



Dave Yost • Auditor of State

**CITY OF CLYDE
SANDUSKY COUNTY
DECEMBER 31, 2017**

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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, 2017, 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 such 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, 2017, 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*, and schedules of net pension liabilities and pension contributions 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 November 30, 2018, 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

November 30, 2018

**CITY OF CLYDE
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
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, 2017. 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 2017 are as follows:

- The total net position of the City increased \$125,955. Net position of governmental activities increased \$401,773 or 2.32% over 2016 net position and net position of business-type activities decreased \$275,818 or 0.85% from 2016 net position.
- General revenues accounted for \$5,870,900 or 86.86% of total governmental activities revenue. Program specific revenues accounted for \$888,394 or 13.14% of total governmental activities revenue of \$6,759,294.
- The City had \$6,357,521 in expenses related to governmental activities; \$888,394 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$5,469,127 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$5,870,900.
- The General fund had revenues of \$4,741,841 in 2017. This represents an increase of \$132,882 over 2016 revenues. The expenditures and other financing uses of the General fund, which totaled \$4,353,123 in 2017, represent a decrease of \$700,629 from 2016. The net increase in fund balance for the General fund was \$388,718 or 20.28%.
- The Permanent Improvement fund had revenues of \$1,532,609 in 2017. This represents an increase of \$197,977 over 2016 revenues and other financing sources. The expenditures and other financing uses of the Permanent Improvement fund, which totaled \$1,422,612 in 2017, represent a decrease of \$107,509 from 2016 expenditures and other financing uses. The net increase in fund balance for the Permanent Improvement fund was \$109,997 or 8.65%.
- Net position for the business-type activities, which are made up of the Water, Sewer, and Electric enterprise funds, decreased in 2017 by \$275,818.
- In the General fund, the actual revenues came in lower than the final budgeted revenues by \$25,029 and actual expenditures and other financing uses were \$880,865 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues increased \$544,010 from the original budget to the final budget. Total budgeted expenditures and other financing uses were increased \$36,000 during the year.

The Basic Financial Statements

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

**CITY OF CLYDE
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED
(CONTINUED)

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

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The statement of net position and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

**CITY OF CLYDE
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
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(CONTINUED)

Governmental Funds

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

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

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

Proprietary Funds

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

Fiduciary Funds

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's net pension liability.

Government-wide Financial Analysis

The table below provides a summary of the City's assets, deferred inflows of resources, liabilities, deferred outflows of resources and net position at December 31, 2017 and 2016.

**CITY OF CLYDE
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED
(CONTINUED)

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| <u>Assets</u> | | | | | | |
| Current and other assets | \$ 5,672,270 | \$ 4,871,749 | \$ 16,223,072 | \$ 15,434,183 | \$ 21,895,342 | \$ 20,305,932 |
| Capital assets, net | 19,190,083 | 19,334,945 | 27,256,179 | 27,974,143 | 46,446,262 | 47,309,088 |
| Total assets | 24,862,353 | 24,206,694 | 43,479,251 | 43,408,326 | 68,341,604 | 67,615,020 |
| <u>Deferred outflows of resources</u> | | | | | | |
| Pension | 1,564,540 | 1,649,790 | 1,387,304 | 1,033,723 | 2,951,844 | 2,683,513 |
| <u>Liabilities</u> | | | | | | |
| Current liabilities | 212,816 | 285,163 | 1,737,657 | 1,473,601 | 1,950,473 | 1,758,764 |
| Long-term liabilities: | | | | | | |
| Due within one year | 406,971 | 438,285 | 629,698 | 552,041 | 1,036,669 | 990,326 |
| Net pension liability | 4,944,371 | 4,630,995 | 3,565,281 | 2,682,342 | 8,509,652 | 7,313,337 |
| Other amounts | 2,663,892 | 2,811,692 | 6,874,182 | 7,366,694 | 9,538,074 | 10,178,386 |
| Total liabilities | 8,228,050 | 8,166,135 | 12,806,818 | 12,074,678 | 21,034,868 | 20,240,813 |
| <u>Deferred inflows of resources</u> | | | | | | |
| Property taxes | 296,376 | 294,204 | - | - | 296,376 | 294,204 |
| Pension | 160,074 | 55,525 | 39,191 | 71,007 | 199,265 | 126,532 |
| Total deferred inflows of resources | 456,450 | 349,729 | 39,191 | 71,007 | 495,641 | 420,736 |
| <u>Net position</u> | | | | | | |
| Net investment in capital assets | 16,396,092 | 16,423,278 | 19,939,741 | 20,255,212 | 36,335,833 | 36,678,490 |
| Restricted | 714,635 | 685,032 | 1,047,790 | 1,044,817 | 1,762,425 | 1,729,849 |
| Unrestricted | 631,666 | 232,310 | 11,033,015 | 10,996,335 | 11,664,681 | 11,228,645 |
| Total net position | \$ 17,742,393 | \$ 17,340,620 | \$ 32,020,546 | \$ 32,296,364 | \$ 49,762,939 | \$ 49,636,984 |

In a prior year, the City adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

**CITY OF CLYDE
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
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1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2017, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$49,762,939. At year-end, net position was \$17,742,393 and \$32,020,546 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 67.96% 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, 2017, was \$16,396,092 and \$19,939,741 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, 2017, 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.

**CITY OF CLYDE
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
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(CONTINUED)**

A portion of the City's net position, \$1,762,425, 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 \$631,666 may be used to meet the government's ongoing obligations to citizens and creditors.

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**CITY OF CLYDE
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED
(CONTINUED)**

The table below shows the changes in net position for 2017 and 2016.

| | Change in Net Position | | | | | |
|--|-------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | Governmental | Business-type | Governmental | Business-type | 2017 | 2016 |
| | Activities 2017 | Activities 2017 | Activities 2016 | Activities 2016 | Total | Total |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 374,284 | \$ 24,098,517 | \$ 364,992 | \$ 22,477,140 | \$ 24,472,801 | \$ 22,842,132 |
| Operating grants and contributions | 422,917 | - | 415,592 | - | 422,917 | 415,592 |
| Capital grants and contributions | 91,193 | - | 436,560 | 150,739 | 91,193 | 587,299 |
| Total program revenues | <u>888,394</u> | <u>24,098,517</u> | <u>1,217,144</u> | <u>22,627,879</u> | <u>24,986,911</u> | <u>23,845,023</u> |
| General revenues: | | | | | | |
| Property taxes | 283,971 | - | 294,529 | - | 283,971 | 294,529 |
| Income taxes | 4,915,148 | - | 4,513,107 | - | 4,915,148 | 4,513,107 |
| Other taxes | 255,999 | - | 240,288 | - | 255,999 | 240,288 |
| Unrestricted grants and entitlements | 170,980 | - | 182,918 | - | 170,980 | 182,918 |
| Investment earnings | 68,905 | 3,618 | 43,763 | 2,762 | 72,523 | 46,525 |
| BORMA refund | - | - | 153,090 | - | - | 153,090 |
| Miscellaneous | 175,897 | 172,576 | 114,329 | 40,282 | 348,473 | 154,611 |
| Total general revenues | <u>5,870,900</u> | <u>176,194</u> | <u>5,542,024</u> | <u>43,044</u> | <u>6,047,094</u> | <u>5,585,068</u> |
| Total revenues | <u>6,759,294</u> | <u>24,274,711</u> | <u>6,759,168</u> | <u>22,670,923</u> | <u>31,034,005</u> | <u>29,430,091</u> |
| Expenses: | | | | | | |
| General government | 1,199,796 | - | 1,146,800 | - | 1,199,796 | 1,146,800 |
| Security of persons and property | 2,665,280 | - | 2,982,381 | - | 2,665,280 | 2,982,381 |
| Public health and welfare | 798,330 | - | 737,820 | - | 798,330 | 737,820 |
| Transportation | 960,238 | - | 958,329 | - | 960,238 | 958,329 |
| Community environment | 378,073 | - | 396,806 | - | 378,073 | 396,806 |
| Leisure time activity | 245,028 | - | 222,688 | - | 245,028 | 222,688 |
| Interest and fiscal charges | 110,776 | - | 124,528 | - | 110,776 | 124,528 |
| Water | - | 2,780,720 | - | 2,603,247 | 2,780,720 | 2,603,247 |
| Sewer | - | 2,241,452 | - | 2,105,636 | 2,241,452 | 2,105,636 |
| Electric | - | 19,528,357 | - | 17,512,090 | 19,528,357 | 17,512,090 |
| Total expenses | <u>6,357,521</u> | <u>24,550,529</u> | <u>6,569,352</u> | <u>22,220,973</u> | <u>30,908,050</u> | <u>28,790,325</u> |
| Change in net position | 401,773 | (275,818) | 189,816 | 449,950 | 125,955 | 639,766 |
| Net position at beginning of year | <u>17,340,620</u> | <u>32,296,364</u> | <u>17,150,804</u> | <u>31,846,414</u> | <u>49,636,984</u> | <u>48,997,218</u> |
| Net position at end of year | <u>\$ 17,742,393</u> | <u>\$ 32,020,546</u> | <u>\$ 17,340,620</u> | <u>\$ 32,296,364</u> | <u>\$ 49,762,939</u> | <u>\$ 49,636,984</u> |

**CITY OF CLYDE
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED
(CONTINUED)

Governmental Activities

Governmental activities net position increased \$401,773 in 2017. The increase is mainly the result of greater income tax revenue and lower expenses in 2017.

Security of persons and property, which primarily supports the operations of the police and fire departments, had expenses of \$2,665,280, which accounted for 41.92% of the total governmental activities expenses of the City. These expenses were partially funded by \$171,021 in direct charges to users of the services and \$38,264 in operating grants and contributions. General government expenses totaled \$1,199,796, which was partially funded by \$83,646 in direct charges to users of the services.

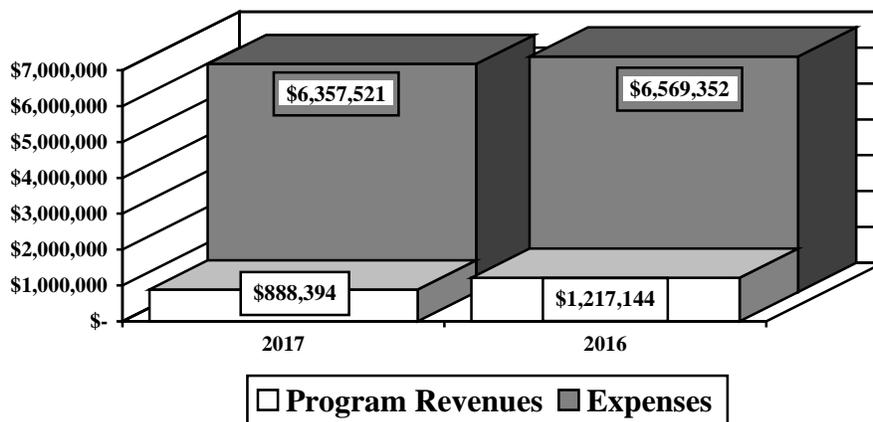
The State and federal government contributed to the City a total of \$422,917 in operating grants and contributions and \$91,193 in capital grants and contributions for governmental activities. These revenues are restricted to a particular program or purpose. \$355,074 of the operating grants and contributions received subsidized transportation programs.

General revenues totaled \$5,870,900 and amounted to 86.86% of total governmental revenues. These revenues primarily consist of property, kilowatt hour and income tax revenue of \$5,455,118. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government revenue and property tax reimbursements, making up \$170,980.

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 2017 and 2016.

Governmental Activities – Program Revenues vs. Total Expenses



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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
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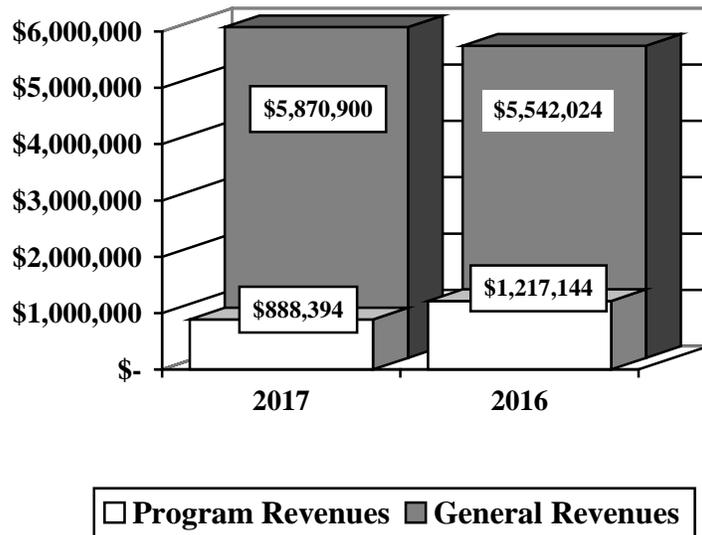
The following table shows the cost of services and net cost of services of the governmental activities for 2017 and 2016.

| | Governmental Activities | | | |
|----------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | Total Cost of Services 2017 | Net Cost of Services 2017 | Total Cost of Services 2016 | Net Cost of Services 2016 |
| Program expenses: | | | | |
| General government | \$ 1,199,796 | \$ 1,116,150 | \$ 1,146,800 | \$ 1,034,679 |
| Security of persons and property | 2,665,280 | 2,455,995 | 2,982,381 | 2,748,156 |
| Public health and welfare | 798,330 | 752,892 | 737,820 | 676,228 |
| Transportation | 960,238 | 513,971 | 958,329 | 282,062 |
| Community environment | 378,073 | 356,592 | 396,806 | 376,179 |
| Leisure time activity | 245,028 | 162,751 | 222,688 | 110,376 |
| Interest and fiscal charges | 110,776 | 110,776 | 124,528 | 124,528 |
| Total | \$ 6,357,521 | \$ 5,469,127 | \$ 6,569,352 | \$ 5,352,208 |

The dependence upon general revenues for governmental activities is apparent, with 86.03% and 81.47% of expenses supported through taxes and other general revenues for 2017 and 2016, respectively.

The following graph shows general and program revenues of governmental activities for 2017 and 2016.

Governmental Activities – General and Program Revenues



**CITY OF CLYDE
SANDUSKY COUNTY**

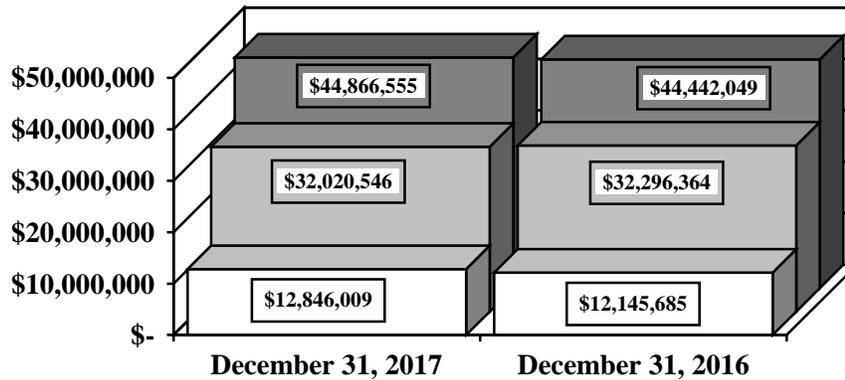
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED
(CONTINUED)

Business-type Activities

Business-type activities include the Water, Sewer, and Electric enterprise funds. These programs had program revenues of \$24,098,517, general revenues of \$176,194 and expenses of \$24,550,529 for 2017. The Water fund had expenses of \$2,780,720, which were 89.06% funded by user charges for services of \$2,476,496. The Sewer fund had expenses of \$2,241,452, which were entirely funded by user charges for services of \$2,361,640. The Electric fund had expenses of \$19,528,357, which were 98.63% funded by user charges for services of \$19,260,381. Revenue and expenses in the Electric fund increased in 2017 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, 2017 and 2016.

Net Position in Business-type Activities



Liabilities & Deferred Inflows
 Net Position
 Assets & Deferred outflows

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 \$4,344,554, which is \$510,807 greater than the previous year's fund balance of \$3,833,747. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2017 for all major and nonmajor governmental funds.

**CITY OF CLYDE
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED
(CONTINUED)

| | Fund Balances <u>12/31/17</u> | Fund Balances <u>12/31/16</u> | <u>Change</u> |
|-----------------------------|----------------------------------|----------------------------------|-------------------|
| Major fund: | | | |
| General | \$ 2,305,708 | \$ 1,916,990 | \$ 388,718 |
| Permanent Improvement | 1,381,225 | 1,271,228 | 109,997 |
| Nonmajor governmental funds | <u>657,621</u> | <u>645,529</u> | <u>12,092</u> |
| Total | <u>\$ 4,344,554</u> | <u>\$ 3,833,747</u> | <u>\$ 510,807</u> |

General Fund

The City's General fund balance increased \$388,718, primarily due to decreasing expenditures and increasing tax revenues. The table that follows assists in illustrating the revenues of the General fund.

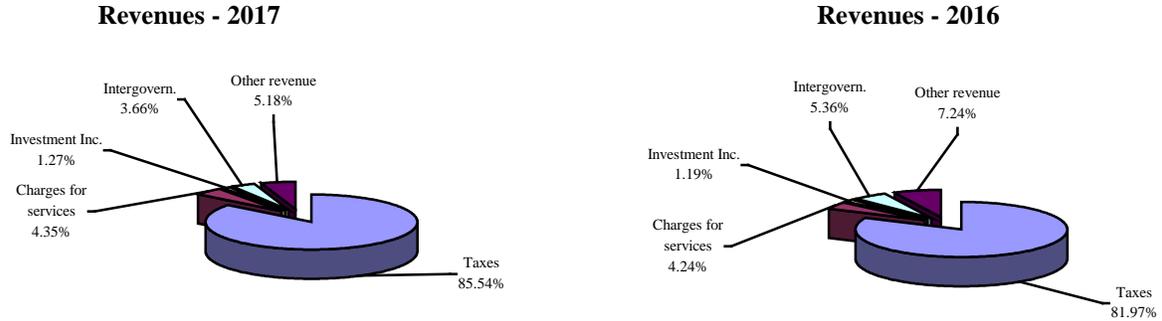
| | <u>2017 Amount</u> | <u>2016 Amount</u> | <u>Percentage Change</u> |
|----------------------------|------------------------|------------------------|------------------------------|
| Revenues: | | | |
| Taxes | \$ 4,056,334 | \$ 3,777,839 | 7.37 % |
| Charges for services | 206,432 | 195,613 | 5.53 % |
| Licenses, permits and fees | 44,169 | 41,009 | 7.71 % |
| Fines and forfeitures | 14,093 | 6,831 | 106.31 % |
| Special assessments | - | 104 | (100.00) % |
| Intergovernmental | 173,774 | 247,268 | (29.72) % |
| Investment income | 60,281 | 54,929 | 9.74 % |
| Rental income | 31,800 | 27,300 | 16.48 % |
| Other | <u>154,958</u> | <u>258,066</u> | (39.95) % |
| Total | <u>\$ 4,741,841</u> | <u>\$ 4,608,959</u> | 2.88 % |

Tax revenue represents 85.54% of all General fund revenue. The City had a slight increase in tax collections during 2017. The decrease in intergovernmental revenues is due to a grant for the fire department received in 2016 but no corresponding grant in 2017. Investment income increased because of increased interest rates. Other revenue decreased because of a one-time refund of contributions from BORMA, the City's prior health insurance consortium, in 2016. 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, 2017
UNAUDITED
(CONTINUED)

The following charts show General fund revenues for 2017 and 2016.



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

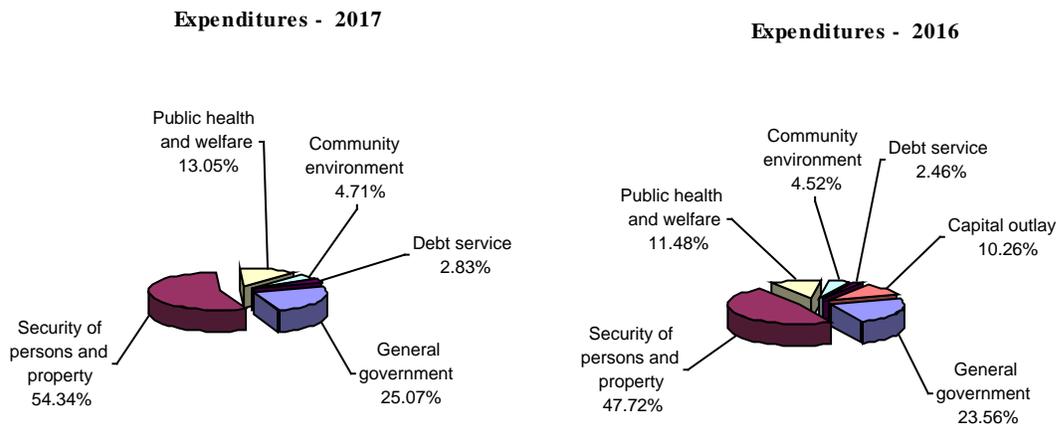
| | <u>2017</u> <u>Amount</u> | <u>2016</u> <u>Amount</u> | <u>Percentage</u> <u>Change</u> |
|----------------------------------|------------------------------|------------------------------|------------------------------------|
| Expenditures: | | | |
| General government | \$ 1,062,638 | \$ 1,156,610 | (8.12) % |
| Security of persons and property | 2,302,967 | 2,342,446 | (1.69) % |
| Public health and welfare | 553,173 | 563,493 | (1.83) % |
| Community environment | 199,477 | 221,686 | (10.02) % |
| Capital outlay | - | 503,373 | (100.00) % |
| Debt service | <u>119,868</u> | <u>120,845</u> | (0.81) % |
| Total | <u>\$ 4,238,123</u> | <u>\$ 4,908,453</u> | (13.66) % |

Community environment expenditures decreased due to a decrease in expenditures made for snow removal and other curbside services. Capital outlay expenditures decreased due to the purchase of a new fire pumper truck that was delivered in 2016. Overall, General fund expenditures decreased 13.66%

**CITY OF CLYDE
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED
(CONTINUED)

The following charts show General fund expenditures for 2017 and 2016.



Permanent Improvement Fund

The Permanent Improvement fund had revenues of \$1,532,609 in 2017. This represents an increase of \$197,977 over 2016 revenues and other financing sources. The expenditures and other financing uses of the Permanent Improvement fund, which totaled \$1,422,612 in 2017, represent a decrease of \$107,509 from 2016 expenditures and other financing uses. The net increase in fund balance for the Permanent Improvement fund was \$109,997 or 8.65% primarily due to decreasing expenditures and increasing tax revenues.

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 came in under the final budgeted revenues by \$25,029 and actual expenditures and other financing uses were \$880,865 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues were increased \$544,010 during the year. Total budgeted expenditures and other financing uses were increased \$36,000 during the year.

Proprietary Funds

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

**CITY OF CLYDE
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED
(CONTINUED)

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 decrease in net position of \$271,440. The most significant change in net position occurred in the Water fund, which decreased \$297,978 from 2016. This is mainly due to depreciation expense exceeding the capital outlays of the Water fund in 2017.

Capital Assets and Debt Administration

Capital Assets

At the end of 2017 the City had \$46,446,262 (net of accumulated depreciation) invested in land, construction in progress, buildings and improvements, land improvements, equipment, vehicles and infrastructure. Of this total, \$19,190,083 was reported in governmental activities and \$27,256,179 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 2017 balances compared to 2016.

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

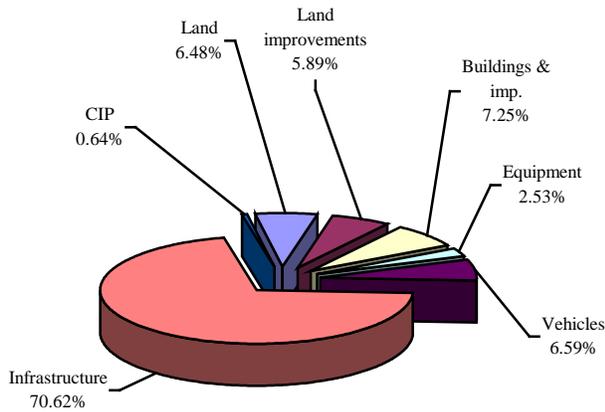
| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Land | \$ 1,243,177 | \$ 1,243,177 | \$ 795,093 | \$ 795,093 | \$ 2,038,270 | \$ 2,038,270 |
| Construction-in-progress | 122,510 | - | 154,578 | 2,472,276 | 277,088 | 2,472,276 |
| Land improvements | 1,130,520 | 1,072,671 | 133,636 | 149,483 | 1,264,156 | 1,222,154 |
| Buildings and improvements | 1,391,845 | 1,456,896 | 5,445,097 | 5,808,815 | 6,836,942 | 7,265,711 |
| Equipment | 485,190 | 499,310 | 1,377,359 | 1,490,364 | 1,862,549 | 1,989,674 |
| Vehicles | 1,264,072 | 1,027,057 | 668,006 | 595,797 | 1,932,078 | 1,622,854 |
| Infrastructure | 13,552,769 | 14,035,834 | 18,682,410 | 16,662,315 | 32,235,179 | 30,698,149 |
| Totals | \$ 19,190,083 | \$ 19,334,945 | \$ 27,256,179 | \$ 27,974,143 | \$ 46,446,262 | \$ 47,309,088 |

The following graphs show the breakdown of governmental capital assets by category for 2017 and 2016.

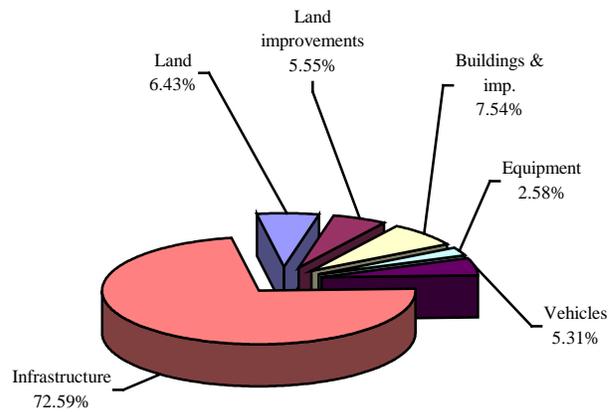
**CITY OF CLYDE
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED
(CONTINUED)

**Capital Assets - Governmental Activities
2017**



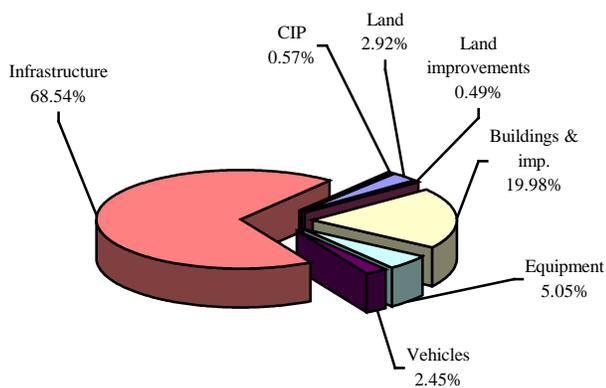
**Capital Assets - Governmental Activities
2016**



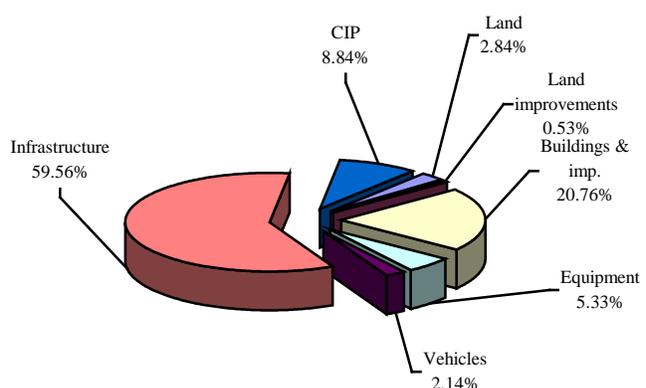
The City's largest capital asset category is infrastructure which includes roads, bridges, and sidewalks. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant.

The following graphs show the breakdown of business-type capital assets by category for 2017 and 2016.

Capital Assets - Business-type Activities 2017



Capital Assets - Business-type Activities 2016



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 68.54% 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, 2017
UNAUDITED
(CONTINUED)

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2017 and 2016:

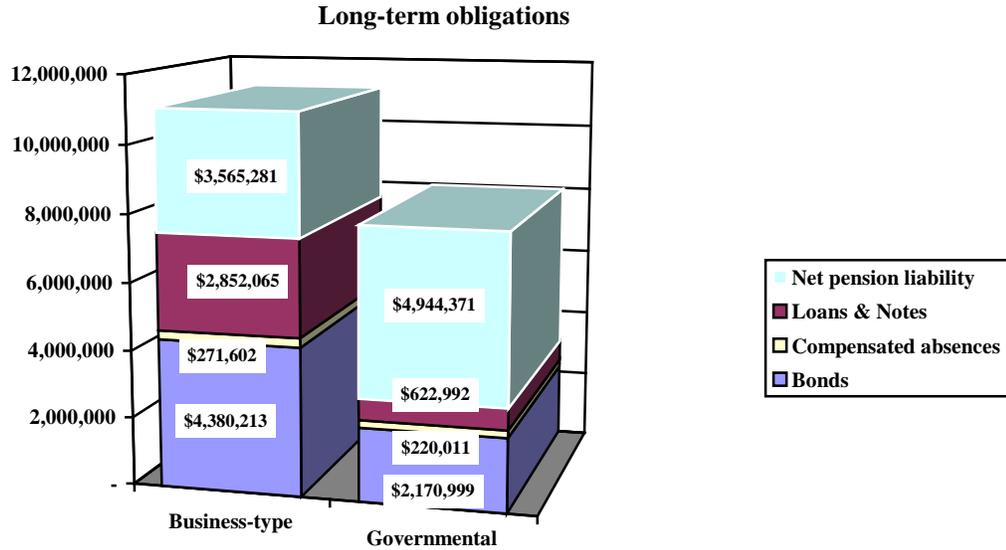
| | Governmental Activities | |
|----------------------------------|--------------------------|---------------|
| | 2017 | 2016 |
| General obligation bonds payable | \$ 950,000 | \$ 1,115,000 |
| Police pension liability | 56,861 | 59,022 |
| Dump truck loan | - | 26,321 |
| Fire pumper truck loan | 388,242 | 446,659 |
| Street sweeper note | 234,750 | - |
| Manuscript debt note | - | 47,000 |
| Income tax bonds payable | 1,220,999 | 1,323,687 |
| Net pension liability | 4,944,371 | 4,630,995 |
| Compensated absences | 220,011 | 232,288 |
| Total long-term obligations | \$ 8,015,234 | \$ 7,880,972 |
| | Business-type Activities | |
| | 2017 | 2016 |
| General obligation bonds | \$ 4,075,000 | \$ 4,195,000 |
| Income tax bonds | 305,213 | 451,989 |
| Total bonds | 4,380,213 | 4,646,989 |
| OWDA Loans | 2,852,065 | 3,071,942 |
| Net pension liability | 3,565,281 | 2,682,342 |
| Compensated absences | 271,602 | 199,804 |
| Total long-term obligations | \$ 11,069,161 | \$ 10,601,077 |

See Note 10 to the basic financial statements for more detail on the City's long-term obligations.

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

**CITY OF CLYDE
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED
(CONTINUED)



Economic Conditions and Outlook

2017 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.

Some of the City's significant accomplishments during 2017 are listed below:

- Total income tax revenue was \$4,913,620. Of this amount \$3,534,850 was the General fund's portion.
- The City completed several repaving projects, including portions of Church Street, Midvale Avenue and Marleen Drive.
- The City purchased a new street sweeper for the general services department.
- The City purchased a new dump truck for the environmental services department.
- The City purchased several new vehicles for the police and fire departments.
- The City finished the Equalization Basin Project at the sewer plant. This project was primarily financed through a loan with the Ohio Water Development Authority (OWDA). The loan has an interest rate of 1.00%.
- The City began the Hamer Street Sewer Separation Project during 2017. This project has an estimated cost of \$767,000. The City was awarded a \$325,000 grant from the Ohio Public Works Commission (OPWC) for this project.

**CITY OF CLYDE
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED
(CONTINUED)**

Contacting the City's Financial Management

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

**CITY OF CLYDE
SANDUSKY COUNTY**

STATEMENT OF NET POSITION
DECEMBER 31, 2017

| | Governmental Activities | Business-type Activities | Total |
|---|------------------------------------|-------------------------------------|----------------------|
| Assets: | | | |
| Equity in pooled cash and cash equivalents . . . | \$ 4,271,200 | \$ 10,113,337 | \$ 14,384,537 |
| Receivables (net of allowances for uncollectibles): | | | |
| Income taxes | 709,644 | - | 709,644 |
| Real and other taxes | 309,126 | 71,847 | 380,973 |
| Accounts | 11,386 | 3,648,317 | 3,659,703 |
| Due from other governments | 203,088 | - | 203,088 |
| Special assessments | 25,293 | - | 25,293 |
| Accrued interest | 12,564 | - | 12,564 |
| Internal balance | 72,878 | (72,878) | - |
| Materials and supplies inventory | 37,670 | 353,517 | 391,187 |
| Prepayments | 16,261 | 21,014 | 37,275 |
| Land held for resale | - | 1,035,196 | 1,035,196 |
| Net pension asset | 3,160 | 4,932 | 8,092 |
| Restricted assets: | | | |
| Equity in pooled cash and cash equivalents . . . | - | 1,047,790 | 1,047,790 |
| Capital assets: | | | |
| Land and construction in progress | 1,365,687 | 949,671 | 2,315,358 |
| Depreciable capital assets, net | 17,824,396 | 26,306,508 | 44,130,904 |
| Total capital assets, net | <u>19,190,083</u> | <u>27,256,179</u> | <u>46,446,262</u> |
| Total assets | <u>24,862,353</u> | <u>43,479,251</u> | <u>68,341,604</u> |
| Deferred outflows of resources: | | | |
| Pension - OP&F | 687,092 | - | 687,092 |
| Pension - OPERS | 877,448 | 1,387,304 | 2,264,752 |
| Total deferred outflows of resources | <u>1,564,540</u> | <u>1,387,304</u> | <u>2,951,844</u> |
| Liabilities: | | | |
| Accounts payable | 69,889 | 1,475,484 | 1,545,373 |
| Contracts payable | - | 84,160 | 84,160 |
| Accrued wages and benefits | 101,898 | 92,446 | 194,344 |
| Pension obligation payable | 21,750 | 11,320 | 33,070 |
| Due to other governments | 1,603 | 359 | 1,962 |
| Accrued interest payable | 17,676 | 73,888 | 91,564 |
| Long-term liabilities: | | | |
| Due within one year | 406,971 | 629,698 | 1,036,669 |
| Due in more than one year: | | | |
| Net pension liability | 4,944,371 | 3,565,281 | 8,509,652 |
| Other amounts due in more than one year . . . | 2,663,892 | 6,874,182 | 9,538,074 |
| Total liabilities | <u>8,228,050</u> | <u>12,806,818</u> | <u>21,034,868</u> |
| Deferred inflows of resources: | | | |
| Property taxes levied for the next year | 296,376 | - | 296,376 |
| Pension - OP&F | 107,888 | - | 107,888 |
| Pension - OPERS | 52,186 | 39,191 | 91,377 |
| Total deferred inflows of resources | <u>456,450</u> | <u>39,191</u> | <u>495,641</u> |
| Net position: | | | |
| Net investment in capital assets | 16,396,092 | 19,939,741 | 36,335,833 |
| Restricted for: | | | |
| Debt service | - | 1,047,790 | 1,047,790 |
| Transportation projects | 501,975 | - | 501,975 |
| Public health programs | 65,529 | - | 65,529 |
| Police and fire programs | 147,131 | - | 147,131 |
| Unrestricted | 631,666 | 11,033,015 | 11,664,681 |
| Total net position | <u>\$ 17,742,393</u> | <u>\$ 32,020,546</u> | <u>\$ 49,762,939</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE
SANDUSKY COUNTY**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

| | Expenses | Program Revenues | | |
|--|----------------------|--------------------------------|------------------------------------|----------------------------------|
| | | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental activities: | | | | |
| General government. | \$ 1,199,796 | \$ 83,646 | \$ - | \$ - |
| Security of persons and property | 2,665,280 | 171,021 | 38,264 | - |
| Public health and welfare | 798,330 | 18,601 | 26,837 | - |
| Transportation. | 960,238 | - | 355,074 | 91,193 |
| Community environment | 378,073 | 19,371 | 2,110 | - |
| Leisure time activity. | 245,028 | 81,645 | 632 | - |
| Interest and fiscal charges. | 110,776 | - | - | - |
| Total governmental activities | <u>6,357,521</u> | <u>374,284</u> | <u>422,917</u> | <u>91,193</u> |
| Business-type activities: | | | | |
| Water. | 2,780,720 | 2,476,496 | - | - |
| Sewer | 2,241,452 | 2,361,640 | - | - |
| Electric | 19,528,357 | 19,260,381 | - | - |
| Total business-type activities | <u>24,550,529</u> | <u>24,098,517</u> | <u>-</u> | <u>-</u> |
| Total primary government | <u>\$ 30,908,050</u> | <u>\$ 24,472,801</u> | <u>\$ 422,917</u> | <u>\$ 91,193</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 |
|------------------------------------|-------------------------------------|----------------------|
| \$ (1,116,150) | \$ - | \$ (1,116,150) |
| (2,455,995) | - | (2,455,995) |
| (752,892) | - | (752,892) |
| (513,971) | - | (513,971) |
| (356,592) | - | (356,592) |
| (162,751) | - | (162,751) |
| (110,776) | - | (110,776) |
| <u>(5,469,127)</u> | <u>-</u> | <u>(5,469,127)</u> |
| - | (304,224) | (304,224) |
| - | 120,188 | 120,188 |
| - | (267,976) | (267,976) |
| - | <u>(452,012)</u> | <u>(452,012)</u> |
| <u>(5,469,127)</u> | <u>(452,012)</u> | <u>(5,921,139)</u> |
| 257,338 | - | 257,338 |
| 26,633 | - | 26,633 |
| 3,535,920 | - | 3,535,920 |
| 1,379,228 | - | 1,379,228 |
| 255,999 | - | 255,999 |
| 170,980 | - | 170,980 |
| 68,905 | 3,618 | 72,523 |
| <u>175,897</u> | <u>172,576</u> | <u>348,473</u> |
| <u>5,870,900</u> | <u>176,194</u> | <u>6,047,094</u> |
| 401,773 | (275,818) | 125,955 |
| <u>17,340,620</u> | <u>32,296,364</u> | <u>49,636,984</u> |
| <u>\$ 17,742,393</u> | <u>\$ 32,020,546</u> | <u>\$ 49,762,939</u> |

**CITY OF CLYDE
SANDUSKY COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

| | <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 . . . | \$ 1,986,179 | \$ 1,233,211 | \$ 614,049 | \$ 3,833,439 |
| Receivables (net of allowance for uncollectibles): | | | | |
| Income taxes. | 496,751 | 212,893 | - | 709,644 |
| Real and other taxes | 279,833 | - | 29,293 | 309,126 |
| Accounts. | 11,386 | - | - | 11,386 |
| Due from other governments. | 68,030 | - | 135,058 | 203,088 |
| Special assessments | - | 25,293 | - | 25,293 |
| Accrued interest | 12,299 | - | 251 | 12,550 |
| Due from other funds | 71,488 | - | - | 71,488 |
| Materials and supplies inventory. | 6,243 | - | - | 6,243 |
| Prepayments | 15,615 | - | - | 15,615 |
| Total assets | <u>\$ 2,947,824</u> | <u>\$ 1,471,397</u> | <u>\$ 778,651</u> | <u>\$ 5,197,872</u> |
| Liabilities: | | | | |
| Accounts payable. | \$ 56,707 | \$ 6,012 | \$ 867 | \$ 63,586 |
| Accrued wages and benefits. | 85,504 | - | 1,354 | 86,858 |
| Pension obligation payable. | 19,825 | - | 183 | 20,008 |
| Due to other governments | 1,603 | - | - | 1,603 |
| Total liabilities | <u>163,639</u> | <u>6,012</u> | <u>2,404</u> | <u>172,055</u> |
| Deferred inflows of resources: | | | | |
| Property taxes levied for the next year | 268,291 | - | 28,085 | 296,376 |
| Delinquent property tax revenue not available. | 11,542 | - | 1,208 | 12,750 |
| Accrued interest not available | 12,299 | - | 251 | 12,550 |
| Special assessments revenue not available. | - | 25,293 | - | 25,293 |
| Income tax revenue not available | 137,356 | 58,867 | - | 196,223 |
| Intergovernmental revenue not available | 48,989 | - | 89,082 | 138,071 |
| Total deferred inflows of resources | <u>478,477</u> | <u>84,160</u> | <u>118,626</u> | <u>681,263</u> |
| Fund balances: | | | | |
| Nonspendable | 21,858 | - | - | 21,858 |
| Restricted. | - | - | 624,493 | 624,493 |
| Committed | 11,000 | 1,381,225 | 27,704 | 1,419,929 |
| Assigned | 1,327,046 | - | 5,424 | 1,332,470 |
| Unassigned | 945,804 | - | - | 945,804 |
| Total fund balances. | <u>2,305,708</u> | <u>1,381,225</u> | <u>657,621</u> | <u>4,344,554</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 2,947,824</u> | <u>\$ 1,471,397</u> | <u>\$ 778,651</u> | <u>\$ 5,197,872</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, 2017

| | | | |
|--|----|-------------|-------------|
| Total governmental fund balances | | \$ | 4,344,554 |
| <i>Amounts reported for governmental activities on the statement of net position are different because:</i> | | | |
| Capital assets used in governmental activities (excluding internal service funds capital assets) are not financial resources and therefore are not reported in the funds. | | | 18,723,488 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds. | | | |
| Income taxes receivable | \$ | 196,223 | |
| Real and other taxes receivable | | 12,750 | |
| Intergovernmental receivable | | 138,071 | |
| Special assessments receivable | | 25,293 | |
| Accrued interest receivable | | 12,550 | |
| Total | | 384,887 | 384,887 |
| Internal service funds are used by management to charge the costs of employee benefits and service department to individual funds. The assets and liabilities of the internal service funds (including internal balances of \$1,390) are included in governmental activities on the statement of net position. | | | 262,417 |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. | | | (13,917) |
| The net pension asset and net pension liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds. | | | |
| Net pension asset | | 2,342 | |
| Deferred outflows of resources | | 1,337,451 | |
| Deferred inflows of resources | | (132,503) | |
| Net pension liability | | (4,353,160) | |
| Total | | (3,145,870) | (3,145,870) |
| 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 | | 197,064 | |
| Police pension liability | | 56,861 | |
| General obligation bonds payable | | 950,000 | |
| Income tax bonds payable | | 1,220,999 | |
| Loans payable | | 388,242 | |
| Total | | (2,813,166) | (2,813,166) |
| Net position of governmental activities | | \$ | 17,742,393 |

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, 2017

| | <u>General</u> | <u>Permanent Improvement</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|----------------------------------|---|---|
| Revenues: | | | | |
| Income taxes | \$ 3,534,850 | \$ 1,378,770 | \$ - | \$ 4,913,620 |
| Real and other taxes. | 521,484 | - | 27,462 | 548,946 |
| Charges for services. | 206,432 | - | 74,745 | 281,177 |
| Licenses and permits | 44,169 | - | - | 44,169 |
| Fines and forfeitures | 14,093 | - | 1,436 | 15,529 |
| Intergovernmental. | 173,774 | 91,193 | 353,468 | 618,435 |
| Special assessments | - | 6,137 | - | 6,137 |
| Investment income. | 60,281 | - | 1,405 | 61,686 |
| Rental income | 31,800 | - | 6,900 | 38,700 |
| Contributions and donations. | 40,297 | - | 27,469 | 67,766 |
| Other | 114,661 | 56,509 | 4,727 | 175,897 |
| Total revenues | <u>4,741,841</u> | <u>1,532,609</u> | <u>497,612</u> | <u>6,772,062</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 1,062,638 | - | - | 1,062,638 |
| Security of persons and property | 2,302,967 | - | 25,159 | 2,328,126 |
| Public health and welfare. | 553,173 | - | - | 553,173 |
| Transportation | - | - | 323,890 | 323,890 |
| Community environment | 199,477 | 80,215 | - | 279,692 |
| Leisure time activity | - | - | 219,881 | 219,881 |
| Capital outlay | - | 578,889 | - | 578,889 |
| Debt service: | | | | |
| Principal retirement. | 105,417 | 102,688 | 193,482 | 401,587 |
| Interest and fiscal charges | 14,451 | 41,365 | 57,563 | 113,379 |
| Total expenditures | <u>4,238,123</u> | <u>803,157</u> | <u>819,975</u> | <u>5,861,255</u> |
| Excess (deficiency) of revenues over (under) expenditures. | <u>503,718</u> | <u>729,452</u> | <u>(322,363)</u> | <u>910,807</u> |
| Other financing sources (uses): | | | | |
| Transfers in | - | - | 334,455 | 334,455 |
| Transfers (out). | (115,000) | (619,455) | - | (734,455) |
| Total other financing sources (uses) | <u>(115,000)</u> | <u>(619,455)</u> | <u>334,455</u> | <u>(400,000)</u> |
| Net change in fund balances | 388,718 | 109,997 | 12,092 | 510,807 |
| Fund balances at beginning of year. | <u>1,916,990</u> | <u>1,271,228</u> | <u>645,529</u> | <u>3,833,747</u> |
| Fund balances at end of year | <u>\$ 2,305,708</u> | <u>\$ 1,381,225</u> | <u>\$ 657,621</u> | <u>\$ 4,344,554</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, 2017

| | | |
|--|------------|-----------------------|
| Net change in fund balances - total governmental funds: | \$ | 510,807 |
| <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. | | |
| Capital asset additions | \$ 510,291 | |
| Current year depreciation | (876,333) | |
| Total | | (366,042) |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. | | |
| | | (12,500) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Income taxes | 1,528 | |
| Real and other taxes | (8,976) | |
| Intergovernmental revenues | (2,668) | |
| Special assessments | (11,428) | |
| Investment income | 8,662 | |
| Total | | (12,882) |
| Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. | | |
| | | 401,587 |
| In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditures is reported when due. | | |
| | | 2,603 |
| 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. | | |
| | | 10,826 |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability are reported as pension expense in the statement of activities. | | |
| | | (726,191) |
| Contractually required pension contributions are reported as an expenditure in governmental funds; however, the statement of net position reports these amounts as deferred outflows. | | |
| | | 298,492 |
| 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 statement of activities. Governmental fund expenditures and the related internal service funds revenue are eliminated. The net revenue of the internal internal service funds, including internal balances of \$4,378, is allocated among the governmental activities. | | |
| | | <u>295,073</u> |
| Change in net position of governmental activities | \$ | <u>401,773</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|-------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Income taxes | \$ 2,884,600 | \$ 3,334,600 | \$ 3,292,387 | \$ (42,213) |
| Real and other taxes. | 531,500 | 531,500 | 512,646 | (18,854) |
| Charges for services. | 181,500 | 181,500 | 187,946 | 6,446 |
| Licenses and permits | 41,400 | 41,400 | 42,929 | 1,529 |
| Fines and forfeitures | 12,000 | 12,000 | 13,101 | 1,101 |
| Intergovernmental. | 164,200 | 164,200 | 175,119 | 10,919 |
| Special assessments | 10,000 | 10,000 | - | (10,000) |
| Investment income. | 25,000 | 25,000 | 60,281 | 35,281 |
| Rental income | 30,000 | 30,000 | 31,800 | 1,800 |
| Contributions and donations. | 9,000 | 59,000 | 38,397 | (20,603) |
| Other | 25,785 | 69,795 | 79,360 | 9,565 |
| Total revenues | <u>3,914,985</u> | <u>4,458,995</u> | <u>4,433,966</u> | <u>(25,029)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 951,173 | 987,173 | 903,014 | 84,159 |
| Security of persons and property | 2,973,966 | 2,973,966 | 2,482,395 | 491,571 |
| Public health and welfare. | 722,603 | 722,603 | 616,920 | 105,683 |
| Community environment | 297,023 | 297,023 | 162,571 | 134,452 |
| Total expenditures | <u>4,944,765</u> | <u>4,980,765</u> | <u>4,164,900</u> | <u>815,865</u> |
| Excess (deficiency) of revenues over (under) expenditures. | <u>(1,029,780)</u> | <u>(521,770)</u> | <u>269,066</u> | <u>790,836</u> |
| Other financing uses: | | | | |
| Transfers (out). | <u>(195,000)</u> | <u>(195,000)</u> | <u>(130,000)</u> | <u>65,000</u> |
| Net change in fund balance | <u>(1,224,780)</u> | <u>(716,770)</u> | <u>139,066</u> | <u>855,836</u> |
| Fund balance at beginning of year | 1,417,369 | 1,417,369 | 1,417,369 | - |
| Prior year encumbrances appropriated | 210,219 | 210,219 | 210,219 | - |
| Fund balance at end of year | <u>\$ 402,808</u> | <u>\$ 910,818</u> | <u>\$ 1,766,654</u> | <u>\$ 855,836</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE
SANDUSKY COUNTY**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017

| | Business-type Activities - Enterprise Funds | | | | Governmental Activities - Internal Service Funds |
|--|--|-------------------|-------------------|-------------------|---|
| | Water | Sewer | Electric | Total | |
| Assets: | | | | | |
| Current assets: | | | | | |
| Equity in pooled cash and cash equivalents . . . | \$ 2,694,403 | \$ 1,731,634 | \$ 5,687,300 | \$ 10,113,337 | \$ 437,761 |
| Receivables: | | | | | |
| Real and other taxes | - | - | 71,847 | 71,847 | - |
| Accounts | 290,827 | 220,378 | 3,137,112 | 3,648,317 | - |
| Accrued interest | - | - | - | - | 14 |
| Materials and supplies inventory | 32,029 | 17,583 | 303,905 | 353,517 | 31,427 |
| Prepayments | 1,698 | 2,864 | 16,452 | 21,014 | 646 |
| Land held for resale | - | - | 1,035,196 | 1,035,196 | - |
| Total current assets | <u>3,018,957</u> | <u>1,972,459</u> | <u>10,251,812</u> | <u>15,243,228</u> | <u>469,848</u> |
| Noncurrent assets: | | | | | |
| Restricted assets: | | | | | |
| Cash and cash equivalents | 773,587 | - | 274,203 | 1,047,790 | - |
| Net pension asset | 1,802 | 1,499 | 1,631 | 4,932 | 818 |
| Capital assets: | | | | | |
| Land and construction in progress | 622,238 | 304,089 | 23,344 | 949,671 | - |
| Depreciable capital assets, net | 8,982,788 | 7,916,773 | 9,406,947 | 26,306,508 | 466,595 |
| Total capital assets, net | <u>9,605,026</u> | <u>8,220,862</u> | <u>9,430,291</u> | <u>27,256,179</u> | <u>466,595</u> |
| Total noncurrent assets | <u>10,380,415</u> | <u>8,222,361</u> | <u>9,706,125</u> | <u>28,308,901</u> | <u>467,413</u> |
| Total assets | <u>13,399,372</u> | <u>10,194,820</u> | <u>19,957,937</u> | <u>43,552,129</u> | <u>937,261</u> |
| Deferred outflows of resources: | | | | | |
| Pension - OPERS | 518,255 | 416,188 | 452,861 | 1,387,304 | 227,089 |

-- Continued

**CITY OF CLYDE
SANDUSKY COUNTY**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS (CONTINUED)
DECEMBER 31, 2017

| | <u>Business-type Activities - Enterprise Funds</u> | | | | Governmental Activities - Internal Service Funds |
|--|--|---------------------|----------------------|----------------------|---|
| | <u>Water</u> | <u>Sewer</u> | <u>Electric</u> | <u>Total</u> | |
| Liabilities: | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ 17,255 | \$ 9,200 | \$ 1,449,029 | \$ 1,475,484 | \$ 6,303 |
| Contracts payable | 54,582 | 29,578 | - | 84,160 | - |
| Accrued wages and benefits | 36,684 | 28,564 | 27,198 | 92,446 | 15,040 |
| Pension obligation payable | 4,246 | 3,311 | 3,763 | 11,320 | 1,742 |
| Compensated absences | 77,309 | 17,382 | 8,843 | 103,534 | 2,511 |
| Due to other funds | - | - | 71,488 | 71,488 | - |
| Due to other governments | - | - | 359 | 359 | - |
| Accrued interest payable | 54,994 | 17,559 | 1,335 | 73,888 | 3,759 |
| Promissory note payable - current | - | - | - | - | 29,861 |
| OWDA loans payable - current | 77,927 | 167,608 | - | 245,535 | - |
| Income tax bonds payable - current | - | - | 150,629 | 150,629 | - |
| Payable from restricted assets: | | | | | |
| Current portion of general obligation bonds | 130,000 | - | - | 130,000 | - |
| Total current liabilities | 452,997 | 273,202 | 1,712,644 | 2,438,843 | 59,216 |
| Long-term liabilities: | | | | | |
| Compensated absences | 76,639 | 59,090 | 32,339 | 168,068 | 20,436 |
| General obligation bonds | 3,945,000 | - | - | 3,945,000 | - |
| Income tax bonds | - | - | 154,584 | 154,584 | - |
| OWDA loans payable | 327,690 | 2,278,840 | - | 2,606,530 | - |
| Promissory note payable | - | - | - | - | 204,889 |
| Net pension liability | 1,302,771 | 1,083,517 | 1,178,993 | 3,565,281 | 591,211 |
| Total long-term liabilities | 5,652,100 | 3,421,447 | 1,365,916 | 10,439,463 | 816,536 |
| Total liabilities | 6,105,097 | 3,694,649 | 3,078,560 | 12,878,306 | 875,752 |
| Deferred inflows of resources: | | | | | |
| Pension - OPERS | 11,956 | 13,202 | 14,033 | 39,191 | 27,571 |
| Net position: | | | | | |
| Net investment in capital assets | 5,069,827 | 5,744,836 | 9,125,078 | 19,939,741 | 231,845 |
| Restricted for debt service | 773,587 | - | 274,203 | 1,047,790 | - |
| Unrestricted | 1,957,160 | 1,158,321 | 7,918,924 | 11,034,405 | 29,182 |
| Total net position | \$ 7,800,574 | \$ 6,903,157 | \$ 17,318,205 | 32,021,936 | \$ 261,027 |
| Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds | | | | (1,390) | |
| Net position of business-type activities | | | | <u>\$ 32,020,546</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, 2017

| | <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 | \$ 2,476,496 | \$ 2,361,640 | \$ 19,260,381 | \$ 24,098,517 | \$ 786,791 |
| Other operating revenues | 2,942 | 100,072 | 69,562 | 172,576 | 8,324 |
| Total operating revenues. | <u>2,479,438</u> | <u>2,461,712</u> | <u>19,329,943</u> | <u>24,271,093</u> | <u>795,115</u> |
| Operating expenses: | | | | | |
| Personal services | 1,404,945 | 1,128,771 | 1,205,040 | 3,738,756 | 626,999 |
| Contract services. | 343,790 | 589,765 | 16,774,209 | 17,707,764 | 38,190 |
| Materials and supplies. | 382,895 | 166,392 | 777,573 | 1,326,860 | 201,354 |
| Depreciation. | 429,632 | 315,865 | 493,346 | 1,238,843 | 33,693 |
| Other | 3,508 | 2,245 | 15,105 | 20,858 | 539 |
| Total operating expenses. | <u>2,564,770</u> | <u>2,203,038</u> | <u>19,265,273</u> | <u>24,033,081</u> | <u>900,775</u> |
| Operating income (loss). | <u>(85,332)</u> | <u>258,674</u> | <u>64,670</u> | <u>238,012</u> | <u>(105,660)</u> |
| Nonoperating revenues (expenses): | | | | | |
| Interest and fiscal charges | (215,246) | (38,061) | (11,223) | (264,530) | (3,759) |
| Interest income. | 2,600 | - | 1,018 | 3,618 | 114 |
| Excise tax expense | - | - | (248,540) | (248,540) | - |
| Total nonoperating revenues (expenses) | <u>(212,646)</u> | <u>(38,061)</u> | <u>(258,745)</u> | <u>(509,452)</u> | <u>(3,645)</u> |
| Income (loss) before transfers in. | <u>(297,978)</u> | <u>220,613</u> | <u>(194,075)</u> | <u>(271,440)</u> | <u>(109,305)</u> |
| Transfers in | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>400,000</u> |
| Change in net position | <u>(297,978)</u> | <u>220,613</u> | <u>(194,075)</u> | <u>(271,440)</u> | <u>290,695</u> |
| Net position (deficit) at beginning of year. | <u>8,098,552</u> | <u>6,682,544</u> | <u>17,512,280</u> | | <u>(29,668)</u> |
| Net position at end of year | <u>\$ 7,800,574</u> | <u>\$ 6,903,157</u> | <u>\$ 17,318,205</u> | | <u>\$ 261,027</u> |
| Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds. | | | | <u>(4,378)</u> | |
| Change in net position of business-type activities. | | | | <u>\$ (275,818)</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, 2017

| | 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 | \$ 2,458,279 | \$ 2,341,401 | \$ 18,797,469 | \$ 23,597,149 | \$ 786,791 |
| Cash received from other operations | 2,942 | 100,072 | 69,562 | 172,576 | 8,324 |
| Cash payments for personal services. | (1,174,513) | (973,436) | (1,038,696) | (3,186,645) | (555,253) |
| Cash payments for contractual services | (341,023) | (596,843) | (16,577,919) | (17,515,785) | (38,284) |
| Cash payments for materials and supplies | (369,774) | (171,201) | (775,727) | (1,316,702) | (170,554) |
| Cash payments for other expenses | (3,415) | (2,113) | (15,100) | (20,628) | (539) |
| Net cash provided by operating activities | <u>572,496</u> | <u>697,880</u> | <u>459,589</u> | <u>1,729,965</u> | <u>30,485</u> |
| Cash flows from noncapital financing activities: | | | | | |
| Cash received from transfers in | - | - | - | - | 400,000 |
| Cash payments for excise taxes. | - | - | (248,540) | (248,540) | - |
| Net cash provided by (used in) noncapital financing activities. | <u>-</u> | <u>-</u> | <u>(248,540)</u> | <u>(248,540)</u> | <u>400,000</u> |
| Cash flows from capital and related financing activities: | | | | | |
| Acquisition of capital assets | (296,044) | (127,140) | (13,535) | (436,719) | (267,373) |
| Cash received from promissory note. | - | - | - | - | 234,750 |
| Cash received from OWDA loan. | - | 20,924 | - | 20,924 | - |
| Cash payments for principal retirement. | (196,392) | (164,409) | (146,776) | (507,577) | - |
| Cash payments for interest and fiscal charges. | (217,510) | (37,129) | (11,865) | (266,504) | - |
| Net cash used in capital and related financing activities. | <u>(709,946)</u> | <u>(307,754)</u> | <u>(172,176)</u> | <u>(1,189,876)</u> | <u>(32,623)</u> |
| Cash flows from investing activities: | | | | | |
| Interest received | 2,600 | - | 1,880 | 4,480 | 105 |
| Cash payments for land held for resale. | - | - | (65,196) | (65,196) | - |
| Redemption of investments. | - | - | 47,000 | 47,000 | - |
| Net cash provided by (used in) investing activities investing activities | <u>2,600</u> | <u>-</u> | <u>(16,316)</u> | <u>(13,716)</u> | <u>105</u> |
| Net increase (decrease) in cash and cash equivalents | (134,850) | 390,126 | 22,557 | 277,833 | 397,967 |
| Cash and cash equivalents at beginning of year | <u>3,602,840</u> | <u>1,341,508</u> | <u>5,938,946</u> | <u>10,883,294</u> | <u>39,794</u> |
| Cash and cash equivalents at end of year | <u>\$ 3,467,990</u> | <u>\$ 1,731,634</u> | <u>\$ 5,961,503</u> | <u>\$ 11,161,127</u> | <u>\$ 437,761</u> |

- - Continued

**CITY OF CLYDE
SANDUSKY COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

| | <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 operating activities: | | | | | |
| Operating income (loss) | \$ (85,332) | \$ 258,674 | \$ 64,670 | \$ 238,012 | \$ (105,660) |
| Adjustments: | | | | | |
| Depreciation | 429,632 | 315,865 | 493,346 | 1,238,843 | 33,693 |
| Changes in assets and liabilities: | | | | | |
| Change in materials and supplies inventory | 14,014 | (2,530) | (12,832) | (1,348) | 26,901 |
| Change in accounts receivable | (18,217) | (20,239) | (462,912) | (501,368) | - |
| Change in prepayments | 3,733 | (149) | 1,657 | 5,241 | (78) |
| Change in net pension asset | (257) | (155) | (169) | (581) | (17) |
| Change in deferred outflows - pension OPERS | (151,241) | (96,788) | (105,552) | (353,581) | (36,864) |
| Change in accounts payable | (1,750) | (5,597) | 209,327 | 201,980 | 3,964 |
| Change in accrued wages and benefits | 5,797 | (3,194) | 838 | 3,441 | 1,807 |
| Change in intergovernmental payable | - | (3,173) | - | (3,173) | - |
| Change in compensated absences payable | 46,195 | 15,668 | 9,935 | 71,798 | (1,451) |
| Change in pension obligation payable | (7,252) | (6,491) | (6,679) | (20,422) | (3,922) |
| Change in net pension liability | 350,429 | 254,727 | 277,783 | 882,939 | 97,607 |
| Change in deferred inflows - pension OPERS | (13,255) | (8,738) | (9,823) | (31,816) | 14,505 |
| Net cash provided by operating activities | <u>\$ 572,496</u> | <u>\$ 697,880</u> | <u>\$ 459,589</u> | <u>\$ 1,729,965</u> | <u>\$ 30,485</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Non-cash transactions:

At December 31, 2017, the water fund purchased \$54,582 in capital assets on account.

At December 31, 2017, the sewer fund purchased \$29,578 in capital assets on account.

**CITY OF CLYDE
SANDUSKY COUNTY**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2017

| | Private-Purpose Trust |
|---|----------------------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents | \$ 7,053 |
| Receivables: | |
| Accrued interest. | 6 |
| Total assets | 7,059 |
| Net position: | |
| Held in trust for private cemetery care. | 7,059 |
| Total net position | \$ 7,059 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE
SANDUSKY COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

| | Private-Purpose Trust |
|---|----------------------------------|
| Additions: | |
| Interest | \$ 32 |
| Deductions: | |
| Cemetery care | 76 |
| Change in net position | (44) |
| Net position at beginning of year. | 7,103 |
| Net position at end of year | \$ 7,059 |

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, 2017

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

Public Entities Pool of Ohio (PEP) - The City participates in the Public Entities Pool of Ohio, a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. Note 12 to the financial statements provides additional information for this entity.

**CITY OF CLYDE
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Jefferson Health Plan (JHP) Health Benefits Program - The JHP is a council of governments of school districts and other political subdivisions organized and existing as a joint self-insurance program pursuant to Section 9.833 of the Ohio Revised Code providing health care and related insurance benefits to over fifth member organizations and composed of one representative from each county served and a career center representative. Each member organization pays a monthly premium based on its claims history and a monthly administration fee. Note 12 to the financial statements provides additional information for this entity.

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, 2017
(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 of resources is reported as fund balance. The following are the City's major governmental funds:

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

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

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

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

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

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

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

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

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

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The Fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

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 of resources, liabilities and deferred inflows of resources 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.

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 of resources 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

**CITY OF CLYDE
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

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 Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, see Note 13 for deferred outflows of resources related the City's net pension liability.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance 2018 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes, but is not limited to, income taxes, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the City, see Note 13 for deferred inflows of resources related to the City's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

**CITY OF CLYDE
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

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.

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

**CITY OF CLYDE
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

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 2017, investments were limited to nonnegotiable certificates of deposit, U.S. government money market mutual funds and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio).

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

During 2017, the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The City measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the General fund during 2017 amounted to \$60,281, which included \$52,632 assigned from other funds of the City.

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

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

H. Inventories of Materials and Supplies

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

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-

**CITY OF CLYDE
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

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 valued at acquisition cost. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, irrigation systems, traffic signals, water and sewer lines, electric transmission, overhead and underground lines, electric transformers, substations and street lights. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

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

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

K. Compensated Absences

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

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, 2017, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditures/expense in the year in which it was consumed.

M. Accrued Liabilities and Long-Term Obligations

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

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

N. Bond Premium and Discount/Accounting Gain or Loss

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

**CITY OF CLYDE
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

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.

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.

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Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the General fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the Finance Director the authority to constrain monies for intended purposes.

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

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

R. Estimates

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

S. 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.

T. 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 2017.

U. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net

**CITY OF CLYDE
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position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

V. Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For 2017, the City has implemented GASB Statement No. 80, *“Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14”*, GASB Statement No. 81 *“Irrevocable Split-Interest Agreements”*, and GASB Statement No. 82, *“Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73”*.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the City.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the City.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the City.

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.

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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.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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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, 2017, the carrying amount of all City deposits was \$10,442,263. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2017, \$9,645,095 of the City’s bank balance of \$10,645,095 was exposed to custodial risk as discussed below, while \$1,000,000 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2017, certain City financial institutions did not participate in the OPCS while certain other financial institutions did participate in the OPCS. Those financial institutions that did participate were approved for a reduced collateral rate of 102 percent through the OPCS. Although 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, 2017, the City had the following investments and maturities:

| <u>Measurement/ Investment type</u> | <u>Measurement Value</u> | <u>Investment Maturities 6 months or less</u> |
|--|------------------------------|---|
| Amortized cost: | | |
| STAR Ohio | \$ 4,397,765 | \$ 4,397,765 |
| Fair value: | | |
| U.S. government money market mutual funds | <u>598,992</u> | <u>598,992</u> |
| Total | <u>\$ 4,996,757</u> | <u>\$ 4,996,757</u> |

The City investments in U.S. Government money market mutual funds are valued using quoted market prices in active markets. (Level 1 inputs).

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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 Fitch Ratings Inc. and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2017:

| <u>Measurement\</u> <u>Investment type</u> | <u>Measurement</u> <u>Value</u> | <u>% of Total</u> |
|---|------------------------------------|-------------------|
| Amortized cost: | | |
| STAR Ohio | \$ 4,397,765 | 88.01% |
| Fair value: | | |
| U.S. Government money market mutual funds | <u>598,992</u> | <u>11.99%</u> |
| | <u>\$ 4,996,757</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, 2017:

| | |
|---|----------------------|
| <u>Cash and investments per note</u> | |
| Carrying amount of deposits | \$ 10,442,263 |
| Investments | 4,996,757 |
| Cash on hand | <u>360</u> |
| Total | <u>\$ 15,439,380</u> |
| <u>Cash and investments per statement of net position</u> | |
| Governmental activities | \$ 4,271,200 |
| Business-type activities | 11,161,127 |
| Private-purpose trust fund | <u>7,053</u> |
| Total | <u>\$ 15,439,380</u> |

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended December 31, 2017, consisted of the following, as reported on the fund financial statements:

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| | |
|--|-------------------|
| Transfers to nonmajor governmental funds from: | |
| General fund | \$ 115,000 |
| Permanent Improvement fund | 219,455 |
| | |
| Transfers from permanent improvement fund to: | |
| General Services Internal Service fund | <u>400,000</u> |
| Total | <u>\$ 734,455</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, 2017, as reported on the fund financial statements:

| <u>Receivable fund</u> | <u>Payable fund</u> | <u>Amount</u> |
|------------------------|---------------------|---------------|
| General fund | Electric fund | \$ 71,488 |

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. 2017 public utility property taxes became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Clyde. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2017 and for which there is an enforceable legal claim. In the governmental funds, the current portion

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receivable has been offset by a deferred inflow of resources since the current taxes were not levied to finance 2017 operations and the collection of delinquent taxes has been offset by deferred inflow of resources 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 of resources.

The full tax rate for all City operations for the year ended December 31, 2017 was \$3.20 per \$1,000 of assessed value.

The assessed values of real and public utility property upon which 2017 property tax receipts were based are as follows:

| | |
|-------------------------------|-----------------------|
| <u>Real property</u> | |
| Residential/agricultural | \$ 67,590,170 |
| Commercial/industrial/mineral | 33,456,220 |
| <u>Public utility</u> | |
| Real | 15,610 |
| Personal | <u>2,758,530</u> |
| Total assessed value | <u>\$ 103,820,530</u> |

NOTE 7 - LOCAL INCOME TAX

This City locally levied tax of 1.5% applied to gross salaries, wages and other personal service compensation earned by residents both in and out of the City and to earnings of nonresidents (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 2017 was \$4,913,620 as reported in the fund financial statements.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2017, 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, 2017.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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Governmental activities:

| | |
|----------------------------|------------|
| Income taxes | \$ 709,644 |
| Real and other taxes | 309,126 |
| Accounts | 11,386 |
| Due from other governments | 203,088 |
| Special assessments | 25,293 |
| Accrued interest | 12,564 |

Business-type activities:

| | |
|----------------------|-----------|
| Real and other taxes | 71,847 |
| Accounts | 3,648,317 |

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
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

| <u>Governmental activities:</u> | <u>Balance</u> 12/31/2016 | <u>Additions</u> | <u>Disposals</u> | <u>Balance</u> 12/31/2017 |
|---|------------------------------|---------------------|--------------------|------------------------------|
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 1,243,177 | \$ - | \$ - | \$ 1,243,177 |
| Construction in progress | <u>-</u> | <u>122,510</u> | <u>-</u> | <u>122,510</u> |
| Total capital assets, not being depreciated | <u>1,243,177</u> | <u>122,510</u> | <u>-</u> | <u>1,365,687</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Land improvements | 2,516,634 | 138,154 | - | 2,654,788 |
| Buildings and improvements | 3,738,730 | 33,873 | - | 3,772,603 |
| Equipment | 1,228,881 | 38,753 | - | 1,267,634 |
| Vehicles | 4,002,127 | 348,290 | (265,588) | 4,084,829 |
| Infrastructure | <u>23,938,695</u> | <u>96,084</u> | <u>-</u> | <u>24,034,779</u> |
| Total capital assets, being depreciated | <u>35,425,067</u> | <u>655,154</u> | <u>(265,588)</u> | <u>35,814,633</u> |
| <i>Less: accumulated depreciation:</i> | | | | |
| Land improvements | (1,443,963) | (80,305) | - | (1,524,268) |
| Buildings and improvements | (2,281,834) | (98,924) | - | (2,380,758) |
| Equipment | (729,571) | (52,873) | - | (782,444) |
| Vehicles | (2,975,070) | (98,775) | 253,088 | (2,820,757) |
| Infrastructure | <u>(9,902,861)</u> | <u>(579,149)</u> | <u>-</u> | <u>(10,482,010)</u> |
| Total accumulated depreciation | <u>(17,333,299)</u> | <u>(910,026)</u> | <u>253,088</u> | <u>(17,990,237)</u> |
| Total capital assets, being depreciated, net | <u>18,091,768</u> | <u>(254,872)</u> | <u>(12,500)</u> | <u>17,824,396</u> |
| Governmental activities capital assets, net | <u>\$ 19,334,945</u> | <u>\$ (132,362)</u> | <u>\$ (12,500)</u> | <u>\$ 19,190,083</u> |

**CITY OF CLYDE
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FOR THE YEAR ENDED DECEMBER 31, 2017
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| <u>Business-type activities:</u> | <u>Balance</u> 12/31/2016 | <u>Additions</u> | <u>Disposals</u> | <u>Balance</u> 12/31/2017 |
|---|------------------------------|---------------------|-----------------------|------------------------------|
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 795,093 | \$ - | \$ - | \$ 795,093 |
| Construction in progress | <u>2,472,276</u> | <u>175,502</u> | <u>(2,493,200)</u> | <u>154,578</u> |
| Total capital assets, not being depreciated | <u>3,267,369</u> | <u>175,502</u> | <u>(2,493,200)</u> | <u>949,671</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Land improvements | 786,192 | - | - | 786,192 |
| Buildings and improvements | 14,303,553 | 17,213 | - | 14,320,766 |
| Equipment | 9,121,802 | 148,973 | - | 9,270,775 |
| Vehicles | 1,038,923 | 117,922 | - | 1,156,845 |
| Infrastructure | <u>25,465,167</u> | <u>2,554,469</u> | <u>-</u> | <u>28,019,636</u> |
| Total capital assets, being depreciated | <u>50,715,637</u> | <u>2,838,577</u> | <u>-</u> | <u>53,554,214</u> |
| <i>Less: accumulated depreciation:</i> | | | | |
| Land improvements | (636,709) | (15,847) | - | (652,556) |
| Buildings and improvements | (8,494,738) | (380,931) | - | (8,875,669) |
| Equipment | (7,631,438) | (261,978) | - | (7,893,416) |
| Vehicles | (443,126) | (45,713) | - | (488,839) |
| Infrastructure | <u>(8,802,852)</u> | <u>(534,374)</u> | <u>-</u> | <u>(9,337,226)</u> |
| Total accumulated depreciation | <u>(26,008,863)</u> | <u>(1,238,843)</u> | <u>-</u> | <u>(27,247,706)</u> |
| Total capital assets, being depreciated, net | <u>24,706,774</u> | <u>1,599,734</u> | <u>-</u> | <u>26,306,508</u> |
| Business-type activities capital assets, net | <u>\$ 27,974,143</u> | <u>\$ 1,775,236</u> | <u>\$ (2,493,200)</u> | <u>\$ 27,256,179</u> |

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

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Governmental activities:

| | |
|--|-------------------|
| General government | \$ 11,000 |
| Security of persons and property | 133,585 |
| Public health and welfare | 129,240 |
| Transportation | 596,241 |
| Community environment | 6,267 |
| Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets | <u>33,693</u> |
| Total depreciation expense - governmental activities | <u>\$ 910,026</u> |

Business-type activities:

| | |
|---|---------------------|
| Water | \$ 429,632 |
| Sewer | 315,865 |
| Electric | <u>493,346</u> |
| Total depreciation expense - business-type activities | <u>\$ 1,238,843</u> |

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NOTE 10 - LONG-TERM OBLIGATIONS

A. During 2017, the following changes occurred in governmental activities long-term obligations.

| Governmental activities: | <u>Interest Rate</u> | <u>Balance 12/31/16</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance 12/31/17</u> | <u>Amount Due in One Year</u> |
|--|--------------------------|-----------------------------|-------------------|---------------------|-----------------------------|---------------------------------------|
| <u>General obligation bonds:</u> | | | | | | |
| Vine/Main Street improvements | 1.70% - | | | | | |
| General obligation bonds | 5.00% | \$ 1,115,000 | \$ - | \$ (165,000) | \$ 950,000 | \$ 170,000 |
| Total general obligation debt | | <u>1,115,000</u> | <u>-</u> | <u>(165,000)</u> | <u>950,000</u> | <u>170,000</u> |
| <u>Income tax bonds:</u> | | | | | | |
| Swimming pool bonds | 3.125% | <u>1,323,687</u> | <u>-</u> | <u>(102,688)</u> | <u>1,220,999</u> | <u>105,897</u> |
| <u>Loans:</u> | | | | | | |
| Fire pumper loan | 2.87% | 446,659 | - | (58,417) | 388,242 | 60,129 |
| Dump truck loan | 2.33% | <u>26,321</u> | <u>-</u> | <u>(26,321)</u> | <u>-</u> | <u>-</u> |
| Total loans | | <u>472,980</u> | <u>-</u> | <u>(84,738)</u> | <u>388,242</u> | <u>60,129</u> |
| <u>Promissory note:</u> | | | | | | |
| Street sweeper note | 3.76% | <u>-</u> | <u>234,750</u> | <u>-</u> | <u>234,750</u> | <u>29,861</u> |
| <u>Other long-term obligations:</u> | | | | | | |
| Police pension liability | N/A | 59,022 | - | (2,161) | 56,861 | 2,255 |
| Manuscript note payable | 2.00% | 47,000 | - | (47,000) | - | - |
| Net pension liability | | 4,630,995 | 487,441 | (174,065) | 4,944,371 | - |
| Compensated absences | | <u>232,288</u> | <u>190,126</u> | <u>(202,403)</u> | <u>220,011</u> | <u>38,829</u> |
| Total other obligations | | <u>4,969,305</u> | <u>677,567</u> | <u>(425,629)</u> | <u>5,221,243</u> | <u>41,084</u> |
| Total governmental activities long-term obligations | | <u>\$ 7,880,972</u> | <u>\$ 912,317</u> | <u>\$ (778,055)</u> | <u>\$ 8,015,234</u> | <u>\$ 406,971</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.

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.

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.

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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 loan: During 2015, the City issued a loan for the purchase of a fire pumper in the amount of \$503,373 with a scheduled maturity date of September 17, 2023. The loan bears an interest rate of 2.87%. 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 maturity date of December 1, 2017. The loan bore an interest rate of 2.33%. The principal and interest payments were made from the Street Construction, Maintenance and Repair fund, a nonmajor governmental fund.

Street sweeper note: During 2017, the City entered into a promissory note for the purchase of a street sweeper in the amount of \$234,750 with a scheduled maturity date of July 26, 2024. The note bears an interest rate of 3.76%. The semi-annual principal and interest payments are made from the General Services Internal Service 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 matured on January 31, 2017.

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.

Net pension liability: See Note 13 for a discussion of the City's net pension liability.

- B.** The annual requirements amortize governmental activities long-term obligations outstanding as of December 31, 2017, are as follows:

| Year Ending December 31, | Vine/Main Street G.O. Bonds | | | Swimming Pool Income Tax Bonds | | |
|-----------------------------|-----------------------------|-------------------|---------------------|--------------------------------|-------------------|---------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2018 | \$ 170,000 | \$ 46,700 | \$ 216,700 | \$ 105,897 | \$ 38,156 | \$ 144,053 |
| 2019 | 180,000 | 38,540 | 218,540 | 109,206 | 34,847 | 144,053 |
| 2020 | 190,000 | 29,810 | 219,810 | 112,619 | 31,434 | 144,053 |
| 2021 | 200,000 | 20,500 | 220,500 | 116,138 | 27,915 | 144,053 |
| 2022 | 210,000 | 10,500 | 220,500 | 119,767 | 24,286 | 144,053 |
| 2023 - 2027 | - | - | - | 657,372 | 62,892 | 720,264 |
| Total | <u>\$ 950,000</u> | <u>\$ 146,050</u> | <u>\$ 1,096,050</u> | <u>\$ 1,220,999</u> | <u>\$ 219,530</u> | <u>\$ 1,440,529</u> |

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| Year Ending 31-Dec | Police Pension | | | Fire Pumper Loan | | |
|-----------------------|------------------|------------------|------------------|-------------------|------------------|-------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2018 | \$ 2,255 | \$ 2,391 | \$ 4,646 | \$ 60,129 | \$ 10,859 | \$ 70,988 |
| 2019 | 2,351 | 2,296 | 4,647 | 61,891 | 9,096 | 70,987 |
| 2020 | 2,452 | 2,195 | 4,647 | 63,684 | 7,304 | 70,988 |
| 2021 | 2,557 | 2,090 | 4,647 | 65,572 | 5,416 | 70,988 |
| 2022 | 2,667 | 1,980 | 4,647 | 67,494 | 3,494 | 70,988 |
| 2023 - 2027 | 15,154 | 8,077 | 23,231 | 69,472 | 1,446 | 70,918 |
| 2028 - 2032 | 18,700 | 4,534 | 23,234 | - | - | - |
| 2033 - 2035 | 10,725 | 684 | 11,409 | - | - | - |
| Total | <u>\$ 56,861</u> | <u>\$ 24,247</u> | <u>\$ 81,108</u> | <u>\$ 388,242</u> | <u>\$ 37,615</u> | <u>\$ 425,857</u> |

| Year Ending 31-Dec | Street Sweeper Note | | |
|-----------------------|---------------------|------------------|-------------------|
| | Principal | Interest | Total |
| 2018 | \$ 29,861 | \$ 8,670 | \$ 38,531 |
| 2019 | 31,010 | 7,521 | 38,531 |
| 2020 | 32,187 | 6,344 | 38,531 |
| 2021 | 33,443 | 5,089 | 38,532 |
| 2022 | 34,730 | 3,802 | 38,532 |
| 2023 - 2024 | 73,519 | 3,544 | 77,063 |
| Total | <u>\$ 234,750</u> | <u>\$ 34,970</u> | <u>\$ 269,720</u> |

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

C. During 2017, the following changes occurred in business-type activities long-term obligations.

| Business-type activities: | <u>Interest Rate</u> | <u>Balance 12/31/16</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance 12/31/17</u> | <u>Amount Due in One Year</u> |
|---|--------------------------|-----------------------------|---------------------|---------------------|-----------------------------|-----------------------------------|
| <u>OWDA loans:</u> | | | | | | |
| Sewer plant OWDA loan | 3.90% | \$ 198,847 | \$ - | \$ (33,084) | \$ 165,763 | \$ 34,388 |
| Sewer sludge dewatering improvements | 3.25% | 298,851 | - | (27,324) | 271,527 | 28,220 |
| WWTP equalization basin | 1.00% | 2,092,235 | 20,924 | (104,001) | 2,009,158 | 105,000 |
| Water system OWDA loan | 2.00% | 482,009 | - | (76,392) | 405,617 | 77,927 |
| Total OWDA loans | | <u>3,071,942</u> | <u>20,924</u> | <u>(240,801)</u> | <u>2,852,065</u> | <u>245,535</u> |
| <u>General obligation bonds:</u> | | | | | | |
| Water system general obligation bonds series 1997 | 3.00%- 6.30% | 4,195,000 | - | (120,000) | 4,075,000 | 130,000 |
| <u>Income tax bonds:</u> | | | | | | |
| Electric building bonds | 2.625% | 451,989 | - | (146,776) | 305,213 | 150,629 |
| <u>Other obligations:</u> | | | | | | |
| Net pension liability | | 2,682,342 | 882,939 | - | 3,565,281 | - |
| Compensated absences | | 199,804 | 233,189 | (161,391) | 271,602 | 103,534 |
| Total other obligations | | <u>2,882,146</u> | <u>1,116,128</u> | <u>(161,391)</u> | <u>3,836,883</u> | <u>103,534</u> |
| Total business-type activities long-term obligations | | <u>\$ 10,601,077</u> | <u>\$ 1,137,052</u> | <u>\$ (668,968)</u> | <u>\$ 11,069,161</u> | <u>\$ 629,698</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.

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.

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, 2017, the City has outstanding borrowings of \$2,852,065. The WWTP equalization basin loan has not been finalized at December 31, 2017 and is not presented in the amortization schedule below.

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.

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Net pension liability: See Note 13 for a discussion of the City’s net pension liability.

- D.** The annual requirements amortize business-type activities long-term obligations outstanding as of December 31, 2017, are as follows:

| Year Ending December 31, | Electric Building Bonds | | | OWDA Loans | | |
|-----------------------------|-------------------------|------------------|-------------------|-------------------|------------------|-------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2018 | \$ 150,629 | \$ 8,012 | \$ 158,641 | \$ 140,535 | \$ 20,378 | \$ 160,913 |
| 2019 | 154,584 | 4,058 | 158,642 | 144,380 | 16,916 | 161,296 |
| 2020 | - | - | - | 148,340 | 13,354 | 161,694 |
| 2021 | - | - | - | 152,418 | 9,690 | 162,108 |
| 2022 | - | - | - | 136,360 | 5,918 | 142,278 |
| 2023 - 2026 | - | - | - | 120,874 | 7,369 | 128,243 |
| Total | <u>\$ 305,213</u> | <u>\$ 12,070</u> | <u>\$ 317,283</u> | <u>\$ 842,907</u> | <u>\$ 73,625</u> | <u>\$ 916,532</u> |

| Year Ending December 31, | Water Improvement General Obligation Bonds | | |
|-----------------------------|---|---------------------|---------------------|
| | Principal | Interest | Total |
| 2018 | \$ 130,000 | \$ 202,125 | \$ 332,125 |
| 2019 | 135,000 | 195,625 | 330,625 |
| 2020 | 140,000 | 188,750 | 328,750 |
| 2021 | 150,000 | 181,625 | 331,625 |
| 2022 | 155,000 | 174,125 | 329,125 |
| 2023 - 2027 | 905,000 | 744,000 | 1,649,000 |
| 2028 - 2032 | 1,155,000 | 490,625 | 1,645,625 |
| 2033 - 2037 | <u>1,305,000</u> | <u>168,125</u> | <u>1,473,125</u> |
| Total | <u>\$ 4,075,000</u> | <u>\$ 2,345,000</u> | <u>\$ 6,420,000</u> |

E. Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City’s legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City’s legal 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, 2017, the City’s total debt margin was \$8,730,157 and the unvoted debt margin was \$5,710,129.

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NOTE 11 - 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 \$53,830 at December 31, 2017. 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 \$36,377 at December 31, 2017. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

City employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement an employee is paid up to fifty 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 \$401,406 at December 31, 2017. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

NOTE 12 - 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 Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, 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.

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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, 2017 and 2016:

| <u>Casualty & Property Coverage</u> | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|
| Assets | \$44,452,326 | \$42,182,281 |
| Liabilities | <u>(13,004,011)</u> | <u>(13,396,700)</u> |
| Retained earnings | <u>\$31,448,315</u> | <u>\$28,785,581</u> |

At December 31, 2017 and 2016, respectively, the liabilities above include approximately \$11.8 million and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million and \$11.5 million of unpaid claims to be billed. PEP's membership increased from 520 members in 2016 to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the City's share of these unpaid claims collectible in future years is approximately \$78,000.

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> | |
|-----------------------------|-----------|
| 2015 | \$132,732 |
| 2016 | \$121,505 |
| 2017 | \$123,411 |

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 has elected to provide employee medical, prescription, dental and vision benefits through a health insurance consortium comprised of other public entities beginning on January 1, 2016. The Jefferson Health Plan is the consortium that administers the provision of medical, dental, vision, hospitalization, and prescription drug benefits for all claims incurred during membership in the Jefferson Health Plan. A third-party administrator chosen by the City then provides administrative services to the Jefferson Health Plan in connection with the processing and payment of claims. The City of Clyde is responsible for the first \$50,000 in claims, the Jefferson Health Plan is responsible for claims from \$50,000 to \$500,000 and claims over \$500,000 are covered with stop-loss coverage with a

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carrier chosen by the consortium. Fixed premiums for the calendar year are determined by the Jefferson Health Plan and paid to the third-party administrator.

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

The net pension liability/asset reported on the statement of net position represents a liability or asset to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability/asset represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes any net pension liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits or overfunded benefits is presented as a long-term *net pension liability* or *net pension asset*, respectively, on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension obligation payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate 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 and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may

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elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the Traditional Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

| Group A | Group B | Group C |
|---|---|---|
| Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | Members not in other Groups and members hired on or after January 7, 2013 |
| State and Local | State and Local | State and Local |
| Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.00% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.00%.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% to the member's FAS for the first 30 years of service.

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A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3.00% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| | State and Local |
|--|--------------------|
| 2017 Statutory Maximum Contribution Rates | |
| Employer | 14.0 % |
| Employee | 10.0 % |
| 2017 Actual Contribution Rates | |
| Employer: | |
| Pension | 13.0 % |
| Post-employment Health Care Benefits | 1.0 % |
| Total Employer | 14.0 % |
| Employee | 10.0 % |

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$434,752 for 2017. Of this amount, \$17,840 is reported as pension obligation payable.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension 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 information and required supplementary information and detailed information about

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OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.50% for each of the first 20 years of service credit, 2.00% for each of the next five years of service credit and 1.50% for each year of service credit in excess of 25 years. The maximum pension of 72.00% of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| | Police |
|--|-------------|
| 2017 Statutory Maximum Contribution Rates | |
| Employer | 19.50 % |
| Employee | 12.25 % |
| 2017 Actual Contribution Rates | |
| Employer: | |
| Pension | 19.00 % |
| Post-employment Health Care Benefits | 0.50 % |
| Total Employer | 19.50 % |
| Employee | 12.25 % |

Since the City does not employ any full-time firefighters, the City does not make firefighter pension contributions to OP&F. Any pension contributions related to part-time firefighter wages are made to OPERS.

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Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$172,654 for 2017. Of this amount \$15,230 is reported as pension obligation payable.

In addition to current contributions, the City pays installments on a specific liability of the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2017, the specific liability of the City was \$56,861 payable in semi-annual payments through the year 2035.

Pension Liabilities/Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability and net pension asset for the OPERS Traditional Pension Plan, Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2016, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | <u>OPERS - Traditional</u> | <u>OPERS - Combined</u> | <u>OPERS - Member- Directed</u> | <u>OP&F</u> | <u>Total</u> |
|--|--------------------------------|-----------------------------|---|---------------------|--------------|
| Proportion of the net pension liability/asset prior measurement date | 0.02586000% | 0.01475000% | 0.02302900% | 0.04405500% | |
| Proportion of the net pension liability/asset current measurement date | <u>0.02576000%</u> | <u>0.01436300%</u> | <u>0.02359200%</u> | <u>0.04199600%</u> | |
| Change in proportionate share | <u>-0.00010000%</u> | <u>-0.00038700%</u> | <u>0.00056300%</u> | <u>-0.00205900%</u> | |
| Proportionate share of the net pension liability | \$ 5,849,658 | \$ - | \$ - | \$ 2,659,994 | \$ 8,509,652 |
| Proportionate share of the net pension asset | - | 7,994 | 98 | - | 8,092 |
| Pension expense | 1,232,687 | 5,775 | 121 | 368,714 | 1,607,297 |

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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| | OPERS - Traditional | OPERS - Combined | OPERS - Member- Directed | OP&F | Total |
|--|------------------------|---------------------|--------------------------------|-------------------|---------------------|
| Deferred outflows of resources | | | | | |
| Differences between expected and actual experience | \$ 7,928 | \$ - | \$ 1,001 | \$ 752 | \$ 9,681 |
| Net difference between projected and actual earnings on pension plan investments | 871,150 | 1,952 | 84 | 258,672 | 1,131,858 |
| Changes of assumptions | 927,826 | 1,948 | 110 | - | 929,884 |
| Changes in employer's proportionate percentage/ difference between employer contributions | 18,001 | - | - | 255,014 | 273,015 |
| City contributions subsequent to the measurement date | 414,326 | 7,148 | 13,278 | 172,654 | 607,406 |
| Total deferred outflows of resources | <u>\$ 2,239,231</u> | <u>\$ 11,048</u> | <u>\$ 14,473</u> | <u>\$ 687,092</u> | <u>\$ 2,951,844</u> |
| Deferred inflows of resources | | | | | |
| Differences between expected and actual experience | \$ 34,814 | \$ 4,088 | \$ - | \$ 6,124 | \$ 45,026 |
| Changes in employer's proportionate percentage/ difference between employer contributions | 52,475 | - | - | 101,764 | 154,239 |
| Total deferred inflows of resources | <u>\$ 87,289</u> | <u>\$ 4,088</u> | <u>\$ -</u> | <u>\$ 107,888</u> | <u>\$ 199,265</u> |

\$607,406 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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| Year Ending December 31: | OPERS - Traditional | OPERS - Combined | OPERS - Member- Directed | OP&F | Total |
|--------------------------|------------------------|---------------------|--------------------------------|-------------------|---------------------|
| 2018 | \$ 708,664 | \$ 379 | \$ 175 | \$ 139,531 | \$ 848,749 |
| 2019 | 745,604 | 379 | 173 | 139,531 | 885,687 |
| 2020 | 308,883 | 297 | 168 | 116,089 | 425,437 |
| 2021 | (25,535) | (395) | 139 | 22,203 | (3,588) |
| 2022 | - | (323) | 143 | (8,822) | (9,002) |
| Thereafter | - | (525) | 397 | (1,982) | (2,110) |
| Total | <u>\$ 1,737,616</u> | <u>\$ (188)</u> | <u>\$ 1,195</u> | <u>\$ 406,550</u> | <u>\$ 2,145,173</u> |

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board's actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, for the defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

| | |
|---|--|
| Wage inflation | 3.25% |
| Future salary increases, including inflation COLA or ad hoc COLA | 3.25% to 10.75% including wage inflation Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 3.00%, simple through 2018, then 2.15% simple |
| Investment rate of return | 7.50% |
| Actuarial cost method | Individual entry age |

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of

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2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|------------------------|----------------------|---|
| Fixed income | 23.00 % | 2.75 % |
| Domestic equities | 20.70 | 6.34 |
| Real estate | 10.00 | 4.75 |
| Private equity | 10.00 | 8.97 |
| International equities | 18.30 | 7.95 |
| Other investments | 18.00 | 4.92 |
| Total | 100.00 % | 5.66 % |

Discount Rate - The discount rate used to measure the total pension liability/asset was 7.50%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. A discount rate of 8.00% was used in the previous measurement period. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions,

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the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 7.50%, as well as what the City's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (6.50%) or one-percentage-point higher (8.50%) than the current rate:

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net pension liability (asset): | | | |
| Traditional Pension Plan | \$ 8,936,659 | \$ 5,849,658 | \$ 3,277,187 |
| Combined Plan | 575 | (7,994) | (14,650) |
| Member-Directed Plan | 236 | (98) | (236) |

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2016 is based on the results of an actuarial valuation date of January 1, 2016 and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented below:

| | |
|----------------------------|------------------------|
| Valuation date | January 1, 2016 |
| Actuarial cost method | Entry age normal |
| Investment rate of return | 8.25% |
| Projected salary increases | 4.25% - 11.00% |
| Payroll increases | 3.75% |
| Inflation assumptions | 3.25% |
| Cost of living adjustments | 2.60% and 3.00% simple |

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed for the five-year period ended December 31, 2016. The recommended assumption changes based on this experience study were adopted by OPF's Board and were

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effective beginning with the January 1, 2017 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2016 are summarized below:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>10 Year Expected Real Rate of Return **</u> | <u>30 Year Expected Real Rate of Return **</u> |
|-----------------------------|------------------------------|--|--|
| Cash and Cash Equivalents | - % | | |
| Domestic Equity | 16.00 | 4.46 % | 5.21 % |
| Non-US Equity | 16.00 | 4.66 | 5.40 |
| Core Fixed Income * | 20.00 | 1.67 | 2.37 |
| Global Inflation | | | |
| Protected Securities * | 20.00 | 0.49 | 2.33 |
| High Yield | 15.00 | 3.33 | 4.48 |
| Real Estate | 12.00 | 4.71 | 5.65 |
| Private Markets | 8.00 | 7.31 | 7.99 |
| Timber | 5.00 | 6.87 | 6.87 |
| Master Limited Partnerships | 8.00 | 6.92 | 7.36 |
| | | | |
| Total | <u>120.00 %</u> | | |

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

OPF's Board of Trustees has incorporated the "risk parity" concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - The total pension liability was calculated using the discount rate of 8.25%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25%. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25%), or one percentage point higher (9.25%) than the current rate.

| | 1% Decrease (7.25%) | Current Discount Rate (8.25%) | 1% Increase (9.25%) |
|--|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net pension liability | \$ 3,542,784 | \$ 2,659,994 | \$ 1,911,800 |

Changes Between Measurement Date and Report Date - In October 2017, the OP&F Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is a reduction in the discount rate from 8.25% to 8.00%. Although the exact amount of these changes is not known, it has the potential to impact the City's net pension liability.

NOTE 14 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

Plan Description - OPERS administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) 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/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (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

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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 2017, 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 and Combined Plan for 2017 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.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2017, 2016, and 2015 were \$37,732, \$71,024, and \$65,831, respectively; 92.09% has been contributed for 2017 and 100% has been contributed for 2016 and 2017. The remaining 2017 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 4.00% 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 health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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

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are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was .5% of covered payroll from January 1, 2017 thru December 31, 2017. 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 \$4,544 for the year ended December 31, 2017, \$4,755 for the year ended December 31, 2016, and \$4,825 for the year ended December 31, 2015. 100% has been contributed for 2016 and 2015. 91.41% has been contributed for police for 2017. The remaining 2017 post-employment health care benefits liability has been reported as pension obligation payable on the basic financial statements.

NOTE 15 - 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

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expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

- (d) Some funds are included in the General fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

| | <u>General fund</u> |
|---|---------------------|
| Budget basis | \$ 139,066 |
| Net adjustment for revenue accruals | 77,143 |
| Net adjustment for expenditure accruals | 20,253 |
| Funds budgeted elsewhere | (1,004) |
| Adjustment for encumbrances | <u>153,260</u> |
| GAAP basis | <u>\$ 388,718</u> |

Certain funds that are legally budgeted in separate special revenue funds are considered part of the General fund on a GAAP basis. This includes the Income Tax fund, the Veteran's Widow Trust fund, the Guarantee Deposit Trust fund, the Memorial Tree fund, the Fair Board fund and the Underground Storage Tank fund.

NOTE 16 - 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, 2017.

B. Litigation

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

NOTE 17 - 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:

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| Fund balance | General | Permanent Improvement | Nonmajor Governmental Funds | Total Governmental Funds |
|----------------------------------|---------------------|--------------------------|-----------------------------------|--------------------------------|
| Nonspendable: | | | | |
| Materials and supplies inventory | \$ 6,243 | \$ - | \$ - | \$ 6,243 |
| Prepays | <u>15,615</u> | <u>-</u> | <u>-</u> | <u>15,615</u> |
| Total nonspendable | <u>21,858</u> | <u>-</u> | <u>-</u> | <u>21,858</u> |
| Restricted: | | | | |
| Public health programs | - | - | 65,529 | 65,529 |
| Transportation programs | - | - | 414,456 | 414,456 |
| Police and fire purposes | <u>-</u> | <u>-</u> | <u>144,508</u> | <u>144,508</u> |
| Total restricted | <u>-</u> | <u>-</u> | <u>624,493</u> | <u>624,493</u> |
| Committed: | | | | |
| Capital improvements | - | 1,381,225 | - | 1,381,225 |
| Underground storage tank | 11,000 | - | - | 11,000 |
| Recreation | <u>-</u> | <u>-</u> | <u>27,704</u> | <u>27,704</u> |
| Total committed | <u>11,000</u> | <u>1,381,225</u> | <u>27,704</u> | <u>1,419,929</u> |
| Assigned: | | | | |
| Debt service | - | - | 5,424 | 5,424 |
| Subsequent year appropriations | 1,192,758 | - | - | 1,192,758 |
| General government | 16,763 | - | - | 16,763 |
| Security of persons and property | 25,223 | - | - | 25,223 |
| Public health | 57,317 | - | - | 57,317 |
| Other purposes | <u>34,985</u> | <u>-</u> | <u>-</u> | <u>34,985</u> |
| Total assigned | <u>1,327,046</u> | <u>-</u> | <u>5,424</u> | <u>1,332,470</u> |
| Unassigned | <u>945,804</u> | <u>-</u> | <u>-</u> | <u>945,804</u> |
| Total fund balances | <u>\$ 2,305,708</u> | <u>\$ 1,381,225</u> | <u>\$ 657,621</u> | <u>\$ 4,344,554</u> |

NOTE 18 - 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:

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

| <u>Fund</u> | Year-End <u>Encumbrances</u> |
|-----------------------|---------------------------------|
| General fund | \$ 102,260 |
| Permanent Improvement | 358,511 |
| Other governmental | <u>1,745</u> |
| Total | <u>\$ 462,516</u> |

NOTE 19 - LONG TERM PURCHASE COMMITMENTS

A. 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, classified as Plant Held for Future Use (PHFU), leaving a net impaired cost estimate of \$97,601. Because payment is now probable and reasonably estimable, the City reported 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.

In late 2016, AMP reached a Settlement in the Bechtel Corporation litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the Settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the Settlement among the participants and the AMP General fund based on each participant's original project share in kW including the AMP General fund's project share.

Since March 31, 2014 the City has made payments of \$97,601 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the City's allocation of additional costs incurred by the project is \$6,173 and interest expense incurred on AMP's line-of-credit of \$302, resulting in a net impaired cost estimate at December 31, 2017 of \$6,475. The City does have a potential PHFU Liability of \$142,069 resulting in a net total potential liability of \$148,544, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the City's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include items such negative items as property taxes as well as positive items revenue from leases or sale of all or a portion of the Meigs County site property.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

B. Prairie State Energy Campus

On December 20, 2007, AMP acquired a 23.26% undivided ownership interest (the PSEC Ownership Interest) in the Prairie State Energy Campus (PSEC), a two-unit, supercritical coal-fired power plant designed to have a net rated capacity of approximately 1,582 MW and associated facilities in southwest Illinois. The PSEC Ownership Interest is held by AMP 368 LLC, a single-member Delaware limited liability company (AMP 368 LLC). AMP is the owner of the sole membership interest in AMP 368 LLC. Construction of the PSEC commenced in October 2007. Unit 1 of the PSEC commenced operations in the second quarter of 2012 and Unit 2 of the PSEC commenced operations in the fourth quarter of 2012.

From July 2008 through September 2010, AMP issued five series of Prairie State Energy Campus Revenue Bonds (collectively, the "Initial Prairie State Bonds") to finance PSEC project costs and PSEC related expenses. The Initial Prairie State Bonds consist of tax-exempt, taxable and tax advantaged Build America Bonds issued in the original aggregate principal amount of \$1,696,800,000. On January 14, 2015 and November 30, 2017, AMP issued bonds to refund all of the callable tax-exempt Initial Prairie State Bonds issued in 2008 and 2009. As of December 31, 2017, AMP had \$1,552,270,000 aggregate principal amount of Prairie State Bonds.

AMP sells the power and energy from the PSEC Ownership Interest pursuant to a take-or-pay power sales contract with 68 Members (the "Prairie State Participants"). The Prairie State Bonds are net revenue obligations of AMP, secured by a master trust indenture, payable primarily from the payments to be made by the Prairie State Participants under the terms of the Prairie State Power Sales Contract.

The City of Clyde has executed a take-or-pay power sales contract with AMP for a Project Share of 2,986 kW or 0.81 kW of capacity and associated energy from the Prairie State facility.

C. Combined Hydroelectric Projects

AMP owns and operates three hydroelectric projects, the Cannelton, the Smithland and the Willow Island hydroelectric generating facilities (the Combined Hydroelectric Projects), all on the Ohio River, with an aggregate generating capacity of approximately 208 MW. Each of the Combined Hydroelectric Projects is in commercial operation and consists of run-of-the-river hydroelectric generating facilities on existing Army Corps dams and includes associated transmission facilities. AMP holds the licenses from FERC for the Combined Hydroelectric Projects.

To provide financing for the Combined Hydroelectric Projects, AMP has issued eight series of its Combined Hydroelectric Projects Revenue Bonds (the "Combined Hydroelectric Bonds"), in an original aggregate principal amount of \$2,254,955,000 and consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). The Combined Hydroelectric Bonds are secured by a master trust indenture and payable from amounts received by AMP under a take-or-pay power sales contract with 79 of its Members. As of December 31, 2017, \$2,150,625,294 aggregate principal amount of the Combined Hydroelectric Bonds and approximately \$126.9 million aggregate principal amount of subordinate obligations, consisting of notes evidencing draws on the Line of Credit, were outstanding under the indenture securing the Combined Hydroelectric Bonds.

The City of Clyde has executed a take-or-pay power sales contract with AMP for 4,197 kW or 2.02% of capacity and associated energy from the Combined hydro facilities.

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

D. AMP Fremont Energy Center (AFEC)

On July 28, 2011, AMP acquired from FirstEnergy Generation Corporation (FirstEnergy) the Fremont Energy Center (AFEC), then nearing completion of construction and located in Fremont, Sandusky County, Ohio. Following completion of the commissioning and testing, AMP declared AFEC to be in commercial operation as of January 20, 2012. The AMP Fremont Energy Center is a natural gas fired, combined cycle, electric power generation plant with a capacity of 512 MW (unfired)/675 MW (fired), consisting of two combustion turbines, two heat recovery steam generators and one steam turbine and condenser.

AMP subsequently sold a 5.16% undivided ownership interest in AFEC to Michigan Public Power Agency and entered into a power sales contract with the Central Virginia Electric Cooperative for the output associated with a 4.15% undivided ownership interest in AFEC. The output of AFEC associated with the remaining 90.69% undivided ownership interest (the 90.69% Interest) is sold to AMP

Members pursuant to a take-or-pay power sales contract with 87 of its members (the AFEC Power Sales Contract).

To provide permanent financing for the 90.69% Interest, in 2012, AMP issued, in two series \$546,085,000 of its AMP Fremont Energy Center Project Revenue Bonds (the AFEC Bonds), consisting of taxable and tax-exempt obligations. The AFEC Bonds are net revenue obligations of AMP, secured by a master trust indenture and payable from amounts received by AMP under the AFEC Power Sales Contract. On December 20, 2017, AMP issued bonds to refund all of the callable tax-exempt AFEC Bonds issued in 2012. As of December 31, 2017, \$508,465,000 aggregate principal amount of AFEC Bonds was outstanding.

The City of Clyde has executed a take-or-pay power sales contract with AMP for 2,640 kW or 0.57% of capacity and associated energy from the AFEC facility.

NOTE 20 - TAX ABATEMENTS

As of December 31, 2017, the City provides tax abatements through an Enterprise Zone (Ezone) program. This program relates to the abatement of property taxes.

Ezone - Under the authority of ORC Sections 5709.62 and 5709.63, the Ezone program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in Ohio. An Ezone is a designated area of land in which businesses can receive tax incentives in the form of tax exemptions on qualifying new investment. An Ezone's geographic area is identified by the local government involved in the creation of the zone. Once the zone is defined, the local legislative authority participating in the creation must petition the OSDA. The OSDA must then certify the area for it to become an active Enterprise Zone. The local legislative authority negotiates the terms of the Enterprise Zone Agreement (the "Agreement") with the business, which may include tax sharing with the Board of Education. Legislation must then be passed to approve the Agreement. All Agreements must be finalized before the project begins and may contain provisions for the recoupment of taxes should the individual or entity fails to perform. The amount of the abatement is deducted from the business's property tax bill.

Sandusky County has several Ezone agreements in effect at December 31, 2017 that reduce the City's property tax revenue. The total value of the City's share of taxes abated for 2017 was \$31,285.

**CITY OF CLYDE
SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY/NET PENSION ASSET
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST FOUR YEARS

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|--------------|--------------|--------------|--------------|
| <i>Traditional Plan:</i> | | | | |
| City's proportion of the net pension liability | 0.025760% | 0.025860% | 0.026113% | 0.026113% |
| City's proportionate share of the net pension liability | \$ 5,849,658 | \$ 4,479,278 | \$ 3,149,521 | \$ 3,078,384 |
| City's covered-employee payroll | \$ 3,219,733 | \$ 3,227,933 | \$ 3,224,925 | \$ 3,232,100 |
| City's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 181.68% | 138.77% | 97.66% | 95.24% |
| Plan fiduciary net position as a percentage of the total pension liability | 77.25% | 81.08% | 86.45% | 86.36% |
| <i>Combined Plan:</i> | | | | |
| City's proportion of the net pension asset | 0.014363% | 0.014750% | 0.018014% | 0.018014% |
| City's proportionate share of the net pension asset | \$ 7,994 | \$ 7,178 | \$ 6,937 | \$ 1,890 |
| City's covered-employee payroll | \$ 55,908 | \$ 63,600 | \$ 65,850 | \$ 50,808 |
| City's proportionate share of the net pension asset as a percentage of its covered-employee payroll | 14.30% | 11.29% | 10.53% | 3.72% |
| Plan fiduciary net position as a percentage of the total pension asset | 116.55% | 116.90% | 114.83% | 104.56% |
| <i>Member Directed Plan:</i> | | | | |
| City's proportion of the net pension asset | 0.023592% | 0.023029% | n/a | n/a |
| City's proportionate share of the net pension asset | \$ 98 | \$ 88 | n/a | n/a |
| City's covered-employee payroll | \$ 96,958 | \$ 128,250 | n/a | n/a |
| City's proportionate share of the net pension asset as a percentage of its covered-employee payroll | 0.10% | 0.07% | n/a | n/a |
| Plan fiduciary net position as a percentage of the total pension asset | 103.40% | 103.91% | n/a | n/a |

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CLYDE
SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST FOUR YEARS

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|--------------|--------------|--------------|--------------|
| City's proportion of the net pension liability | 0.04199600% | 0.04405500% | 0.03663400% | 0.03663400% |
| City's proportionate share of the net pension liability | \$ 2,659,994 | \$ 2,834,059 | \$ 1,897,794 | \$ 1,784,191 |
| City's covered-employee payroll | \$ 951,021 | \$ 939,684 | \$ 874,295 | \$ 842,424 |
| City's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 279.70% | 301.60% | 217.07% | 211.79% |
| Plan fiduciary net position as a percentage of the total pension liability | 68.36% | 66.77% | 72.20% | 73.00% |

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CLYDE
SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|------------------|------------------|------------------|------------------|
| <i>Traditional Plan:</i> | | | | |
| Contractually required contribution | \$ 414,326 | \$ 386,368 | \$ 387,352 | \$ 386,991 |
| Contributions in relation to the contractually required contribution | <u>(414,326)</u> | <u>(386,368)</u> | <u>(387,352)</u> | <u>(386,991)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered-employee payroll | \$ 3,187,123 | \$ 3,219,733 | \$ 3,227,933 | \$ 3,224,925 |
| Contributions as a percentage of covered-employee payroll | 13.00% | 12.00% | 12.00% | 12.00% |
| <i>Combined Plan:</i> | | | | |
| Contractually required contribution | \$ 7,148 | \$ 6,709 | \$ 7,632 | \$ 7,902 |
| Contributions in relation to the contractually required contribution | <u>(7,148)</u> | <u>(6,709)</u> | <u>(7,632)</u> | <u>(7,902)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered-employee payroll | \$ 54,985 | \$ 55,908 | \$ 63,600 | \$ 65,850 |
| Contributions as a percentage of covered-employee payroll | 13.00% | 12.00% | 12.00% | 12.00% |
| <i>Member Directed Plan:</i> | | | | |
| Contractually required contribution | \$ 13,278 | \$ 11,635 | \$ 15,390 | |
| Contributions in relation to the contractually required contribution | <u>(13,278)</u> | <u>(11,635)</u> | <u>(15,390)</u> | |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | |
| City's covered-employee payroll | \$ 132,780 | \$ 96,958 | \$ 128,250 | |
| Contributions as a percentage of covered-employee payroll | 10.00% | 12.00% | 12.00% | |

Note: Information prior to 2010 for the Combined Plan was unavailable.

Note: Information prior to 2015 for the Member Directed Plan was unavailable.

SEE ACCOMPANYING NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

| <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 420,173 | \$ 319,045 | \$ 294,465 | \$ 269,758 | \$ 268,084 | \$ 205,065 |
| <u>(420,173)</u> | <u>(319,045)</u> | <u>(294,465)</u> | <u>(269,758)</u> | <u>(268,084)</u> | <u>(205,065)</u> |
| <u>\$ -</u> |
| \$ 3,232,100 | \$ 3,190,450 | \$ 2,944,650 | \$ 3,024,193 | \$ 3,297,466 | \$ 2,929,500 |
| 13.00% | 10.00% | 10.00% | 8.92% | 8.13% | 7.00% |
| \$ 6,605 | \$ 9,586 | \$ 8,392 | \$ 10,447 | \$ - | \$ - |
| <u>(6,605)</u> | <u>(9,586)</u> | <u>(8,392)</u> | <u>(10,447)</u> | <u>-</u> | <u>-</u> |
| <u>\$ -</u> |
| \$ 50,808 | \$ 120,579 | \$ 105,560 | \$ 107,812 | \$ - | \$ - |
| 13.00% | 7.95% | 7.95% | 9.69% | 8.13% | 7.00% |

**CITY OF CLYDE
SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|------------------|------------------|------------------|------------------|
| <i>Police:</i> | | | | |
| Contractually required contribution | \$ 172,654 | \$ 180,694 | \$ 178,540 | \$ 166,116 |
| Contributions in relation to the contractually required contribution | <u>(172,654)</u> | <u>(180,694)</u> | <u>(178,540)</u> | <u>(166,116)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered-employee payroll | \$ 908,705 | \$ 951,021 | \$ 939,684 | \$ 874,295 |
| Contributions as a percentage of covered-employee payroll | 19.00% | 19.00% | 19.00% | 19.00% |

SEE ACCOMPANYING NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

| <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|------------------|------------------|-----------------|-----------------|-----------------|------------------|
| \$ 133,777 | \$ 122,734 | \$ 88,313 | \$ 82,978 | \$ 92,919 | \$ 109,732 |
| <u>(133,777)</u> | <u>(122,734)</u> | <u>(88,313)</u> | <u>(82,978)</u> | <u>(92,919)</u> | <u>(109,732)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 842,424 | \$ 962,620 | \$ 692,651 | \$ 650,808 | \$ 728,776 | \$ 860,643 |
| 15.88% | 12.75% | 12.75% | 12.75% | 12.75% | 12.75% |

**CITY OF CLYDE
SANDUSKY COUNTY**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2017.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2017.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.



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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 30, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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*.

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 report is not suitable for any other purpose.

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

Dave Yost
Auditor of State

Columbus, Ohio

November 30, 2018



Dave Yost • Auditor of State

CITY OF CLYDE

SANDUSKY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 13, 2018