues of \$181,807 and expenses of \$19,516,654 for 2013. The water fund had expenses of \$2,439,422, which were entirely funded by user charges for services of \$2,523,160. The sewer fund had expenses of \$1,973,091, which were 89.37% funded by user charges for services of \$1,763,299. The electric fund had expenses of \$15,104,141, which were fully funded by user charges for services of \$15,843,783. Revenue and expenses in the electric fund increased in 2013 due to greater 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, 2013 and 2012.

Net Position in Business-type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unrestricted 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 \$3,786,466, which is \$839,469 greater than the previous year's fund balance of \$2,946,997. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2013 for all major and nonmajor governmental funds.

**CITY OF CLYDE
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)
(Continued)

	<u>Fund Balances</u> <u>12/31/13</u>	<u>Fund Balances</u> <u>12/31/12</u>	<u>Increase</u>
Major fund:			
General	\$ 1,998,564	\$ 1,556,608	\$ 441,956
Permanent improvement	1,073,360	729,880	343,480
Nonmajor governmental funds	<u>714,542</u>	<u>660,509</u>	<u>54,033</u>
 Total	 <u>\$ 3,786,466</u>	 <u>\$ 2,946,997</u>	 <u>\$ 839,469</u>

General Fund

The City's general fund balance increased \$441,956, primarily due to increasing intergovernmental revenue and lower disbursements. The table that follows assists in illustrating the revenues of the general fund.

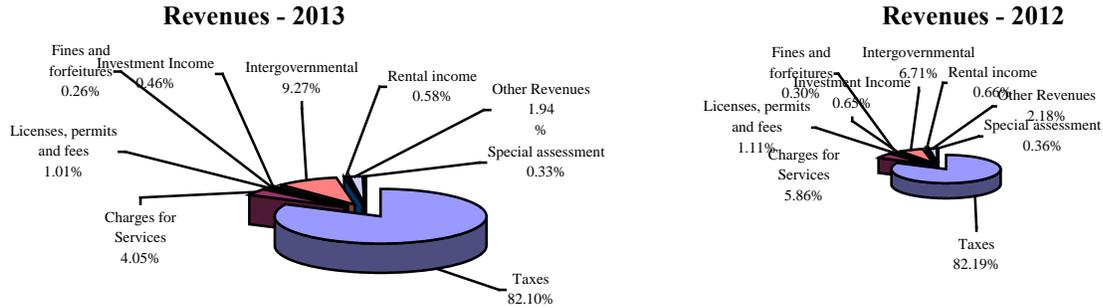
	<u>2013</u> <u>Amount</u>	<u>2012</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Taxes	\$ 3,502,447	\$ 3,467,608	1.00 %
Charges for services	172,672	247,166	(30.14) %
Licenses, permits and fees	43,257	46,895	(7.76) %
Fines and forfeitures	10,962	12,572	(12.81) %
Special assessments	14,201	14,708	(3.45) %
Intergovernmental	395,461	283,081	39.70 %
Investment income	19,834	27,507	(27.89) %
Rental income	24,686	27,666	(10.77) %
Other	<u>82,726</u>	<u>91,904</u>	(9.99) %
 Total	 <u>\$ 4,266,246</u>	 <u>\$ 4,219,107</u>	 1.12 %

Tax revenue represents 82.10% of all general fund revenue. The City had an increase in tax collections during 2013. 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 increase in intergovernmental revenues is due to a large portion of estate tax revenue that was received outside of the available period in 2013. 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, 2013
(UNAUDITED)
(Continued)**

The following charts show general fund revenues for 2013 and 2012.



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

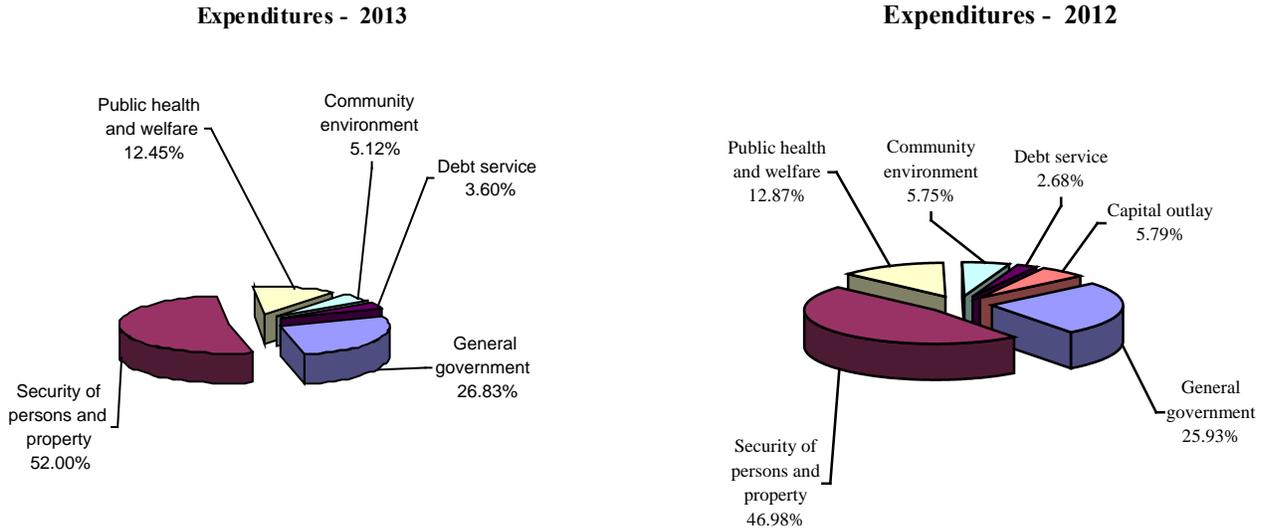
	<u>2013</u> <u>Amount</u>	<u>2012</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Expenditures:			
General government	\$ 997,719	\$ 1,041,545	(4.21) %
Security of persons and property	1,934,003	1,887,245	2.48 %
Public health and welfare	463,410	516,980	(10.36) %
Community environment	190,389	231,145	(17.63) %
Capital outlay	-	232,487	(100.00) %
Debt service	<u>133,784</u>	<u>107,693</u>	24.23 %
Total	<u>\$ 3,719,305</u>	<u>\$ 4,017,095</u>	(7.41) %

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 2013. This was primarily due to the restoration of some services made to the City's police department. Capital outlay expenditures decreased because of the purchase of a building to house the City's finance department made in 2012. Overall expenditures decreased 7.41%

**CITY OF CLYDE
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)
(Continued)**

The following charts show general fund expenditures for 2013 and 2012.



Permanent Improvement Fund

The permanent improvement fund had revenues of \$3,012,589 in 2013. This represents a decrease of \$611,626 from 2012 revenues and other financing sources. The expenditures and other financing uses of the permanent improvement fund, which totaled \$2,669,049 in 2013, represent an increase of \$774,150 from 2012 expenditures and other financing uses. The net increase in fund balance for the permanent improvement fund was \$343,480 or 47.06%. The permanent improvement fund also reported grants received from the OPWC 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 \$360,825 and actual expenditures and other financing uses were \$639,068 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues were unchanged during the year. Total budgeted expenditures and other financing uses were also unchanged during the year.

**CITY OF CLYDE
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)
(Continued)

Proprietary Funds

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

The City's proprietary funds, consisting of the enterprise funds water, sewer and electric, reported a combined increase in net position of \$792,535. The most significant change in net position occurred in the electric fund, which increased \$915,966 over 2012. The electric fund had an increase in operating revenues of \$487,725 or 3.17% from 2012 and an increase in operating expenses of \$543,320 or 3.82%. The increase in electric fund operating revenues and expenses is due to increased usage by industrial users located within the City.

Capital Assets and Debt Administration

Capital Assets

At the end of 2013 the City had \$45,939,448 (net of accumulated depreciation) invested in land, construction in progress, buildings and improvements, land improvements, equipment, vehicles and infrastructure. Of this total, \$18,318,355 was reported in governmental activities and \$27,621,093 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 2013 balances compared to 2012.

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

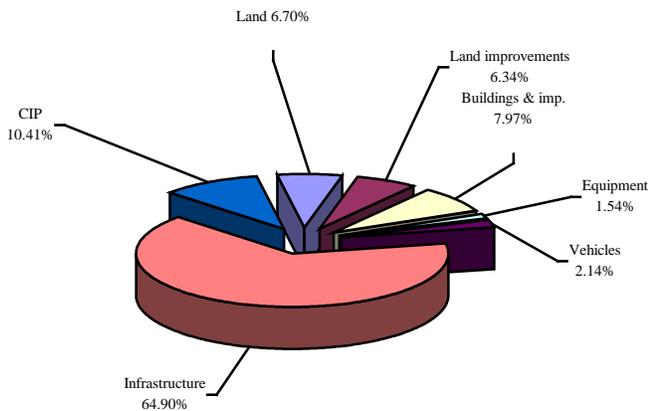
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 1,228,132	\$ 1,228,132	\$ 795,093	\$ 795,093	\$ 2,023,225	\$ 2,023,225
Construction-in-progress	1,907,092	175,466	81,393	-	1,988,485	175,466
Land improvements	1,160,554	1,237,534	163,991	184,892	1,324,545	1,422,426
Buildings and improvements	1,459,517	1,549,181	6,785,342	7,145,042	8,244,859	8,694,223
Equipment	282,435	313,447	2,061,209	2,335,705	2,343,644	2,649,152
Vehicles	391,419	427,313	58,630	58,990	450,049	486,303
Infrastructure	<u>11,889,206</u>	<u>11,919,921</u>	<u>17,675,435</u>	<u>18,081,984</u>	<u>29,564,641</u>	<u>30,001,905</u>
Totals	<u>\$ 18,318,355</u>	<u>\$ 16,850,994</u>	<u>\$ 27,621,093</u>	<u>\$ 28,601,706</u>	<u>\$ 45,939,448</u>	<u>\$ 45,452,700</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

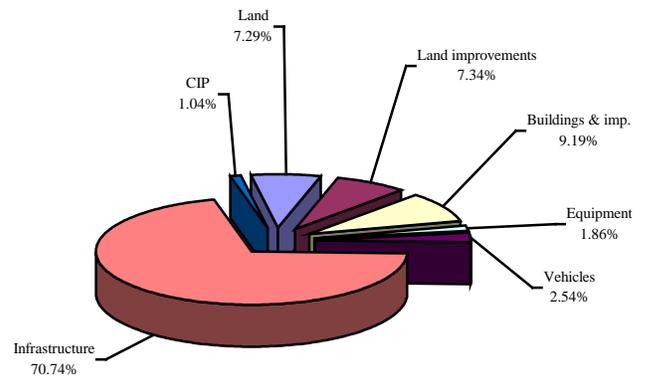
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)
(Continued)**

The following graphs show the breakdown of governmental capital assets by category for 2013 and 2012.

**Capital Assets - Governmental Activities
2013**



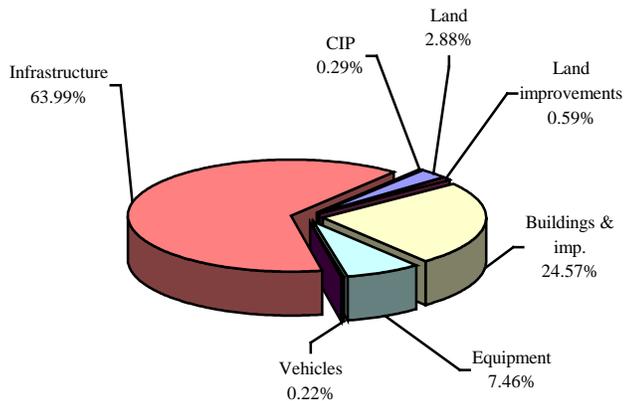
**Capital Assets - Governmental Activities
2012**



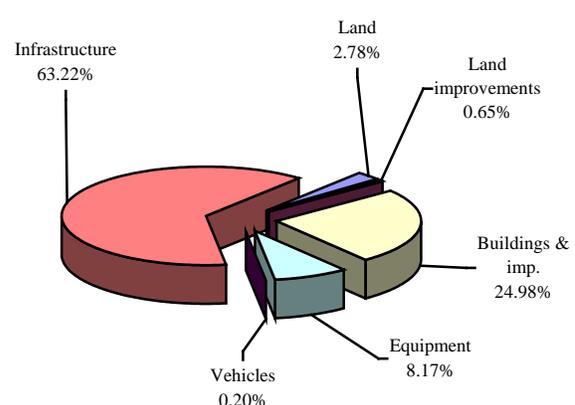
The City's largest capital asset category is infrastructure which includes roads, bridges, and sidewalks. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant.

The following graphs show the breakdown of business-type capital assets by category for 2013 and 2012.

Capital Assets - Business-type Activities 2013



Capital Assets - Business-type Activities 2012



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 63.99% of the City's total business-type capital assets.

**CITY OF CLYDE
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)
(Continued)

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2013 and 2012:

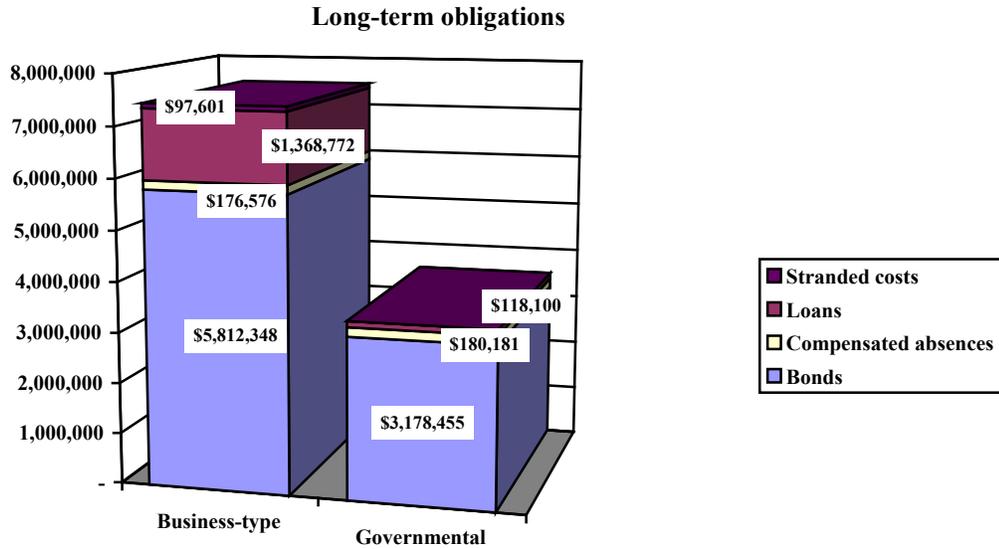
	Governmental Activities	
	2013	2012
General obligation bonds payable	\$ 1,565,000	\$ 1,705,000
Police pension liability	64,986	66,813
Dump truck loan	101,705	-
Fire pumper truck loan	16,395	80,286
Manuscript debt note	188,000	235,000
Income tax bonds payable	1,613,455	1,704,250
Capital lease	-	16,588
Compensated absences	180,181	158,577
Total long-term obligations	\$ 3,729,722	\$ 3,966,514
	Business-type Activities	
	2013	2012
General obligation bonds	\$ 4,980,000	\$ 5,515,000
Income tax bonds	870,174	1,002,500
Deferred charges/unamortized premium	(37,826)	(79,092)
Total bonds	5,812,348	6,438,408
OWDA Loans	1,368,772	1,491,686
Stranded costs	97,601	234,502
Compensated absences	176,576	154,611
Total long-term obligations	\$ 7,455,297	\$ 8,319,207

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

**CITY OF CLYDE
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)
(Continued)

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



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

The City of Clyde closed 2013 with total cash basis receipts for the year, including utility funds, of \$30.59 million versus cash basis disbursements of \$25.24 million, leaving the City's cash balances at approximately \$13.86 million at year-end.

The City's cash basis income tax receipts were \$4,147,821 for 2013. The City's cash basis general fund balance increased from the prior year by approximately \$530,418. The cash basis investment income had dropped to \$20,638 for 2013. 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 increase in 2014.

2013 was a year with some positive slow growth. The national economy has held steady, and locally there appears to be a slight upswing, as reflected in the increase income tax collections. The jobless rate has decreased from prior year. The policies and practices of the City of the past few years are still being observed.

During 2013 the City prepared the 2014 budget, which totals \$34,859,967. Anticipated expenditures from the general fund in 2013 total \$4.89 million.

Some of the City's significant accomplishments during 2013 are listed below:

- Total cash basis income tax revenue was \$4,147,821. Of this amount \$2,824,372 was the general fund's portion.

**CITY OF CLYDE
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(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, please 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, 2013

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 3,318,638	\$ 9,499,579	\$ 12,818,217
Investments.	-	188,000	188,000
Receivables (net of allowances for uncollectibles):			
Income taxes.	607,447	-	607,447
Real and other taxes	316,023	65,759	381,782
Accounts.	44,267	2,200,631	2,244,898
Due from other governments.	297,331	-	297,331
Special assessments	80,555	-	80,555
Accrued interest	5,955	3,447	9,402
Internal balance	66,394	(66,394)	-
Materials and supplies inventory.	62,041	371,092	433,133
Prepayments	24,724	22,235	46,959
Restricted assets:			
Equity in pooled cash and cash equivalents. . .	-	1,035,230	1,035,230
Capital assets:			
Land and construction in progress.	3,135,224	876,486	4,011,710
Depreciable capital assets, net.	15,183,131	26,744,607	41,927,738
Total capital assets, net.	<u>18,318,355</u>	<u>27,621,093</u>	<u>45,939,448</u>
Total assets	<u>23,141,730</u>	<u>40,940,672</u>	<u>64,082,402</u>
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	-	39,649	39,649
Liabilities:			
Accounts payable.	33,140	1,075,308	1,108,448
Accrued wages and benefits.	118,542	96,329	214,871
Pension obligation payable.	39,568	30,822	70,390
Due to other governments	-	343	343
Accrued interest payable	18,764	80,890	99,654
Long-term liabilities:			
Due within one year	392,099	872,510	1,264,609
Due in more than one year.	3,337,623	6,622,436	9,960,059
Total liabilities	<u>3,939,736</u>	<u>8,778,638</u>	<u>12,718,374</u>
Deferred inflows of resources:			
Property taxes levied for the next year.	292,860	-	292,860
Net position:			
Net investment in capital assets.	15,021,800	20,439,973	35,461,773
Restricted for:			
Debt service	-	1,035,230	1,035,230
Transportation projects	594,506	-	594,506
Public health programs.	76,252	-	76,252
Police and fire programs.	45,654	-	45,654
Unrestricted	3,170,922	10,726,480	13,897,402
Total net position	<u>\$ 18,909,134</u>	<u>\$ 32,201,683</u>	<u>\$ 51,110,817</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE
SANDUSKY COUNTY**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,038,328	\$ 77,724	\$ 8,787	\$ -
Security of persons and property . . .	2,202,855	138,736	30	18,000
Public health and welfare	645,395	19,327	44,277	-
Transportation.	675,047	-	334,835	1,805,087
Community environment	338,746	46,229	3,925	-
Leisure time activity.	172,605	71,560	-	-
Interest and fiscal charges.	140,859	-	-	-
Total governmental activities	<u>5,213,835</u>	<u>353,576</u>	<u>391,854</u>	<u>1,823,087</u>
Business-type activities:				
Water.	2,439,422	2,523,160	-	-
Sewer	1,973,091	1,763,299	-	-
Electric	15,104,141	15,843,783	-	-
Total business-type activities	<u>19,516,654</u>	<u>20,130,242</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 24,730,489</u>	<u>\$ 20,483,818</u>	<u>\$ 391,854</u>	<u>\$ 1,823,087</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
Change in net position
Net position at beginning of year.
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
\$ (951,817)	\$ -	\$ (951,817)
(2,046,089)	-	(2,046,089)
(581,791)	-	(581,791)
1,464,875	-	1,464,875
(288,592)	-	(288,592)
(101,045)	-	(101,045)
(140,859)	-	(140,859)
<u>(2,645,318)</u>	<u>-</u>	<u>(2,645,318)</u>
-	83,738	83,738
-	(209,792)	(209,792)
-	739,642	739,642
<u>-</u>	<u>613,588</u>	<u>613,588</u>
<u>(2,645,318)</u>	<u>613,588</u>	<u>(2,031,730)</u>
262,348	-	262,348
26,830	-	26,830
2,986,989	-	2,986,989
1,179,936	-	1,179,936
250,828	-	250,828
182,098	-	182,098
19,189	2,005	21,194
86,529	179,802	266,331
<u>4,994,747</u>	<u>181,807</u>	<u>5,176,554</u>
2,349,429	795,395	3,144,824
<u>16,559,705</u>	<u>31,406,288</u>	<u>47,965,993</u>
<u>\$ 18,909,134</u>	<u>\$ 32,201,683</u>	<u>\$ 51,110,817</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	<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 . . .	\$ 1,725,847	\$ 869,354	\$ 677,046	\$ 3,272,247
Receivables (net of allowance for uncollectibles):				
Income taxes	425,213	182,234	-	607,447
Real and other taxes	282,479	-	33,544	316,023
Accounts	44,242	-	25	44,267
Due from other governments	78,031	90,048	129,252	297,331
Special assessments	7,215	73,340	-	80,555
Accrued interest	5,752	-	192	5,944
Due from other funds	65,416	-	-	65,416
Materials and supplies inventory	8,381	-	-	8,381
Prepayments	23,987	-	169	24,156
Total assets	<u>\$ 2,666,563</u>	<u>\$ 1,214,976</u>	<u>\$ 840,228</u>	<u>\$ 4,721,767</u>
Liabilities:				
Accounts payable	\$ 19,743	\$ 12,724	\$ 16	\$ 32,483
Accrued wages and benefits	99,825	-	2,968	102,793
Pension obligation payable	33,508	-	513	34,021
Compensated absences payable	35,571	-	-	35,571
Total liabilities	<u>188,647</u>	<u>12,724</u>	<u>3,497</u>	<u>204,868</u>
Deferred inflows of resources:				
Property taxes levied for the next year	261,775	-	31,085	292,860
Delinquent property tax revenue not available . .	20,704	-	2,459	23,163
Accrued interest not available	5,752	-	192	5,944
Special assessments revenue not available	7,215	73,340	-	80,555
Income tax revenue not available	129,621	55,552	-	185,173
Intergovernmental revenue not available	54,285	-	88,453	142,738
Total deferred inflows of resources	<u>479,352</u>	<u>128,892</u>	<u>122,189</u>	<u>730,433</u>
Fund balances:				
Nonspendable	32,368	-	169	32,537
Restricted	-	-	625,965	625,965
Committed	11,000	1,073,360	82,984	1,167,344
Assigned	834,310	-	5,424	839,734
Unassigned	1,120,886	-	-	1,120,886
Total fund balances	<u>1,998,564</u>	<u>1,073,360</u>	<u>714,542</u>	<u>3,786,466</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,666,563</u>	<u>\$ 1,214,976</u>	<u>\$ 840,228</u>	<u>\$ 4,721,767</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, 2013

Total governmental fund balances \$ 3,786,466

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

Capital assets used in governmental activities (excluding internal
service funds capital assets) are not financial resources and
therefore are not reported in the funds. 18,156,734

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

Income taxes receivable	\$ 185,173	
Real and other taxes receivable	23,163	
Intergovernmental receivable	142,738	
Special assessments receivable	80,555	
Accrued interest receivable	5,944	
Total	<hr/>	437,573

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 \$978) are included in governmental activities
on the statement of net position. 236,607

Accrued interest payable is not due and payable in the current
period and therefore is not reported in the funds. (18,764)

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	139,941	
Police pension liability	64,986	
General obligation bonds payable	1,565,000	
Income tax bonds payable	1,613,455	
Manuscript debt note payable	188,000	
Loans payable	118,100	
Total	<hr/>	<hr/> (3,689,482)

Net position of governmental activities \$ 18,909,134

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, 2013

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Income taxes	\$ 2,981,308	\$ 1,177,501	\$ -	\$ 4,158,809
Real and other taxes.	521,139	-	27,765	548,904
Charges for services.	172,672	-	66,142	238,814
Licenses and permits	43,257	-	-	43,257
Fines and forfeitures	10,962	-	1,057	12,019
Intergovernmental.	395,461	1,805,087	332,702	2,533,250
Special assessments	14,201	18,464	-	32,665
Investment income.	19,834	-	737	20,571
Rental income	24,686	-	5,418	30,104
Contributions and donations.	12,712	-	44,277	56,989
Other	70,014	11,537	4,978	86,529
Total revenues	<u>4,266,246</u>	<u>3,012,589</u>	<u>483,076</u>	<u>7,761,911</u>
Expenditures:				
Current:				
General government	997,719	-	-	997,719
Security of persons and property	1,934,003	-	29,735	1,963,738
Public health and welfare.	463,410	-	50,288	513,698
Transportation	-	-	249,915	249,915
Community environment	190,389	95,598	-	285,987
Leisure time activity	-	-	172,512	172,512
Capital outlay	-	2,208,211	127,007	2,335,218
Debt service:				
Principal retirement.	127,479	90,795	167,129	385,403
Interest and fiscal charges	6,305	53,258	85,711	145,274
Total expenditures	<u>3,719,305</u>	<u>2,447,862</u>	<u>882,297</u>	<u>7,049,464</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>546,941</u>	<u>564,727</u>	<u>(399,221)</u>	<u>712,447</u>
Other financing sources (uses):				
Loan issuance	-	-	127,007	127,007
Sale of capital assets.	15	-	-	15
Transfers in	-	-	326,247	326,247
Transfers (out).	(105,000)	(221,247)	-	(326,247)
Total other financing sources (uses)	<u>(104,985)</u>	<u>(221,247)</u>	<u>453,254</u>	<u>127,022</u>
Net change in fund balances	441,956	343,480	54,033	839,469
Fund balances at beginning of year.	<u>1,556,608</u>	<u>729,880</u>	<u>660,509</u>	<u>2,946,997</u>
Fund balances at end of year	<u>\$ 1,998,564</u>	<u>\$ 1,073,360</u>	<u>\$ 714,542</u>	<u>\$ 3,786,466</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, 2013

Net change in fund balances - total governmental funds		\$ 839,469
<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	\$ 2,339,596	
Current year depreciation	(834,558)	
Total		1,505,038
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to increase net position.		
		18,000
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	8,116	
Real and other taxes	(8,898)	
Intergovernmental revenues	(211,904)	
Special assessments	(3,298)	
Investment income	(736)	
Total		(216,720)
Proceeds of loans 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.		
		(127,007)
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.		
		385,403
In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due.		
		4,415
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.		
		11,185
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 (\$2,860), is allocated among the governmental activities.		
		(70,354)
Change in net position of governmental activities		\$ 2,349,429

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, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Income taxes	\$2,574,061	\$2,574,061	\$2,824,372	\$ 250,311
Real and other taxes.	474,199	474,199	520,311	46,112
Charges for services.	161,360	161,360	177,051	15,691
Licenses and permits	39,911	39,911	43,792	3,881
Fines and forfeitures	9,767	9,767	10,717	950
Intergovernmental.	359,453	359,453	394,408	34,955
Special assessments	12,942	12,942	14,201	1,259
Investment income.	18,076	18,076	19,834	1,758
Rental income	25,560	25,560	28,046	2,486
Contributions and donations.	8,008	8,008	8,787	779
Other	27,172	27,172	29,814	2,642
Total revenues	<u>3,710,509</u>	<u>3,710,509</u>	<u>4,071,333</u>	<u>360,824</u>
Expenditures:				
Current:				
General government	953,210	968,810	890,206	78,604
Security of persons and property	2,339,696	2,339,696	2,043,054	296,642
Public health and welfare.	584,833	584,833	509,746	75,087
Community environment	304,400	325,400	146,665	178,735
Total expenditures	<u>4,182,139</u>	<u>4,218,739</u>	<u>3,589,671</u>	<u>629,068</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(471,630)</u>	<u>(508,230)</u>	<u>481,662</u>	<u>989,892</u>
Other financing sources (uses):				
Sale of capital assets.	14	14	15	1
Transfers (out).	<u>(130,000)</u>	<u>(138,000)</u>	<u>(128,000)</u>	<u>10,000</u>
Total other financing sources (uses)	<u>(129,986)</u>	<u>(137,986)</u>	<u>(127,985)</u>	<u>10,001</u>
Net change in fund balance	(601,616)	(646,216)	353,677	999,893
Fund balance at beginning of year	974,687	974,687	974,687	-
Prior year encumbrances appropriated	71,732	71,732	71,732	-
Fund balance at end of year	<u>\$ 444,803</u>	<u>\$ 400,203</u>	<u>\$ 1,400,096</u>	<u>\$ 999,893</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE
SANDUSKY COUNTY**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2013

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Electric	Total	
Assets:					
Current assets:					
Equity in pooled cash and cash equivalents . . .	\$ 2,326,400	\$ 781,354	\$ 6,391,825	\$ 9,499,579	\$ 46,391
Investments	-	-	188,000	188,000	-
Receivables:					
Real and other taxes	-	-	65,759	65,759	-
Accounts	243,219	154,509	1,802,903	2,200,631	-
Accrued interest	-	-	3,447	3,447	11
Materials and supplies inventory	42,172	31,312	297,608	371,092	53,660
Prepayments	5,555	2,165	14,515	22,235	568
Total current assets	<u>2,617,346</u>	<u>969,340</u>	<u>8,764,057</u>	<u>12,350,743</u>	<u>100,630</u>
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	761,027	-	274,203	1,035,230	-
Capital assets:					
Land and construction in progress	573,682	274,511	28,293	876,486	-
Depreciable capital assets, net	<u>10,003,703</u>	<u>6,367,832</u>	<u>10,373,072</u>	<u>26,744,607</u>	<u>161,621</u>
Total capital assets, net	<u>10,577,385</u>	<u>6,642,343</u>	<u>10,401,365</u>	<u>27,621,093</u>	<u>161,621</u>
Total noncurrent assets	<u>11,338,412</u>	<u>6,642,343</u>	<u>10,675,568</u>	<u>28,656,323</u>	<u>161,621</u>
Total assets	<u>13,955,758</u>	<u>7,611,683</u>	<u>19,439,625</u>	<u>41,007,066</u>	<u>262,251</u>
Deferred outflows of resources:					
Unamortized deferred charges on debt refunding . .	-	-	39,649	39,649	-
Liabilities:					
Current liabilities:					
Accounts payable	10,705	9,136	1,055,467	1,075,308	657
Accrued wages and benefits	31,808	33,987	30,534	96,329	15,749
Pension obligation payable	10,565	10,411	9,846	30,822	5,547
Compensated absences	21,395	16,702	12,379	50,476	3,572
Due to other funds	-	-	65,416	65,416	-
Due to other governments	-	-	343	343	-
Accrued interest payable	62,961	11,776	6,153	80,890	-
OWDA loans payable - current	71,965	54,270	-	126,235	-
Income tax bonds payable - current	-	-	135,799	135,799	-
Payable from restricted assets:					
Current portion of general obligation bonds	105,000	-	455,000	560,000	-
Total current liabilities	<u>314,399</u>	<u>136,282</u>	<u>1,770,937</u>	<u>2,221,618</u>	<u>25,525</u>
Long-term liabilities:					
Compensated absences	51,755	44,282	30,063	126,100	1,097
General obligation bonds	4,420,000	-	1,823	4,421,823	-
Income tax bonds	-	-	734,375	734,375	-
OWDA loans payable	630,307	612,230	-	1,242,537	-
Stranded costs	-	-	97,601	97,601	-
Total long-term liabilities	<u>5,102,062</u>	<u>656,512</u>	<u>863,862</u>	<u>6,622,436</u>	<u>1,097</u>
Total liabilities	<u>5,416,461</u>	<u>792,794</u>	<u>2,634,799</u>	<u>8,844,054</u>	<u>26,622</u>
Net position:					
Net investment in capital assets	5,350,113	5,975,843	9,114,017	20,439,973	161,621
Restricted for debt service	761,027	-	274,203	1,035,230	-
Unrestricted	<u>2,428,157</u>	<u>843,046</u>	<u>7,456,255</u>	<u>10,727,458</u>	<u>74,008</u>
Total net position	<u>\$ 8,539,297</u>	<u>\$ 6,818,889</u>	<u>\$ 16,844,475</u>	<u>32,202,661</u>	<u>\$ 235,629</u>
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds				(978)	
Net position of business-type activities				<u>\$ 32,201,683</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, 2013

	<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	\$ 2,523,160	\$ 1,763,299	\$ 15,843,783	\$ 20,130,242	\$ 684,166
Other operating revenues	3,080	208	39,613	42,901	13,140
Total operating revenues.	<u>2,526,240</u>	<u>1,763,507</u>	<u>15,883,396</u>	<u>20,173,143</u>	<u>697,306</u>
Operating expenses:					
Personal services	1,086,007	981,873	1,050,806	3,118,686	495,831
Contract services.	342,720	472,496	12,796,205	13,611,421	33,840
Materials and supplies.	321,091	224,501	415,612	961,204	179,510
Depreciation.	443,394	265,660	490,132	1,199,186	55,677
Other	4,061	4,832	1,197	10,090	-
Total operating expenses.	<u>2,197,273</u>	<u>1,949,362</u>	<u>14,753,952</u>	<u>18,900,587</u>	<u>764,858</u>
Operating income (loss)	<u>328,967</u>	<u>(185,855)</u>	<u>1,129,444</u>	<u>1,272,556</u>	<u>(67,552)</u>
Nonoperating revenues (expenses):					
Interest and fiscal charges	(242,525)	(24,027)	(100,996)	(367,548)	-
Interest income.	9	-	1,996	2,005	58
Excise tax expense	-	-	(251,379)	(251,379)	-
Other nonoperating revenues	-	-	136,901	136,901	-
Total nonoperating revenues (expenses).	<u>(242,516)</u>	<u>(24,027)</u>	<u>(213,478)</u>	<u>(480,021)</u>	<u>58</u>
Change in net position	86,451	(209,882)	915,966	792,535	(67,494)
Net position at beginning of year.	<u>8,452,846</u>	<u>7,028,771</u>	<u>15,928,509</u>		<u>303,123</u>
Net position at end of year	<u>\$ 8,539,297</u>	<u>\$ 6,818,889</u>	<u>\$ 16,844,475</u>		<u>\$ 235,629</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds.				<u>2,860</u>	
Change in net position of business-type activities.				<u>\$ 795,395</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, 2013

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Electric	Total	
Cash flows from operating activities:					
Cash received from charges for services	\$ 2,539,094	\$ 1,753,704	\$ 16,169,427	\$ 20,462,225	\$ 684,166
Cash received from other operations	3,080	208	39,613	42,901	13,140
Cash payments for personal services	(1,070,581)	(975,958)	(1,031,594)	(3,078,133)	(494,163)
Cash payments for contractual services	(341,400)	(473,282)	(12,671,458)	(13,486,140)	(33,761)
Cash payments for materials and supplies	(367,941)	(236,238)	(411,662)	(1,015,841)	(170,963)
Cash payments for other expenses	(4,061)	(6,041)	(1,197)	(11,299)	-
Net cash provided by (used in) operating activities	<u>758,191</u>	<u>62,393</u>	<u>2,093,129</u>	<u>2,913,713</u>	<u>(1,581)</u>
Cash flows from noncapital financing activities:					
Cash payments for excise taxes	-	-	(251,379)	(251,379)	-
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>-</u>	<u>(251,379)</u>	<u>(251,379)</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(167,124)	(36,500)	(14,949)	(218,573)	-
Cash payments for principal retirement	(170,547)	(52,367)	(567,326)	(790,240)	-
Cash payments for interest and fiscal charges	(245,105)	(24,970)	(62,484)	(332,559)	-
Net cash used in capital and related financing activities	<u>(582,776)</u>	<u>(113,837)</u>	<u>(644,759)</u>	<u>(1,341,372)</u>	<u>-</u>
Cash flows from investing activities:					
Interest received	9	-	2,857	2,866	63
Redemption of investments	-	-	47,000	47,000	-
Net cash provided by (used in) investing activities	<u>9</u>	<u>-</u>	<u>49,857</u>	<u>49,866</u>	<u>63</u>
Net increase (decrease) in cash and cash equivalents	175,424	(51,444)	1,246,848	1,370,828	(1,518)
Cash and cash equivalents at beginning 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>
Cash and cash equivalents at end of year	<u><u>\$ 3,087,427</u></u>	<u><u>\$ 781,354</u></u>	<u><u>\$ 6,666,028</u></u>	<u><u>\$ 10,534,809</u></u>	<u><u>\$ 46,391</u></u>

- - Continued

**CITY OF CLYDE
SANDUSKY COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Business-type Activities - Enterprise Funds</u>				Governmental Activities - Internal Service Funds
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Total</u>	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 328,967	\$ (185,855)	\$ 1,129,444	\$ 1,272,556	\$ (67,552)
Adjustments:					
Depreciation.	443,394	265,660	490,132	1,199,186	55,677
Changes in assets and liabilities:					
Decrease (increase) in materials and supplies inventory	(388)	(12,080)	(10,256)	(22,724)	24,784
Decrease (increase) in accounts receivable.	15,934	(9,595)	325,644	331,983	-
Decrease (increase) in prepayments	357	(273)	(892)	(808)	79
Increase (decrease) in accounts payable	(45,335)	(1,233)	140,053	93,485	(16,264)
Increase (decrease) in accrued wages and benefits	1,943	1,770	11,664	15,377	2,813
Increase (decrease) in compensated absences payable.	11,924	5,255	4,786	21,965	(2,782)
Increase (decrease) in pension obligation payable	1,395	(1,256)	2,554	2,693	1,664
Net cash provided by (used in) operating activities	<u>\$ 758,191</u>	<u>\$ 62,393</u>	<u>\$ 2,093,129</u>	<u>\$ 2,913,713</u>	<u>\$ (1,581)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE
SANDUSKY COUNTY**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2013

	Private-Purpose Trust
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 7,256
Receivables:	
Accrued interest.	3
Total assets	7,259
Net position:	
Held in trust for private cemetery care.	7,259
Total net position	\$ 7,259

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, 2013

	Private-Purpose Trust
Additions:	
Interest.	\$ 11
Deductions:	
Cemetery care	68
Change in net position	(57)
Net position at beginning of year.	7,316
Net position at end of year	\$ 7,259

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, 2013

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.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

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

A. Reporting Entity (Continued)

Participation in BORMA is by written application subject to approval of the Board of Directors and the payment of premiums. Member cities must remain members for cycles of three years. A member may withdraw from a program by giving a forty day notice prior to the beginning of the next cycle. BORMA does not have any outstanding debt obligations as of December 31, 2013. 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.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

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

C. Fund Accounting

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

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

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

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

C. Fund Accounting (Continued)

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.

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

Private-purpose trust funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

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

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

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

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

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net assets by the City that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net assets 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, 2013, but which were levied to finance year 2014 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, 2013, 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.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

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

E. Basis of Accounting (Continued)

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. 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.

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.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

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

F. Budgetary Data (Continued)

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 2013, 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.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2013. 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, 2013.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2013 amounted to \$19,834, which included \$17,714 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.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

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

G. Cash and Cash Equivalents (Continued)

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, 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:

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

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

J. Capital Assets (Continued)

<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	3 - 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.

L. Prepayments

Payments made to vendors for services that will benefit beyond December 31, 2013, 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.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

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

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, 2013
(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, 2013
(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. The City had neither type of transaction during 2013.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2013, the City has implemented GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*" and GASB Statement No. 66, "*Technical Corrections-2012*".

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the City.

GASB Statement No. 66 improves accounting and financial reporting by resolving conflicting guidance that resulted from the issuance of two pronouncements; GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*" and GASB Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements*". The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the City.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2013, the carrying amount of all City deposits was \$11,639,274. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2013, \$9,983,120 of the City's bank balance of \$11,233,120 was exposed to custodial risk as discussed below, while \$1,250,000 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, 2013, the City had the following investments and maturities:

Investment type	Fair Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
STAR Ohio	\$ 1,612,823	\$ 1,612,823	\$ -	\$ -	\$ -	\$ -
Investment in						
City owned debt	188,000	-	-	-	-	188,000
U.S. government money market mutual funds	608,246	608,246	-	-	-	-
Total	\$ 2,409,069	\$ 2,221,069	\$ -	\$ -	\$ -	\$ 188,000

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments (Continued)

The weighted average maturity of investments is 0.24 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, 2013:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 1,612,823	66.95%
Investment in City owned debt	188,000	7.80%
U.S. government money market mutual funds	<u>608,246</u>	<u>25.25%</u>
	<u>\$ 2,409,069</u>	<u>100.00%</u>

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, 2013:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 11,639,274
Investments	2,409,069
Cash on hand	<u>360</u>
Total	<u>\$ 14,048,703</u>

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 3,318,638
Business-type activities	10,722,809
Private-purpose trust fund	<u>7,256</u>
Total	<u>\$ 14,048,703</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended December 31, 2013, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:	
General fund	\$ 105,000
Permanent improvement fund	<u>221,247</u>
Total transfers	<u>\$ 326,247</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, 2013, as reported on the fund financial statements:

Receivable fund	Payable fund	Amount
General fund	Electric fund	\$ 65,416

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. 2013 public utility property taxes became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

NOTE 6 - PROPERTY TAXES - (Continued)

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, 2013 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 2013 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, 2013 was \$3.20 per \$1,000 of assessed value.

The assessed values of real and public utility property upon which 2013 property tax receipts were based are as follows:

Real property

Residential/agricultural	\$ 66,170,500
Commercial/industrial/mineral	35,351,810

Public utility

Real	12,230
Personal	<u>2,085,270</u>

Total assessed value	<u>\$ 103,619,810</u>
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NOTE 7 - LOCAL INCOME TAX

This City locally levied tax of 1.5% applied to gross salaries, wages and other personal service compensation earned by residents both in and out of the City and to earnings of non residents (except certain transients) earned in the government. It also applies to net income 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 2013 was \$4,158,809 as reported in the fund financial statements.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

NOTE 8 - RECEIVABLES

Receivables at December 31, 2013, 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, 2013.

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

Governmental activities:

Income taxes	\$ 607,447
Real and other taxes	316,023
Accounts	44,267
Due from other governments	297,331
Special assessments	80,555
Accrued interest	5,955

Business-type activities:

Real and other taxes	65,759
Accounts	2,200,631
Accrued interest	3,447

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.

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**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

	Balance 12/31/2012	Additions	Disposals	Balance 12/31/2013
<u>Governmental activities:</u>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,228,132	\$ -	\$ -	\$ 1,228,132
Construction in progress	<u>175,466</u>	<u>2,202,854</u>	<u>(471,228)</u>	<u>1,907,092</u>
Total capital assets, not being depreciated	<u>1,403,598</u>	<u>2,202,854</u>	<u>(471,228)</u>	<u>3,135,224</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,368,024	-	-	2,368,024
Buildings and improvements	3,460,284	-	-	3,460,284
Equipment	893,658	18,000	-	911,658
Vehicles	2,963,070	136,742	(41,154)	3,058,658
Infrastructure	<u>19,605,092</u>	<u>471,228</u>	<u>-</u>	<u>20,076,320</u>
Total capital assets, being depreciated	<u>29,290,128</u>	<u>625,970</u>	<u>(41,154)</u>	<u>29,874,944</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,130,490)	(76,980)	-	(1,207,470)
Buildings and improvements	(1,911,103)	(89,664)	-	(2,000,767)
Equipment	(580,211)	(49,012)	-	(629,223)
Vehicles	(2,535,757)	(172,636)	41,154	(2,667,239)
Infrastructure	<u>(7,685,171)</u>	<u>(501,943)</u>	<u>-</u>	<u>(8,187,114)</u>
Total accumulated depreciation	<u>(13,842,732)</u>	<u>(890,235)</u>	<u>41,154</u>	<u>(14,691,813)</u>
Total capital assets, being depreciated, net	<u>15,447,396</u>	<u>(264,265)</u>	<u>-</u>	<u>15,183,131</u>
Governmental activities capital assets, net	<u>\$ 16,850,994</u>	<u>\$ 1,938,589</u>	<u>\$ (471,228)</u>	<u>\$ 18,318,355</u>

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**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

NOTE 9 - CAPITAL ASSETS - (Continued)

<u>Business-type activities:</u>	<u>Balance</u> 12/31/2012	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> 12/31/2013
<i>Capital assets, not being depreciated:</i>				
Land	\$ 795,093	\$ -	\$ -	\$ 795,093
Construction in progress	<u>-</u>	<u>168,393</u>	<u>(87,000)</u>	<u>81,393</u>
Total capital assets, not being depreciated	<u>795,093</u>	<u>168,393</u>	<u>(87,000)</u>	<u>876,486</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	36,500	-	8,796,211
Vehicles	520,315	13,680	(18,000)	515,995
Infrastructure	<u>24,874,842</u>	<u>87,000</u>	<u>-</u>	<u>24,961,842</u>
Total capital assets, being depreciated	<u>48,973,738</u>	<u>137,180</u>	<u>(18,000)</u>	<u>49,092,918</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(562,400)	(20,901)	-	(583,301)
Buildings and improvements	(6,926,536)	(359,700)	-	(7,286,236)
Equipment	(6,424,006)	(310,996)	-	(6,735,002)
Vehicles	(461,325)	(14,040)	18,000	(457,365)
Infrastructure	<u>(6,792,858)</u>	<u>(493,549)</u>	<u>-</u>	<u>(7,286,407)</u>
Total accumulated depreciation	<u>(21,167,125)</u>	<u>(1,199,186)</u>	<u>18,000</u>	<u>(22,348,311)</u>
Total capital assets, being depreciated, net	<u>27,806,613</u>	<u>(1,062,006)</u>	<u>-</u>	<u>26,744,607</u>
Business-type activities capital assets, net	<u>\$ 28,601,706</u>	<u>\$ (893,613)</u>	<u>\$ (87,000)</u>	<u>\$ 27,621,093</u>

The balance for vehicles at December 31, 2012 has been increased by \$298,418 to include capital assets that were excluded in error. These vehicles were fully depreciated at December 31, 2012; therefore, there is no change in the total business-type activities capital assets previously reported, nor a change in net position as reported at December 31, 2012.

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**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(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	\$ 12,688
Security of persons and property	193,038
Public health and welfare	116,080
Transportation	510,489
Community environment	2,263
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>55,677</u>
Total depreciation expense - governmental activities	<u>\$ 890,235</u>

Business-type activities:

Water	\$ 443,394
Sewer	265,660
Electric	<u>490,132</u>
Total depreciation expense - business-type activities	<u>\$ 1,199,186</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, 2013 was \$25,000, leaving a current book value of \$55,000. Principal payments in 2013 totaled \$16,588 paid by the general fund. This lease was completely retired during 2013.

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**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

NOTE 11 - LONG-TERM OBLIGATIONS

A. During 2013, the following changes occurred in the City's governmental activities long-term obligations:

Governmental activities:	<u>Interest Rate</u>	<u>Balance 12/31/12</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/13</u>	<u>Amount Due in One Year</u>
<u>General obligation bonds:</u>						
Vine/Main Street improvements	1.70% -					
General obligation bonds	5.00%	\$ 1,705,000	\$ -	\$ (140,000)	\$ 1,565,000	\$ 145,000
Total general obligation debt		<u>1,705,000</u>	<u>-</u>	<u>(140,000)</u>	<u>1,565,000</u>	<u>145,000</u>
<u>Income tax bonds:</u>						
Swimming pool bonds	3.125%	<u>1,704,250</u>	<u>-</u>	<u>(90,795)</u>	<u>1,613,455</u>	<u>93,633</u>
<u>Loans:</u>						
Fire pumper truck loan	4.14%	80,286	-	(63,891)	16,395	16,395
Dump truck loan	2.33%	-	127,007	(25,302)	101,705	24,544
Total loans		<u>80,286</u>	<u>127,007</u>	<u>(89,193)</u>	<u>118,100</u>	<u>40,939</u>
<u>Other long-term obligations:</u>						
Police pension liability	N/A	66,813	-	(1,827)	64,986	1,905
Manuscript note payable	2.00%	235,000	-	(47,000)	188,000	47,000
Capital lease	6.50%	16,588	-	(16,588)	-	-
Compensated absences		<u>158,577</u>	<u>147,795</u>	<u>(126,191)</u>	<u>180,181</u>	<u>63,622</u>
Total other obligations		<u>476,978</u>	<u>147,795</u>	<u>(191,606)</u>	<u>433,167</u>	<u>112,527</u>
Total governmental activities long-term obligations		<u>\$ 3,966,514</u>	<u>\$ 274,802</u>	<u>\$ (511,594)</u>	<u>\$ 3,729,722</u>	<u>\$ 392,099</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. 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 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, 2013, none of this debt was still outstanding.

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 receipted in the permanent improvement fund. 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.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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 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.

Dump truck loan: During 2013, the City issued a loan for the purchase of a dump truck in the amount of \$127,007 with a scheduled maturity date of December 1, 2017. The loan bears an interest rate of 2.33%. The principal and interest payments are made from the street construction, maintenance and repair fund, a nonmajor governmental 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.

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**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

B. The annual requirements amortize governmental activities long-term obligations outstanding as of December 31, 2013, are as follows:

Year Ending December 31,	Police Pension			Fire Pumper Truck Loan		
	Principal	Interest	Total	Principal	Interest	Total
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	2,255	2,391	4,646	-	-	-
2019 - 2023	12,808	10,426	23,234	-	-	-
2024 - 2028	15,805	7,427	23,232	-	-	-
2029 - 2033	19,504	3,730	23,234	-	-	-
2034 - 2035	6,489	273	6,762	-	-	-
Total	<u>\$ 64,986</u>	<u>\$ 34,710</u>	<u>\$ 99,696</u>	<u>\$ 16,395</u>	<u>\$ 170</u>	<u>\$ 16,565</u>

Year Ending December 31,	Vine/Main Street G.O. Bonds			Swimming Pool Income Tax Bonds		
	Principal	Interest	Total	Principal	Interest	Total
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	170,000	46,700	216,700	105,897	38,156	144,053
2019 - 2023	780,000	99,350	879,350	581,240	139,025	720,265
2024 - 2027	-	-	-	533,862	42,350	576,212
Total	<u>\$ 1,565,000</u>	<u>\$ 405,817</u>	<u>\$ 1,970,817</u>	<u>\$ 1,613,455</u>	<u>\$ 403,287</u>	<u>\$ 2,016,742</u>

Year Ending December 31,	Manuscript Notes Payable			Dump Truck Loan		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 47,000	\$ 3,760	\$ 50,760	\$ 24,544	\$ 2,403	\$ 26,947
2015	47,000	2,820	49,820	25,123	1,823	26,946
2016	47,000	1,880	48,880	25,717	1,229	26,946
2017	47,000	940	47,940	26,321	622	26,943
Total	<u>\$ 188,000</u>	<u>\$ 9,400</u>	<u>\$ 197,400</u>	<u>\$ 101,705</u>	<u>\$ 6,077</u>	<u>\$ 107,782</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

C. During 2013, the following changes occurred in the City's business-type activities long-term obligations:

Business-type activities:	<u>Interest Rate</u>	<u>Balance 12/31/12</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/13</u>	<u>Amount Due in One Year</u>
<u>OWDA loans:</u>						
Sewer plant OWDA loan	3.90%	\$ 319,115	\$ -	\$ (28,348)	\$ 290,767	\$ 29,464
Sewer sludge dewatering improvements	3.25%	399,752	-	(24,019)	375,733	24,806
Water system OWDA loan	2.00%	772,819	-	(70,547)	702,272	71,965
Total OWDA loans		<u>1,491,686</u>	<u>-</u>	<u>(122,914)</u>	<u>1,368,772</u>	<u>126,235</u>
<u>General obligation bonds:</u>						
Water system general obligation bonds series 1997	3.00% - 6.30%	4,625,000	-	(100,000)	4,525,000	105,000
Electric system G.O. refunding bonds	2.00% - 4.125%	890,000	-	(435,000)	455,000	455,000
Total general obligation bonds		<u>5,515,000</u>	<u>-</u>	<u>(535,000)</u>	<u>4,980,000</u>	<u>560,000</u>
<u>Income tax bonds:</u>						
Electric building bonds	2.625%	1,002,500	-	(132,326)	870,174	135,799
Total income tax bonds		<u>1,002,500</u>	<u>-</u>	<u>(132,326)</u>	<u>870,174</u>	<u>135,799</u>
<u>Other obligations:</u>						
Stranded costs payable		234,502	-	(136,901)	97,601	
Compensated absences		154,611	174,421	(152,456)	176,576	50,476
Total other obligations		<u>389,113</u>	<u>174,421</u>	<u>(289,357)</u>	<u>274,177</u>	<u>50,476</u>
Total business-type activities long-term obligations		<u>\$ 8,398,299</u>	<u>\$ 174,421</u>	<u>\$ (1,079,597)</u>	<u>7,493,123</u>	<u>\$ 872,510</u>
Unamortized premium on bonds					<u>1,823</u>	
Total on statement of net position					<u>\$ 7,494,946</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.

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, 2013, \$550,000 of this debt was still outstanding.

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.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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, 2013 was \$455,000 and \$4,525,000, 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, 2013, the City has outstanding borrowings of \$1,368,772.

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 received in the electric fund and used to retire bond anticipation notes issued to build an electric building. 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.

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. Principal and interest payments will be made from the electric fund. See Note 21 for AMPGS project history.

- D.** The annual requirements amortize business-type activities long-term obligations outstanding as of December 31, 2013, are as follows:

Year Ending December 31,	Electric Building Bonds			OWDA Loans		
	Principal	Interest	Total	Principal	Interest	Total
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	146,777	11,865	158,642	136,800	26,189	162,989
2018	150,629	8,012	158,641	140,535	22,454	162,989
2019 - 2023	154,583	4,058	158,641	614,653	53,861	668,514
2024 - 2026	-	-	-	87,719	4,322	92,041
Total	<u>\$ 870,174</u>	<u>\$ 81,673</u>	<u>\$ 951,847</u>	<u>\$ 1,368,772</u>	<u>\$ 206,728</u>	<u>\$ 1,575,500</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Year Ending December 31,	Electric General			Water Improvement		
	Obligation Refunding Bonds			General Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
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	-	-	-	130,000	202,125	332,125
2019 - 2023	-	-	-	745,000	906,375	1,651,375
2024 - 2028	-	-	-	950,000	698,125	1,648,125
2029 - 2033	-	-	-	1,210,000	432,250	1,642,250
2034 - 2037	-	-	-	1,040,000	106,125	1,146,125
Total	\$ 455,000	\$ 18,769	\$ 473,769	\$ 4,525,000	\$ 3,212,000	\$ 7,737,000

E. Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2013, the City's total debt margin was \$7,701,625 and the unvoted debt margin was \$5,699,090.

NOTE 12 - 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 \$44,610 at December 31, 2013. 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 \$33,917 at December 31, 2013. 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, 2013
(Continued)

NOTE 12 - 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 \$278,230 at December 31, 2013. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

NOTE 13 - 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, 2013, PEP retained \$350,000 for casualty claims and \$100,000 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.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012:

<u>Casualty & Property Coverage</u>	<u>2013</u>	<u>2012</u>
Assets	\$34,411,883	\$34,389,569
Liabilities	(12,760,194)	(14,208,353)
Retained earnings	<u>\$21,651,689</u>	<u>\$20,181,216</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

NOTE 13 - RISK MANAGEMENT - (Continued)

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$11.6 million and \$13.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$12.6 million of unpaid claims to be billed to approximately 475 governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the City's share of these unpaid claims collectible in future years is approximately \$91,000.

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>	
2012	\$119,542
2013	\$129,858

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

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, 2013, the pool had cash reserves of \$1,220,975 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, 2013
(Continued)

NOTE 14 - PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% 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, 277 East Town Street, 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 2013, member and contribution rates were consistent across all three plans. The 2013 member contribution rates were 10.00% for members. The City's contribution rate for 2013 was 14.00% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2013 was 13.00%. The City's contribution rate for pension benefits for members in the Combined Plan for 2013 was 13.00%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2013, 2012, and 2011 were \$426,778, \$328,631, and \$302,857, respectively; 91.79% has been contributed for 2013 and 100% has been contributed for 2012 and 2011. The remaining 2013 pension liability has been reported as pension obligation payable on the basic financial statements. Contributions to the member-directed plan for 2013 were \$11,202 made by the City and \$8,001 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.

Funding Policy - From January 1, 2013 through July 1, 2013, plan members were required to contribute 10.00% of their annual covered salary. From July 2, 2013 through December 31, 2013, plan members were required to contribute 10.75% of their annual covered salary. Throughout 2013, the City was required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

NOTE 14 - PENSION PLANS - (Continued)

For 2013, the portion of the City's contributions to fund pension obligations was 14.81% for January 1, 2013 through May 31, 2013 and 16.65% for June 1, 2013 through December 31, 2013 for police officers and 19.31% for January 1, 2013 through May 31, 2013 and 21.15% for June 1, 2013 through December 31, 2013 for firefighters. The City's required contributions for pension obligations to OP&F for police officers were \$133,777, \$122,734, and \$88,313 for the years ended December 31, 2013, 2012 and 2011, respectively. The full amount has been contributed for 2012 and 2011. 92.14% has been contributed for police for 2013. The remaining 2013 pension liability has been reported as pension obligation payable on the basic financial statements.

NOTE 15 - 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, 277 East Town Street, 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 2013, 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 2013 was 1.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2013 was 1.00%.

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, 2013
(Continued)

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

A. Ohio Public Employees Retirement System (Continued)

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$32,815, \$134,913, and \$124,250, respectively; 91.79% has been contributed for 2013 and 100% has been contributed for 2012 and 2011. The remaining 2013 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.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

B. Ohio Police and Fire Pension Fund (Continued)

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. The portion of employer contributions allocated to health care was 4.69% of covered payroll from January 1, 2013 through May 31, 2013 and 2.85% of covered payroll from June 1, 2013 through December 31, 2013. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers were \$30,804, \$64,977, and \$46,754 for the years ended December 31, 2013, 2012 and 2011, respectively. The full amount has been contributed for 2012 and 2011. 92.14% has been contributed for police for 2013. The remaining 2013 post-employment health care benefits liability has been reported as pension obligation payable on the basic financial statements.

NOTE 16 - 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).

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 353,677
Net adjustment for revenue accruals	25,459
Net adjustment for expenditure accruals	(51,159)
Net adjustment for other sources/uses	(6,000)
Funds budgeted elsewhere	(56,762)
Adjustment for encumbrances	176,741
GAAP basis	\$ 441,956

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 17 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2013.

B. Litigation

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

NOTE 18 - MASTER LEASE-PURCHASE AND SUBLEASE PURCHASE AGREEMENT

To provide for the acquisition, construction, equipping, improvement and installing of a new hospital in Bellevue, Ohio and to retire the Bellevue Hospital Series 2002 note, the City has authorized a master lease-purchase and sublease-purchase agreement dated July 1, 2003, with Fifth Third Bank, and the Bellevue Hospital in a principal amount of \$10,000,000. The agreement includes a statement to the effect that the City's obligations thereunder, which constitute "revenue obligations" within the meaning of Section 140.06 of the Act, are not obligations, debt or bonded indebtedness of the City. As of December 31, 2013 the principal outstanding aggregated \$7,383,760.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

NOTE 19 - 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:

<u>Fund balance</u>	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Materials and supplies inventory	\$ 8,381	\$ -	\$ -	\$ 8,381
Prepays	23,987	-	169	24,156
Total nonspendable	<u>32,368</u>	<u>-</u>	<u>169</u>	<u>32,537</u>
Restricted:				
Public health programs	-	-	76,252	76,252
Transportation programs	-	-	506,069	506,069
Police and fire purposes	-	-	43,644	43,644
Total restricted	<u>-</u>	<u>-</u>	<u>625,965</u>	<u>625,965</u>
Committed:				
Capital improvements	-	1,073,360	-	1,073,360
Underground storage tank	11,000	-	-	11,000
Recreation	-	-	82,984	82,984
Total committed	<u>11,000</u>	<u>1,073,360</u>	<u>82,984</u>	<u>1,167,344</u>
Assigned:				
Debt service	-	-	5,424	5,424
Subsequent year appropriations	639,305	-	-	639,305
General government	65,375	-	-	65,375
Security of persons and property	49,441	-	-	49,441
Community environment	9,973	-	-	9,973
Other purposes	70,216	-	-	70,216
Total assigned	<u>834,310</u>	<u>-</u>	<u>5,424</u>	<u>839,734</u>
Unassigned	<u>1,120,886</u>	<u>-</u>	<u>-</u>	<u>1,120,886</u>
Total fund balances	<u>\$ 1,998,564</u>	<u>\$ 1,073,360</u>	<u>\$ 714,542</u>	<u>\$ 3,786,466</u>

NOTE 20 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 158,998
Permanent improvement	117,765
Other governmental	<u>20,411</u>
Total	<u>\$ 297,174</u>

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

NOTE 21 - AMERICAN MUNICIPAL POWER GENERATING STATION PROJECT

The City is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The City's share was 3,000 kilowatts of a total 771,281 kilowatts, giving the City a 0.39 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The City's estimated share at March 31, 2014 of the impaired costs is \$516,976. The City received a credit of \$283,700 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$135,675 related to the AMPGS costs deemed to have future benefit for the project participants, leaving a net impaired cost estimate of \$97,601. Because payment is now probable and reasonably estimable, the City is reporting a payable to AMP in its business-type activities and in its electric enterprise fund for these impaired costs. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the City's liability. These amounts will be recorded as they become estimable.



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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 29, 2014.

Internal Control Over Financial Reporting

As part of our financial statements 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 a 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 2013-001 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 Finding

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

October 29, 2014

**CITY OF CLYDE
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Material Weakness – Financial Reporting

The City's management is responsible for the fair presentation of the financial statements. Errors were noted in the financial statements resulting in 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 understated by \$1,428,271.
- Capital assets and net position – net investment in capital assets were understated for governmental activities by \$1,537,287.
- Transportation expenses on the statements of activities were overstated by \$109,016 due to the expenses not being capitalized.

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 this issue at the next council meeting.

CITY OF CLYDE
SANDUSKY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Material weakness due to errors in financial reporting.	No	Not corrected and repeated in this report as finding 2013-001.



Dave Yost • Auditor of State

CITY OF CLYDE

SANDUSKY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 13, 2014**