



**Auditor of State  
Betty Montgomery**



**CITY OF CLYDE  
SANDUSKY COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANT'S REPORT**

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clyde, Sandusky County, Ohio (the City), as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

We were unable to obtain sufficient evidential matter supporting amounts reported as infrastructure capital assets, accumulated depreciation, depreciation expense, and related net asset restrictions in the business-type activities, Water Fund, Sewer Fund, and Electric Fund.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine amounts reported as infrastructure capital assets, accumulated depreciation, depreciation expense, and related net asset restrictions in the business-type activities, Water Fund, Sewer Fund, and the Electric Fund, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the Water Fund, Sewer Fund, and the Electric Fund of the City of Clyde, Sandusky County, Ohio, as of December 31, 2004, and the respective changes in position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government type activities, General and Permanent Improvement funds, and the aggregate remaining fund information of the City of Clyde, Sandusky County, Ohio, as of December 31, 2004, and the respective changes in financial position, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



**Betty Montgomery**  
Auditor of State

January 6, 2006

**CITY OF CLYDE  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**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, 2004. 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 2004 are as follows:

- The total net assets of the City increased \$1,701,621. Net assets of governmental activities increased \$1,113,855 and net assets of business-type activities increased \$587,766 or 1.4% over 2003.
- General revenues accounted for \$4,900,270 of total governmental activities revenue. Program specific revenues accounted for \$545,078 or 10.01% of total governmental activities revenue of \$5,445,348.
- The City had \$4,156,263 in expenses related to governmental activities; \$545,078 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$3,611,185 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$4,900,270.
- The general fund had revenues and other financing sources of \$3,930,587 in 2004. This represents an increase of \$418,890 from 2003 revenues. The expenditures and other financing uses of the general fund, which totaled \$4,015,458 in 2004, decreased \$53,860 from 2003. The net decrease in fund balance for the general fund was \$84,871 or 5.47%.
- The permanent improvement fund had revenues and other financing sources of \$1,405,354 in 2004, which is a decrease of \$903,406 from 2003 revenues. The expenditures and other financing uses in the permanent improvement fund totaled \$1,039,560 in 2004, which decreased \$2,426,303 from 2003. The net increase in fund balance was \$365,794, resulting in an ending fund balance of \$82,939.
- Net assets for the business-type activities, which are made up of the Water, Sewer, and Electric enterprise funds, increased in 2004 by \$587,776. This increase in net assets was due primarily to transfers of capital assets from the permanent improvement fund coupled with adequate charges for services revenue to cover operating expenses.
- In the general fund, the actual revenues came in \$242,578 more than they were in the final budget and actual expenditures were \$155,433 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues were unchanged during the year. Budgeted expenditures increased \$779,601 from the original to the final budget due primarily to an increase in the cost of general government expenditures.

**The Basic Financial Statements**

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

The statement of net assets and statement of activities provide information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund

**CITY OF CLYDE  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**UNAUDITED**

financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

**Reporting the City as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The statement of net assets and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

The City's statement of net assets and statement of activities can be found beginning on page 19 of this report.

**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. The analysis of the City's major governmental and proprietary funds begins on page 10.



**CITY OF CLYDE  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**UNAUDITED**

***Governmental Funds***

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

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund and Permanent Improvement capital projects 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. The basic governmental fund financial statements can be found beginning on page 24 of this report.

***Proprietary Funds***

The City maintains three 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 management 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. The basic proprietary fund financial statements can be found beginning on page 29 of this report.

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's fiduciary funds are agency and a private-purpose trust. The basic fiduciary fund financial statements can be found beginning on page 34 of this report.

***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. These notes to the basic financial statements can be found beginning on page 35 of this report.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**UNAUDITED**

**Government-Wide Financial Analysis**

The table below provides a summary of the City's net assets for 2004 and 2003:

	Net Assets					
	Governmental	Business-type	Governmental	Business-type		
	Activities	Activities	Activities	Activities	2004	2003
	<u>2004</u>	<u>2004</u>	<u>2003</u>	<u>2003</u>	<u>Total</u>	<u>Total</u>
<u>Assets</u>						
Current and other assets	\$ 3,574,035	\$ 12,425,464	\$ 3,256,463	\$ 12,867,223	\$ 15,999,499	\$ 16,123,686
Capital assets, net	<u>5,491,335</u>	<u>45,317,887</u>	<u>5,333,956</u>	<u>45,930,579</u>	<u>50,809,222</u>	<u>51,264,535</u>
Total assets	<u>9,065,370</u>	<u>57,743,351</u>	<u>8,590,419</u>	<u>58,797,802</u>	<u>66,808,721</u>	<u>67,388,221</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	4,367,860	14,945,809	4,655,456	16,496,892	19,313,669	21,152,348
Other liabilities	<u>651,108</u>	<u>395,306</u>	<u>1,002,416</u>	<u>486,440</u>	<u>1,046,414</u>	<u>1,488,856</u>
Total liabilities	<u>5,018,968</u>	<u>15,341,115</u>	<u>5,657,872</u>	<u>16,983,332</u>	<u>20,360,083</u>	<u>22,641,204</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	1,303,877	30,088,036	872,702	29,575,770	31,391,913	30,448,472
Restricted	849,599	1,473,507	433,998	1,706,768	2,323,106	2,140,766
Unrestricted	<u>1,892,926</u>	<u>10,840,693</u>	<u>1,625,847</u>	<u>10,531,932</u>	<u>12,733,619</u>	<u>12,157,779</u>
Total net assets	<u>\$ 4,046,402</u>	<u>\$ 42,402,236</u>	<u>\$ 2,932,547</u>	<u>\$ 41,814,470</u>	<u>\$ 46,448,638</u>	<u>\$ 44,747,017</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2004, the City's assets exceeded liabilities by \$46,448,638. At year-end, net assets were \$4,046,402 and \$42,402,236 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net assets. At year-end, capital assets represented 76.05% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2004, were \$1,303,877 and \$30,088,036 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, 2004, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's net assets, \$2,323,106, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$1,892,926 may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**UNAUDITED**

The table below shows the changes in net assets for 2004 and 2003.

	Change in Net Assets					
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	2004 Total	2003 Total
	<u>2004</u>	<u>2004</u>	<u>2003</u>	<u>2003</u>	<u>Total</u>	<u>Total</u>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 200,501	\$ 11,776,175	\$ 397,279	\$ 11,114,315	\$ 11,976,676	\$ 11,511,594
Operating grants and contributions	294,368	75,052	270,576	840	369,420	271,416
Capital grants and contributions	<u>50,209</u>	<u>154,145</u>	<u>294,757</u>	<u>-</u>	<u>204,354</u>	<u>294,757</u>
Total program revenues	<u>545,078</u>	<u>12,005,372</u>	<u>962,612</u>	<u>11,115,155</u>	<u>12,550,450</u>	<u>12,077,767</u>
General revenues:						
Property taxes	743,804	-	635,678	-	743,804	635,678
Income taxes	3,405,165	-	3,280,817	-	3,405,165	3,280,817
Special assessments	40,976	-	178,716	-	40,976	178,716
Unrestricted grants and entitlements	356,377	-	334,603	-	356,377	334,603
Investment earnings	189,943	40,033	229,598	7,596	229,976	237,194
Gain on sale of capital assets	-	-	249	-	-	249
Miscellaneous	<u>164,005</u>	<u>-</u>	<u>168,197</u>	<u>-</u>	<u>164,005</u>	<u>168,197</u>
Total general revenues	<u>4,900,270</u>	<u>40,033</u>	<u>4,827,858</u>	<u>7,596</u>	<u>4,940,303</u>	<u>4,835,454</u>
Total revenues	<u>5,445,348</u>	<u>12,045,405</u>	<u>5,790,470</u>	<u>11,122,751</u>	<u>17,490,753</u>	<u>16,913,221</u>
Expenses:						
General government	806,286	-	877,284	-	806,286	877,284
Security of persons and property	1,982,398	-	1,925,419	-	1,982,398	1,925,419
Public health and welfare	445,748	-	476,303	-	445,748	476,303
Transportation	227,157	-	678,129	-	227,157	678,129
Community environment	317,038	-	349,643	-	317,038	349,643
Leisure time activity	145,086	-	138,189	-	145,086	138,189
Other	45,451	-	54,582	-	45,451	54,582
Interest and fiscal charges	187,099	-	188,539	-	187,099	188,539
Water	-	2,534,119	-	2,682,691	2,534,119	2,682,691
Sewer	-	1,860,207	-	1,883,304	1,860,207	1,883,304
Electric	<u>-</u>	<u>7,238,543</u>	<u>-</u>	<u>7,072,840</u>	<u>7,238,543</u>	<u>7,072,840</u>
Total expenses	<u>4,156,263</u>	<u>11,632,869</u>	<u>4,688,088</u>	<u>11,638,835</u>	<u>15,789,132</u>	<u>16,326,923</u>
Increase/(decrease) in net assets before transfers	1,289,085	412,536	1,102,382	(516,084)	1,701,621	586,298
Transfers	<u>(175,230)</u>	<u>175,230</u>	<u>(1,103,543)</u>	<u>1,103,543</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	1,113,855	587,766	(1,161)	587,459	1,701,621	586,298
Net assets at beginning of year	<u>2,932,547</u>	<u>41,814,470</u>	<u>2,933,708</u>	<u>41,227,011</u>	<u>44,747,017</u>	<u>44,160,719</u>
Net assets at end of year	<u>\$ 4,046,402</u>	<u>\$ 42,402,236</u>	<u>\$ 2,932,547</u>	<u>\$ 41,814,470</u>	<u>\$ 46,448,638</u>	<u>\$ 44,747,017</u>

**CITY OF CLYDE  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**UNAUDITED**

**Governmental Activities**

Governmental activities net assets increased \$1,113,855 in 2004. The increase is a result of slightly increasing revenues which exceeded the increases in security of persons and property and leisure time activity versus amounts reported in the prior year.

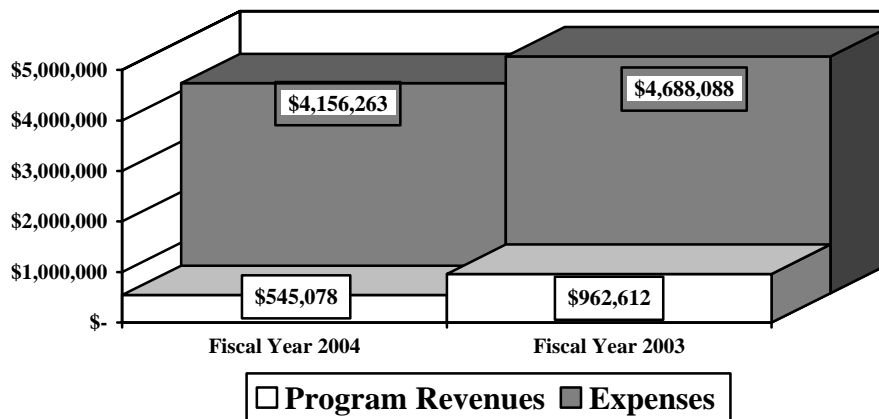
Security of persons and property, which primarily supports the operations of the police and fire departments, had expenses of \$1,982,398 which accounted for 47.7% of the total expenses of the City. These expenses were partially funded by \$105,929 in direct charges to users of the services and \$170 in operating grants and contributions. General government expenses totaled \$806,286 which was partially funded by \$10,322 in direct charges to users of the services and \$32,598 from capital grants and contributions.

The state and federal government contributed to the City a total of \$294,368 in operating grants and contributions and \$50,209 in capital grants and contributions. These revenues are restricted to a particular program or purpose. \$17,611 of the capital grants and contributions received subsidized transportation programs.

General revenues totaled \$4,900,270, and amounted to 89.99% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$4,148,969. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$356,377.

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.

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



**CITY OF CLYDE  
SANDUSKY COUNTY**

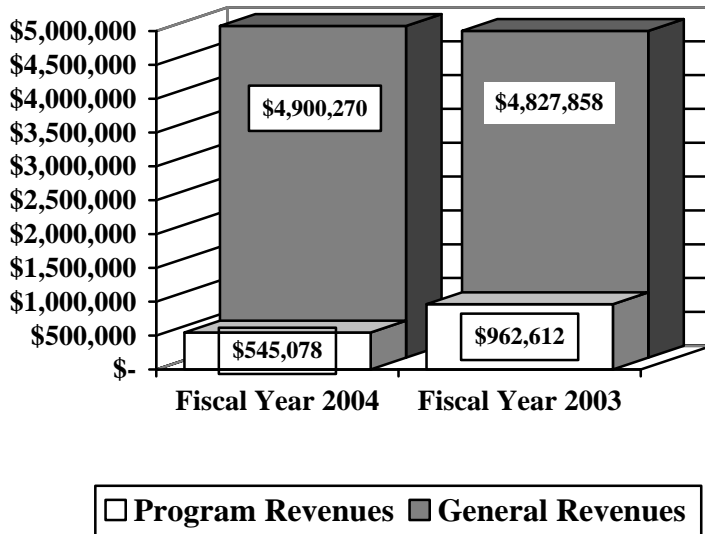
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**UNAUDITED**

	<b>Governmental Activities</b>			
	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2003</u>
Program Expenses:				
General government	\$ 806,286	\$ 763,366	\$ 877,284	\$ 665,832
Security of persons and property	1,982,398	1,876,299	1,925,419	1,821,933
Public health and welfare	445,748	389,992	476,303	422,745
Transportation	227,157	(58,163)	678,129	134,960
Community environment	317,038	298,814	349,643	331,115
Leisure time activity	145,086	108,327	138,189	105,770
Other	45,451	45,451	54,582	54,582
Interest and fiscal charges	<u>187,099</u>	<u>187,099</u>	<u>188,539</u>	<u>188,539</u>
<b>Total</b>	<u>\$ 4,156,263</u>	<u>\$ 3,611,185</u>	<u>\$ 4,688,088</u>	<u>\$ 3,725,476</u>

The dependence upon general revenues for governmental activities is apparent, with 86.89% of expenses supported through taxes and other general revenues.

**Governmental Activities – General and Program Revenues**



**CITY OF CLYDE  
SANDUSKY COUNTY**

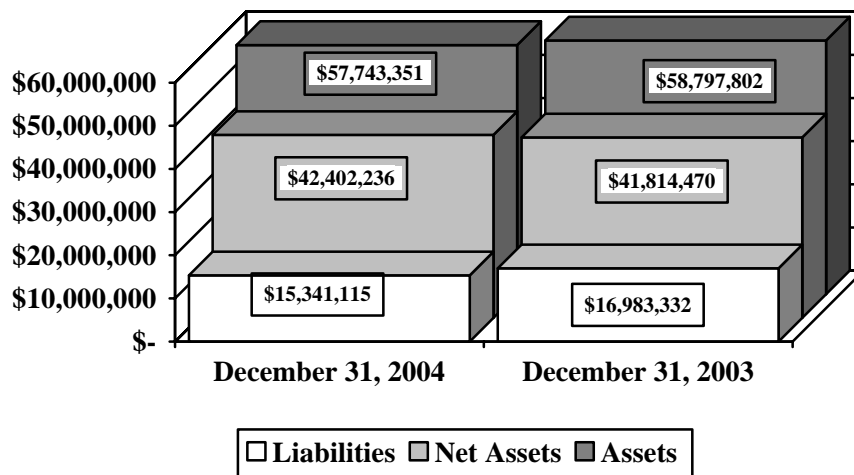
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**UNAUDITED**

**Business-type Activities**

Business-type activities include the water, sewer, and electric enterprise funds. These programs had program revenues of \$12,005,372, general revenues of \$40,033, transfers in of \$175,230 and expenses of \$11,632,869 for 2004. The graph below shows the business-type activities assets, liabilities and net assets at year-end.

**Net Assets in Business – Type Activities**



**Financial Analysis of the Government's Funds**

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

**Governmental Funds**

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

The City's governmental funds (as presented on the balance sheet on page 24) reported a combined fund balance of \$2,104,645 which is \$349,095 above last year's total of \$1,755,550. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2004 for all major and nonmajor governmental funds.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**UNAUDITED**

	<u>Fund Balances</u> <u>12/31/04</u>	<u>Fund Balances</u> <u>12/31/03</u>	<u>Increase</u> <u>(Decrease)</u>
Major funds:			
General	\$ 1,466,367	\$ 1,551,238	\$ (84,871)
Permanent improvement	82,939	(282,855)	365,794
Other nonmajor governmental funds	<u>555,339</u>	<u>487,167</u>	<u>68,172</u>
 Total	 <u>\$ 2,104,645</u>	 <u>\$ 1,755,550</u>	 <u>\$ 349,095</u>

**General Fund**

The City's general fund balance decreased \$84,871, primarily due to transfers out to other funds in the amount of \$545,000. The table that follows assists in illustrating the revenues of the general fund.

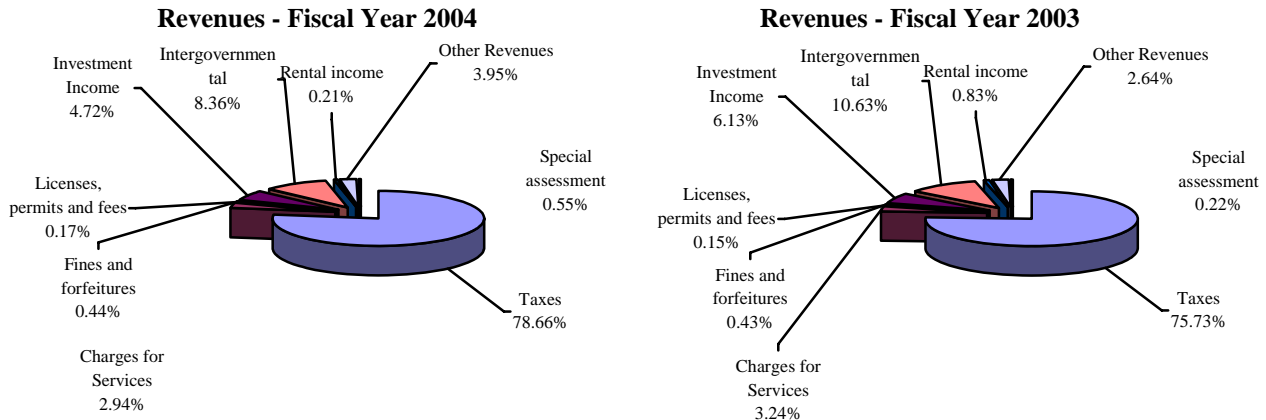
	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 3,031,310	\$ 2,659,097	14.00 %
Charges for services	113,356	113,828	(0.41) %
Licenses, permits and fees	6,507	5,178	25.67 %
Fines and forfeitures	17,135	15,269	12.22 %
Investment income	181,871	215,176	(15.48) %
Special assessments	21,036	7,556	178.40 %
Intergovernmental	322,088	373,370	(13.73) %
Rental income	7,999	29,277	(72.68) %
Other	<u>152,027</u>	<u>92,697</u>	64.00 %
 Total	 <u>\$ 3,853,329</u>	 <u>\$ 3,511,448</u>	 9.74 %

Tax revenue represents 78.66% of all general fund revenue. After several years of stagnant income tax collections, the City is beginning to see a modest increase in tax collections. The decrease in investment income is due to cuts in interest rates by the Federal Reserve Bank throughout the year. In addition, the number of special assessments, increased during 2004. Rental income decreased because the lease on the Imperial Plating Building expired and was not renewed. This property will be leased in the future as a ground lease to the Whirlpool Corporation and the building is scheduled for demolition. Licenses fees and permits increased 25% due to an increase in building permits for the new construction of condominiums and rental units. The increase in other revenues was due to reimbursements for crossing guards and cable franchise fees. All other revenue remained comparable to 2003.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**UNAUDITED**



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

	2004 <u>Amount</u>	2003 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Expenditures</u></b>			
General government	\$ 788,136	\$ 809,110	(2.59) %
Security of persons and property	1,862,384	1,767,025	5.40 %
Public health and welfare	376,657	392,758	(4.10) %
Community environment	321,694	342,239	(6.00) %
Other	67,421	36,915	82.64 %
Capital outlay	25,720	-	100.00 %
Debt service	28,446	21,271	33.73 %
<b>Total</b>	<b><u>\$ 3,470,458</u></b>	<b><u>\$ 3,369,318</u></b>	<b>3.00 %</b>

The largest expenditure line item, security of persons and property, increased slightly, which is primarily attributed to wage and benefit increases and overall cost increases in purchased goods and services. Also at the end of 2004 the Police Department was finally fully staffed again, after some vacancies in the department which occurred during 2003 and early 2004. Debt service increased because the City leased an additional vehicle for the police department. Capital outlay increased due to the purchase of a police cruiser. Other expenses increased by 82% mainly because of the City's efforts to promote tourism and stimulate the economy in and around the City by purchasing banners, developing a community brochure, and advertising events extensively in the media.

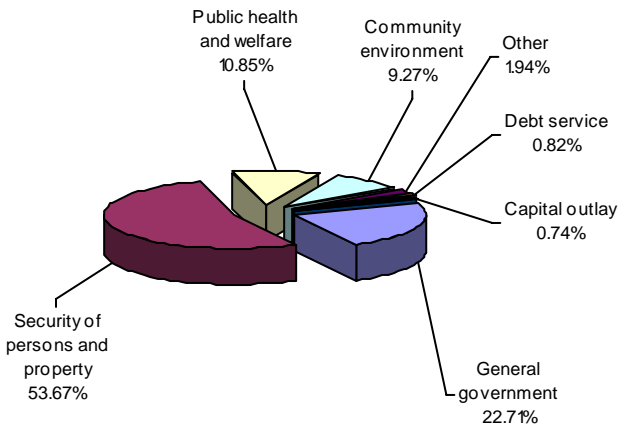


**CITY OF CLYDE  
SANDUSKY COUNTY**

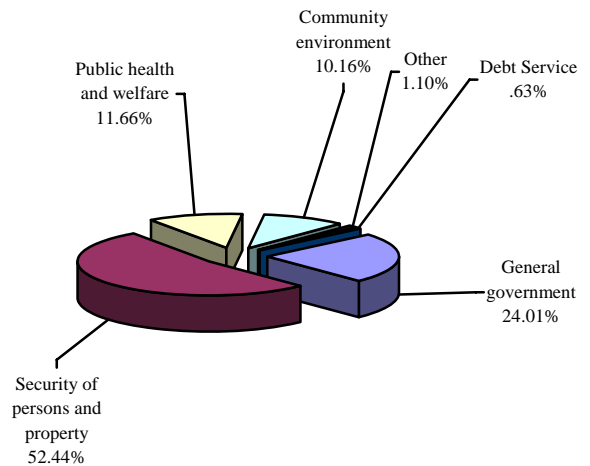
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**UNAUDITED**

**Expenditures - Fiscal Year 2004**



**Expenditures - Fiscal Year 2003**



***Permanent Improvement Fund***

The increase in the fund balance of the permanent improvement fund of \$365,794 was due to a decrease in capital outlay expenditures due to the completion of some projects which began in prior years.

***Budgeting Highlights***

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

Budgetary information is presented for the general fund only. In the general fund, one of the most significant changes was between the original and final budgeted amounts in the area of appropriations, which increased \$779,601 from \$3,770,131 to \$4,549,732. Actual revenues and other financing sources of \$4,037,493 were lower than final budgeted revenues and other financing sources by \$242,578. Actual expenditures and other financing uses were lower than the final budgeted amounts by \$173,127.

***Proprietary Funds***

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

**CITY OF CLYDE  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**UNAUDITED**

**Capital Assets and Debt Administration**

*Capital Assets*

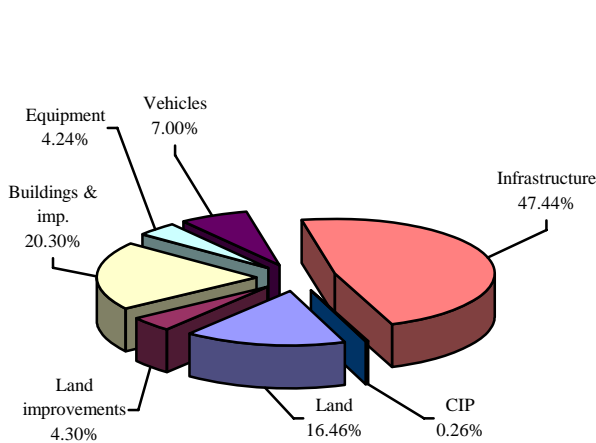
At the end of fiscal 2004, the City had \$50,809,222 (net of accumulated depreciation) invested in land, buildings and improvements, improvements other than buildings, equipment, vehicles, infrastructure and construction in progress. Of this total, \$5,491,335 was reported in governmental activities and \$45,317,887 was reported in business-type activities. The following table shows fiscal 2004 balances compared to 2003:

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

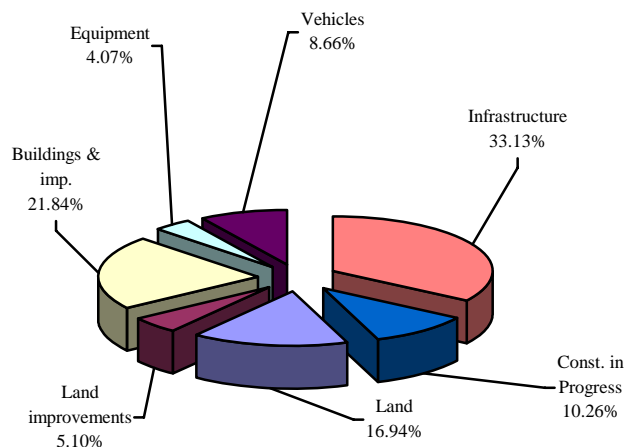
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land	\$ 903,733	\$ 903,733	\$ 500,820	\$ 505,683	\$ 1,404,553	\$ 1,409,416
Construction-in-progress	14,467	547,260	351,726	-	366,193	547,260
Land improvements	236,174	271,934	111,089	127,887	347,263	399,821
Buildings and improvements	1,114,835	1,164,671	7,794,498	8,141,722	8,909,333	9,306,393
Equipment	232,563	217,228	1,760,549	1,982,793	1,993,112	2,200,021
Vehicles	384,526	462,122	247,878	297,236	632,404	759,358
Infrastructure	<u>2,605,037</u>	<u>1,767,008</u>	<u>34,551,327</u>	<u>34,875,258</u>	<u>37,156,364</u>	<u>36,642,266</u>
<b>Totals</b>	<b><u>\$ 5,491,335</u></b>	<b><u>\$ 5,333,956</u></b>	<b><u>\$ 45,317,887</u></b>	<b><u>\$ 45,930,579</u></b>	<b><u>\$ 50,809,222</u></b>	<b><u>\$ 51,264,535</u></b>

The following graphs show the breakdown of governmental capital assets by category for 2004 and 2003.

**Capital Assets - Governmental Activities 2004**



**Capital Assets - Governmental Activities 2003**



**CITY OF CLYDE  
SANDUSKY COUNTY**

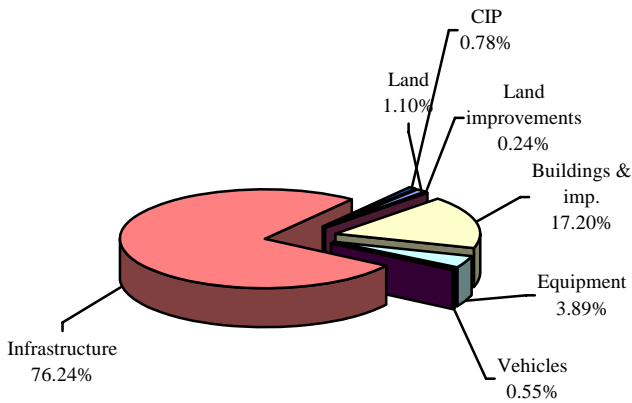
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**UNAUDITED**

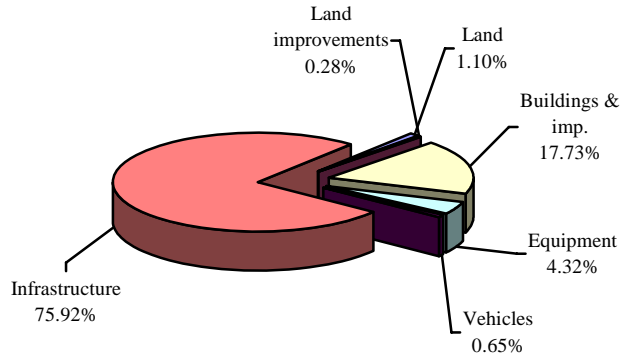
The City's largest capital asset category is infrastructure which includes roads, bridges, culverts, sidewalks and curbs. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The City is only reporting current year infrastructure in the governmental capital assets, but will add the City's infrastructure in the next reporting year.

The following graphs show the breakdown of business-type capital assets by category for 2004 and 2003.

**Capital Assets - Business-Type Activities 2004**



**Capital Assets - Business-Type Activities 2003**



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 76.24% 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, 2004  
(Continued)**

**UNAUDITED**

***Debt Administration***

The City had the following long-term obligations outstanding at December 31, 2004 and 2003:

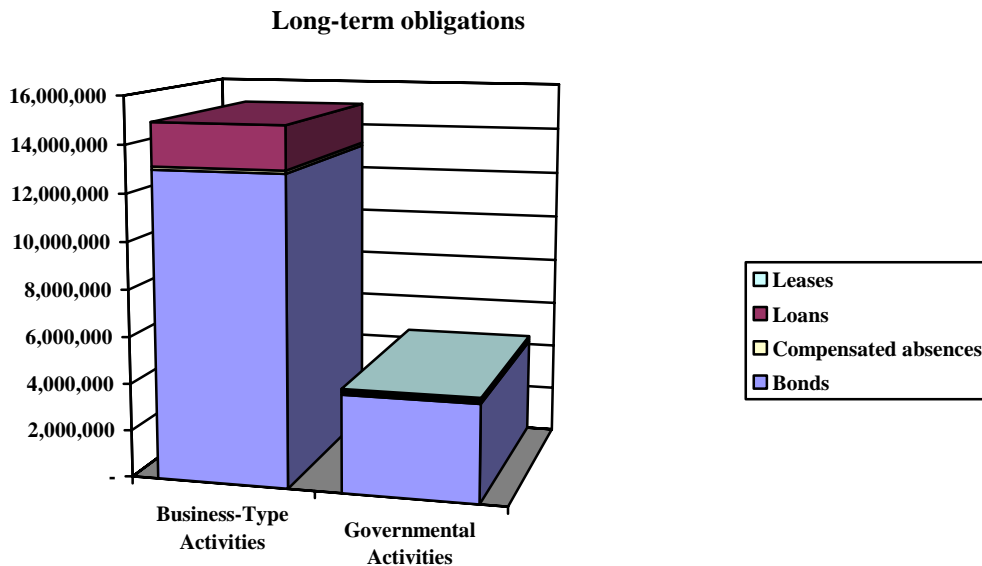
	Governmental Activities	
	<u>2004</u>	<u>2003</u>
General obligation bonds payable	\$ 4,130,000	\$ 4,405,000
Compensated absences	101,440	113,989
Capital lease obligation payable	57,458	56,254
Police Pension liability	<u>78,962</u>	<u>80,213</u>
Total long-term obligations	<u>\$ 4,367,860</u>	<u>\$ 4,655,456</u>
	Business-Type Activities	
	<u>2004</u>	<u>2003</u>
Revenue bonds	\$ 3,100,000	\$ 7,855,000
General obligation bonds	10,330,000	6,625,000
Bond issuance cost	<u>(409,212)</u>	<u>-</u>
Total bonds	<u>13,020,788</u>	<u>14,480,000</u>
OWDA Loans	1,799,851	1,874,809
Compensated absences	<u>125,170</u>	<u>142,083</u>
Total long-term obligations	<u>\$ 14,945,809</u>	<u>\$ 16,496,892</u>

**CITY OF CLYDE  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**UNAUDITED**

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



**Economic Conditions and Outlook**

As the local economy grows, so does the condition of the City of Clyde's General Fund. The vast majority of jobs in the City are in manufacturing, and fortunately, the manufacturing base continues to show strength. Recent investments during 2004 in Clyde facilities include a \$3 million investment at Titan Plastics in a new product assembly line, a 30,000 square foot addition to Evergreen Ltd's manufacturing facility, and the completion of infrastructure in the Norwest Industrial Park. The City's largest employer, the Whirlpool Corporation continues to be recognized as a strong employer providing community growth and producing a quality product.

Growth in the retail sector continues at a steady pace. Sterling, Inc. opened for business in September 2004 providing competitive gas prices and a well-stocked convenience store. McDonald's continues to be strong, with their relocation on Route 20 West. The Old Fort Banking Company has attracted many new individuals to our community and we are pleased with their move to Clyde.

Residential development is also continuing. The Commons of Clyde located on SR 510 is building 132 apartments with a day care facility and clubhouse. The units will be wired to accommodate wireless internet service, which happens to be a technology leader for rental property. Clyde Manor, also located on SR 510 north has been sold, all utilities are in place, and new manufactured homes have started to populate this acreage. The Wilson/Warnecke Development located on South Main Street is building custom homes in Phase I, with Phase II including condominiums. Stephen Wyant is building custom condos in the Camelot Subdivision, with several homes already built and occupied. Norwest Meadows, located off SR 20 on CR 223 began constructing homes in April, and by July individuals could walk into their new homes. This is a manufactured home layout designed for medium income, single families with children. Behind Drug Mart there are new apartments constructed by Woda Development which will accommodate 50 families.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**UNAUDITED**

A large portion of General Fund revenues comes from the City's 1.5 percent income tax, much of which is derived from the manufacturing sector. Growth in overall income tax collections between 2000 and 2002 were flat, at about \$3 million per year, but increased 4.0 percent in 2003 and 3.0 percent in 2004.

In recent years, the City's General Fund cash balance has declined from \$1.8 million in 2000, representing 46 percent of annual expenditures, to \$1.0 million in 2003, representing 26 percent of annual expenditures, to \$0.8 million in 2004, representing 20 percent of annual expenditures. This decline has been due to several large projects, which are now completed, and significant declines in investment income, due to near record low interest rates. As the City takes a brief respite from major construction projects, and interest rates begin to climb, balances in the General Fund should stabilize and begin to grow again.

**Contacting the City's Financial Management**

This financial report is designed to provide our citizen's, taxpayers, and 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 you may contact Ms. Christine May, Finance Director, City of Clyde, 222 N. Main Street, Clyde, Ohio 43410.

**CITY OF CLYDE, OHIO**

STATEMENT OF NET ASSETS

DECEMBER 31, 2004

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . . . .	\$ 1,502,986	\$ 9,486,719	\$ 10,989,705
Receivables (net of allowances for uncollectibles):			
Income taxes . . . . .	1,054,730	-	1,054,730
Real and other taxes . . . . .	420,674	59,051	479,725
Accounts . . . . .	56,757	1,539,759	1,596,516
Special assessments . . . . .	183,621	-	183,621
Accrued interest . . . . .	91,026	-	91,026
Internal balances . . . . .	3,591	(3,591)	-
Due from other governments. . . . .	239,383	75,000	314,383
Materials and supplies inventory. . . . .	21,267	257,604	278,871
Unamortized bond issue costs . . . . .	-	181,042	181,042
Deferred charges . . . . .	-	829,880	829,880
Capital assets:			
Land and construction-in-progress . . . . .	918,200	852,546	1,770,746
Depreciable capital assets, net . . . . .	4,573,135	44,465,341	49,038,476
Total capital assets, net . . . . .	<u>5,491,335</u>	<u>45,317,887</u>	<u>50,809,222</u>
Total assets. . . . .	<u>9,065,370</u>	<u>57,743,351</u>	<u>66,808,721</u>

- - continued

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE, OHIO**

STATEMENT OF NET ASSETS (CONTINUED)  
DECEMBER 31, 2004

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Liabilities:</b>			
Accounts payable . . . . .	145,140	136,572	281,712
Accrued wages and benefits . . . . .	88,823	68,722	157,545
Pension obligation payable . . . . .	48,512	36,144	84,656
Deferred revenue . . . . .	351,679	-	351,679
Due to other governments . . . . .	1,945	5,411	7,356
Accrued interest payable . . . . .	15,009	148,457	163,466
Long-term liabilities:			
Due within one year . . . . .	339,798	879,444	1,219,242
Due in more than one year . . . . .	4,028,062	14,066,365	18,094,427
<b>Total liabilities . . . . .</b>	<b>5,018,968</b>	<b>15,341,115</b>	<b>20,360,083</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt . . . . .	1,303,877	30,088,036	31,391,913
Restricted for:			
Capital projects . . . . .	354,966	-	354,966
Debt service . . . . .	5,423	1,473,507	1,478,930
Transportation . . . . .	338,147	-	338,147
Security of persons and property . . . . .	77,431	-	77,431
Other purposes . . . . .	73,632	-	73,632
Unrestricted . . . . .	1,892,926	10,840,693	12,733,619
<b>Total net assets . . . . .</b>	<b>\$ 4,046,402</b>	<b>\$ 42,402,236</b>	<b>\$ 46,448,638</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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**CITY OF CLYDE  
SANDUSKY COUNTY**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2004

	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental Activities:</b>				
General government . . . . .	\$ 806,286	\$ 10,322	\$ -	\$ 32,598
Security of persons and property. . . . .	1,982,398	105,929	170	-
Public health and welfare . . . . .	445,748	32,012	23,744	-
Transportation . . . . .	227,157	-	267,709	17,611
Community environment. . . . .	317,038	18,224	-	-
Leisure time activity. . . . .	145,086	34,014	2,745	-
Other . . . . .	45,451	-	-	-
Interest and fiscal charges. . . . .	187,099	-	-	-
Total governmental activities . . . . .	<u>4,156,263</u>	<u>200,501</u>	<u>294,368</u>	<u>50,209</u>
<b>Business-type Activities:</b>				
Water . . . . .	2,534,119	2,054,145	52	-
Sewer . . . . .	1,860,207	1,533,716	75,000	154,145
Electric . . . . .	7,238,543	8,188,314	-	-
Total business-type activities . . . . .	<u>11,632,869</u>	<u>11,776,175</u>	<u>75,052</u>	<u>154,145</u>
Total primary government . . . . .	<u>\$ 15,789,132</u>	<u>\$ 11,976,676</u>	<u>\$ 369,420</u>	<u>\$ 204,354</u>

**General Revenues:**

Property taxes levied for:

- General purposes. . . . .
- Police and fire pension. . . . .

Income taxes levied for:

- General purposes. . . . .
- Capital projects . . . . .

- Special assessments . . . . .
- Grants and entitlements not restricted to specific programs . . . . .
- Investment earnings . . . . .
- Miscellaneous . . . . .

Total general revenues . . . . .

Transfers. . . . .

Change in net assets. . . . .

**Net assets at beginning of year . . . . .**

**Net assets at end of year . . . . .**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (763,366)	\$ -	\$ (763,366)
(1,876,299)	-	(1,876,299)
(389,992)	-	(389,992)
58,163	-	58,163
(298,814)	-	(298,814)
(108,327)	-	(108,327)
(45,451)	-	(45,451)
(187,099)	-	(187,099)
<u>(3,611,185)</u>	<u>-</u>	<u>(3,611,185)</u>
-	(479,922)	(479,922)
-	(97,346)	(97,346)
-	949,771	949,771
-	372,503	372,503
<u>(3,611,185)</u>	<u>372,503</u>	<u>(3,238,682)</u>
708,025	-	708,025
35,779	-	35,779
2,389,853	-	2,389,853
1,015,312	-	1,015,312
40,976	-	40,976
356,377	-	356,377
189,943	40,033	229,976
164,005	-	164,005
4,900,270	40,033	4,940,303
(175,230)	175,230	-
1,113,855	587,766	1,701,621
2,932,547	41,814,470	44,747,017
<u>\$ 4,046,402</u>	<u>\$ 42,402,236</u>	<u>\$ 46,448,638</u>

**CITY OF CLYDE, OHIO  
SANDUSKY COUNTY**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2004

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . .	\$ 832,122	\$ 29,857	\$ 536,936	\$ 1,398,915
Receivables (net of allowance for				
Income taxes . . . . .	738,311	316,419	-	1,054,730
Real and other taxes . . . . .	381,236	-	39,438	420,674
Accounts. . . . .	56,003	-	754	56,757
Special assessments . . . . .	72,627	110,994	-	183,621
Accrued interest . . . . .	87,286	-	3,567	90,853
Due from other funds. . . . .	94,950	-	-	94,950
Due from other governments. . . . .	129,790	-	109,593	239,383
Materials and supplies inventory. . . . .	7,009	-	-	7,009
Total assets . . . . .	<u>\$ 2,399,334</u>	<u>\$ 457,270</u>	<u>\$ 690,288</u>	<u>\$ 3,546,892</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 25,616	\$ 109,658	\$ 2,766	\$ 138,040
Accrued wages and benefits. . . . .	76,166	-	1,388	77,554
Pension obligation payable . . . . .	42,250	-	591	42,841
Due to other funds . . . . .	30,519	-	14,947	45,466
Due to other governments. . . . .	1,945	-	-	1,945
Accrued interest payable payable. . . . .	229	-	-	229
Advances from other funds . . . . .	-	91,702	-	91,702
Deferred revenue . . . . .	756,242	172,971	115,257	1,044,470
Total liabilities . . . . .	<u>932,967</u>	<u>374,331</u>	<u>134,949</u>	<u>1,442,247</u>
<b>Fund balances:</b>				
Reserved for encumbrances. . . . .	100,586	7,292	16,167	124,045
Reserved for materials and supplies inventory . .	7,009	-	-	7,009
Reserved for advances. . . . .	-	91,702	-	91,702
Unreserved, undesignated, reported in:				
General fund . . . . .	1,358,772	-	-	1,358,772
Special revenue funds . . . . .	-	-	392,328	392,328
Debt service fund . . . . .	-	-	5,423	5,423
Capital projects funds . . . . .	-	(16,055)	141,421	125,366
Total fund balances . . . . .	<u>1,466,367</u>	<u>82,939</u>	<u>555,339</u>	<u>2,104,645</u>
Total liabilities and fund balances. . . . .	<u>\$ 2,399,334</u>	<u>\$ 457,270</u>	<u>\$ 690,288</u>	<u>\$ 3,546,892</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE, OHIO  
SANDUSKY COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2004

<b>Total governmental fund balances</b>		\$ 2,104,645
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities (excluding internal service funds capital assets) are not financial resources and therefore are not reported in the funds.		5,245,688
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes	\$ 68,995	
Income taxes	206,589	
Special assessments	183,621	
Intergovernmental revenues	170,284	
Interest	<u>63,302</u>	
Total		692,791
The internal service funds are used by management to charge the costs of employee benefits and service department to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets, including internal balances of \$343.		383,225
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities (excluding amounts reported in internal service funds) are as follows:		
General obligation bonds	4,130,000	
Police pension liability	78,962	
Capital lease payable	57,458	
Compensated absences	98,747	
Accrued interest	<u>14,780</u>	
Total		<u>(4,379,947)</u>
<b>Net assets of governmental activities</b>		<u><u>\$ 4,046,402</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE, OHIO  
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Income taxes . . . . .	\$ 2,376,036	\$ 953,335	\$ -	\$ 3,329,371
Real and other taxes . . . . .	655,274	-	30,423	685,697
Charges for services . . . . .	113,356	-	34,014	147,370
Licenses, permits and fees . . . . .	6,507	-	-	6,507
Fines and forfeitures . . . . .	17,135	-	2,342	19,477
Special assessments . . . . .	21,036	19,421	-	40,457
Intergovernmental . . . . .	322,088	-	262,253	584,341
Investment income . . . . .	181,871	-	7,306	189,177
Rental income . . . . .	7,999	-	-	7,999
Other . . . . .	152,027	32,598	57,715	242,340
Total revenues . . . . .	<u>3,853,329</u>	<u>1,005,354</u>	<u>394,053</u>	<u>5,252,736</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	788,136	10,411	-	798,547
Security of persons and property. . . . .	1,862,384	-	1,963	1,864,347
Public health and welfare . . . . .	376,657	-	17,549	394,206
Transportation . . . . .	-	-	293,376	293,376
Community environment. . . . .	321,694	-	-	321,694
Leisure time activity . . . . .	-	-	145,502	145,502
Other . . . . .	67,421	-	-	67,421
Capital outlay. . . . .	25,720	398,594	7,920	432,234
Debt service:				
Principal retirement . . . . .	24,516	-	276,251	300,767
Interest and fiscal charges . . . . .	3,930	3,164	180,556	187,650
Total expenditures . . . . .	<u>3,470,458</u>	<u>412,169</u>	<u>923,117</u>	<u>4,805,744</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>382,871</u>	<u>593,185</u>	<u>(529,064)</u>	<u>446,992</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets. . . . .	51,538	-	75	51,613
Transfers in . . . . .	-	400,000	597,161	997,161
Transfers out . . . . .	(545,000)	(627,391)	-	(1,172,391)
Capital lease transaction. . . . .	25,720	-	-	25,720
Total other financing sources (uses) . . . . .	<u>(467,742)</u>	<u>(227,391)</u>	<u>597,236</u>	<u>(97,897)</u>
Net change in fund balances . . . . .	(84,871)	365,794	68,172	349,095
<b>Fund balances (deficit) at beginning of year. . . . .</b>	<u>1,551,238</u>	<u>(282,855)</u>	<u>487,167</u>	<u>1,755,550</u>
<b>Fund balances at end of year. . . . .</b>	<u>\$ 1,466,367</u>	<u>\$ 82,939</u>	<u>\$ 555,339</u>	<u>\$ 2,104,645</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE, OHIO  
SANDUSKY COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2004

<b>Net change in fund balances - total governmental funds</b>	\$	349,095
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$496,052) exceeded depreciation expense (\$261,897) in the current period. Both amounts are exclusive of internal service funds activity.		234,155
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(54,337)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		192,251
Repayment of bonds, loans and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		300,767
Proceeds of capital leases are reported as an other financing source in the governmental funds, but as an increase in liabilities on the statement of net assets.		(25,720)
In the statement of activities, interest is accrued on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due.		551
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.		4,865
The internal service funds used by management to charge the costs of insurance and the City service department to individual funds are not reported in the statement of activities. Governmental fund expenditures and the related internal service funds revenues are eliminated. The net revenue (expense) of the internal service funds, including internal balances of \$13,241 and \$361 of interest revenue, is allocated among the governmental activities.		112,228
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>1,113,855</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE, OHIO  
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Revenues:</b>				
Income taxes . . . . .	\$ 2,169,157	\$ 2,169,157	\$ 2,325,608	\$ 156,451
Real and other taxes . . . . .	331,757	331,757	355,685	23,928
Charges for services . . . . .	277,176	277,176	297,168	19,992
Licenses, permits and fees . . . . .	6,069	6,069	6,507	438
Fines and forfeitures . . . . .	16,903	16,903	18,122	1,219
Special assessments . . . . .	19,621	19,621	21,036	1,415
Intergovernmental . . . . .	330,831	330,831	354,692	23,861
Investment income . . . . .	152,855	152,855	163,880	11,025
Other . . . . .	58,906	58,906	63,155	4,249
Total revenues. . . . .	<u>3,363,275</u>	<u>3,363,275</u>	<u>3,605,853</u>	<u>242,578</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	891,108	974,475	921,753	52,722
Security of persons and property. . . . .	1,930,234	2,045,587	1,975,306	70,281
Public health and welfare . . . . .	394,955	413,942	390,218	23,724
Community environment . . . . .	347,119	404,013	398,188	5,825
Other. . . . .	71,715	38,500	35,619	2,881
Total expenditures . . . . .	<u>3,635,131</u>	<u>3,876,517</u>	<u>3,721,084</u>	<u>155,433</u>
Excess of revenues over expenditures . . . . .	<u>(271,856)</u>	<u>(513,242)</u>	<u>(115,231)</u>	<u>398,011</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets . . . . .	51,538	51,538	51,538	-
Transfers in. . . . .	340,010	340,010	340,010	-
Transfers out . . . . .	(135,000)	(585,000)	(585,000)	-
Other financing sources . . . . .	40,092	40,092	40,092	-
Reimbursements. . . . .	-	(88,215)	(68,721)	19,494
Contingencies. . . . .	-	-	(1,800)	(1,800)
Total other financing sources (uses). . . . .	<u>296,640</u>	<u>(241,575)</u>	<u>(223,881)</u>	<u>17,694</u>
Net change in fund balance. . . . .	24,784	(754,817)	(339,112)	415,705
<b>Fund balance at beginning of year . . . . .</b>	888,244	888,244	888,244	-
<b>Prior year encumbrances appropriated</b>	<u>173,920</u>	<u>173,920</u>	<u>173,920</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,086,948</u>	<u>\$ 307,347</u>	<u>\$ 723,052</u>	<u>\$ 415,705</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CITY OF CLYDE, OHIO**  
**SANDUSKY COUNTY**  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2004

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental</b>
	<b>Water</b>	<b>Sewer</b>	<b>Electric</b>	<b>Total</b>	<b>Activities - Internal Internal Service Funds</b>
<b>Assets:</b>					
<b>Current assets:</b>					
Equity in pooled cash and cash equivalents . . . . .	\$ 1,899,198	\$ 1,672,681	\$ 4,738,554	\$ 8,310,433	\$ 104,071
Receivables (net of allowance for uncollectibles)					
Excise taxes . . . . .	-	-	59,051	59,051	-
Accounts . . . . .	222,569	150,172	1,167,018	1,539,759	-
Accrued interest . . . . .	-	-	-	-	173
Due from other funds . . . . .	-	-	-	-	45,466
Due from other governments . . . . .	-	75,000	-	75,000	-
Materials and supplies inventory . . . . .	26,499	9,506	221,599	257,604	14,258
Unamortized bond issuance costs . . . . .	41,337	-	139,705	181,042	-
Deferred charges . . . . .	-	-	829,880	829,880	-
<b>Total current assets . . . . .</b>	<b>2,189,603</b>	<b>1,907,359</b>	<b>7,155,807</b>	<b>11,252,769</b>	<b>163,968</b>
<b>Noncurrent assets:</b>					
Cash and cash equivalents . . . . .	572,190	-	604,096	1,176,286	-
Advances to other funds . . . . .	-	-	91,702	91,702	-
<b>Capital assets:</b>					
Land and construction in progress . . . . .	421,238	407,964	23,344	852,546	-
Depreciable capital assets, net . . . . .	16,443,214	18,043,632	9,978,495	44,465,341	245,647
<b>Total capital assets . . . . .</b>	<b>16,864,452</b>	<b>18,451,596</b>	<b>10,001,839</b>	<b>45,317,887</b>	<b>245,647</b>
<b>Total noncurrent assets . . . . .</b>	<b>17,436,642</b>	<b>18,451,596</b>	<b>10,697,637</b>	<b>46,585,875</b>	<b>245,647</b>
<b>Total assets . . . . .</b>	<b>19,626,245</b>	<b>20,358,955</b>	<b>17,853,444</b>	<b>57,838,644</b>	<b>409,615</b>
<b>Liabilities:</b>					
<b>Current liabilities:</b>					
Accounts payable . . . . .	51,183	42,564	42,825	136,572	7,100
Accrued wages and benefits . . . . .	26,193	24,025	18,504	68,722	11,269
Pension obligation payable . . . . .	13,649	12,767	9,728	36,144	5,671
Due to other governments . . . . .	-	5,200	211	5,411	-
Accrued interest payable . . . . .	105,528	9,954	32,975	148,457	-
Due to other funds . . . . .	8,024	8,025	78,901	94,950	-
Compensated absences . . . . .	14,662	10,267	2,937	27,866	2,579
<b>Payable from restricted assets:</b>					
Current portion of revenue bonds . . . . .	-	-	235,000	235,000	-
Current portion of general obligation bonds . . . . .	195,000	-	340,000	535,000	-
Current portion of OWDA loans payable . . . . .	60,765	20,813	-	81,578	-
<b>Total current liabilities . . . . .</b>	<b>475,004</b>	<b>133,615</b>	<b>761,081</b>	<b>1,369,700</b>	<b>26,619</b>
<b>Long-term liabilities</b>					
Compensated absences . . . . .	41,174	48,774	7,356	97,304	114
Revenue bonds payable . . . . .	-	-	2,865,000	2,865,000	-
General obligation bonds payable . . . . .	6,245,000	-	3,140,788	9,385,788	-
OWDA loans payable . . . . .	1,228,621	489,652	-	1,718,273	-
<b>Total long-term liabilities . . . . .</b>	<b>7,514,795</b>	<b>538,426</b>	<b>6,013,144</b>	<b>14,066,365</b>	<b>114</b>
<b>Total liabilities . . . . .</b>	<b>7,989,799</b>	<b>672,041</b>	<b>6,774,225</b>	<b>15,436,065</b>	<b>26,733</b>
<b>Net assets:</b>					
Invested in capital assets, net of related debt . . . . .	9,135,066	17,941,131	3,011,839	30,088,036	245,647
Restricted for debt service . . . . .	747,571	-	725,936	1,473,507	-
Unreserved, unrestricted . . . . .	1,753,809	1,745,783	7,341,444	10,841,036	137,235
<b>Total net assets . . . . .</b>	<b>\$ 11,636,446</b>	<b>\$ 19,686,914</b>	<b>\$ 11,079,219</b>	<b>42,402,579</b>	<b>\$ 382,882</b>
				(343)	
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds					
Net assets of business-type				<u>\$ 42,402,236</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE, OHIO  
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Business-type Activities -</u>				<b>Governmental</b>
	<b>Water</b>	<b>Sewer</b>	<b>Electric</b>	<b>Total</b>	<b>Activities - Internal Service Funds</b>
<b>Operating revenues:</b>					
Charges for services . . . . .	\$ 2,042,819	\$ 1,532,530	\$ 8,181,154	\$ 11,756,503	\$ 742,731
Other operating revenues . . . . .	11,326	1,186	7,160	19,672	7,680
Total operating revenues . . . . .	<u>2,054,145</u>	<u>1,533,716</u>	<u>8,188,314</u>	<u>11,776,175</u>	<u>750,411</u>
<b>Operating expenses:</b>					
Personal services . . . . .	875,496	746,382	728,625	2,350,503	378,960
Contract services . . . . .	303,948	344,600	5,802,214	6,450,762	60,932
Materials and supplies . . . . .	457,603	270,095	304,044	1,031,742	148,162
Landfill closure and post closure costs . . . . .			19,138	19,138	
Depreciation . . . . .	527,068	473,813	266,027	1,266,908	53,622
Other operating expenses . . . . .	1,679	720	-	2,399	-
Total operating expenses . . . . .	<u>2,165,794</u>	<u>1,835,610</u>	<u>7,120,048</u>	<u>11,121,452</u>	<u>641,676</u>
Operating income (loss) . . . . .	<u>(111,649)</u>	<u>(301,894)</u>	<u>1,068,266</u>	<u>654,723</u>	<u>108,735</u>
<b>Nonoperating revenues (expenses):</b>					
Interest expense and fiscal charges . . . . .	(337,021)	(20,106)	(113,314)	(470,441)	-
Loss from disposal of capital assets . . . . .	-	(4,863)	-	(4,863)	-
Interest revenue . . . . .	34,535	-	5,498	40,033	361
Intergovernmental . . . . .	52	75,000	-	75,052	-
Other nonoperating expense . . . . .	(31,652)	-	-	(31,652)	-
Excise tax expense . . . . .	-	-	(1,329)	(1,329)	-
Total nonoperating revenues (expenses) . . . . .	<u>(334,086)</u>	<u>50,031</u>	<u>(109,145)</u>	<u>(393,200)</u>	<u>361</u>
Income (loss) before contributions and transfers . . . . .	<u>(445,735)</u>	<u>(251,863)</u>	<u>959,121</u>	<u>261,523</u>	<u>109,096</u>
Capital contributions . . . . .	-	154,145	-	154,145	-
Transfers in . . . . .	175,230	-	-	175,230	-
Changes in net assets . . . . .	<u>(270,505)</u>	<u>(97,718)</u>	<u>959,121</u>	<u>590,898</u>	<u>109,096</u>
Net assets at beginning of year . . . . .	<u>11,906,951</u>	<u>19,784,632</u>	<u>10,120,098</u>		<u>273,786</u>
Net assets at end of year . . . . .	<u>\$ 11,636,446</u>	<u>\$ 19,686,914</u>	<u>\$ 11,079,219</u>		<u>\$ 382,882</u>
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.				<u>(3,132)</u>	
Changes in net assets of business-type activities				<u>\$ 587,766</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE, OHIO  
SANDUSKY COUNTY**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Business-type Activities -</u>			<u>Enterprise Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Total</u>	
<b>Cash flows from operating activities:</b>					
Cash received from charges for services . . . . .	\$ 1,924,580	\$ 1,452,295	\$ 7,458,851	\$ 10,835,726	\$ 697,265
Cash received from other operations. . . . .	11,326	1,186	7,160	19,672	7,680
Cash payments for personal services . . . . .	(894,064)	(743,792)	(732,524)	(2,370,380)	(386,656)
Cash payments for contract services. . . . .	(283,438)	(341,899)	(5,780,696)	(6,406,033)	(60,585)
Cash payments for materials and supplies. . . . .	(455,314)	(226,578)	(348,092)	(1,029,984)	(150,788)
Cash payments for other expenses. . . . .	(1,679)	(720)	-	(2,399)	-
Net cash provided by operating activities. . . . .	<u>301,411</u>	<u>140,492</u>	<u>604,699</u>	<u>1,046,602</u>	<u>106,916</u>
<b>Cash flows from noncapital financing activities:</b>					
Cash received from grants and subsidies . . . . .	1,203	-	-	1,203	-
Cash used in other nonoperating activities . . . . .	-	-	(1,329)	(1,329)	-
Transfers in from other funds . . . . .	662,123	-	-	662,123	-
Transfers out to other funds. . . . .	(518,545)	-	-	(518,545)	-
Net cash provided by (used in) noncapital financing activities . . . . .	<u>144,781</u>	<u>-</u>	<u>(1,329)</u>	<u>143,452</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>					
Acquisition of capital assets . . . . .	(28,660)	(462,164)	(14,110)	(504,934)	(31,183)
Cash received from proceeds of bonds. . . . .	-	-	4,365,879	4,365,879	-
Payment to refund bond escrow agent . . . . .	-	-	(4,230,000)	(4,230,000)	-
Cash payments for principal retirement. . . . .	(239,934)	(20,024)	(980,000)	(1,239,958)	-
Bond issuance costs. . . . .	-	-	(409,212)	(409,212)	-
Cash payments for interest and fiscal charges . . . . .	(340,456)	(20,496)	(160,120)	(521,072)	-
Net cash used in capital and related financing activities . . . . .	<u>(609,050)</u>	<u>(502,684)</u>	<u>(1,427,563)</u>	<u>(2,539,297)</u>	<u>(31,183)</u>
<b>Cash flows from investing activities:</b>					
Cash received from maturities of investments . . . . .	-	-	13,764	13,764	-
Interest received. . . . .	34,535	-	5,899	40,434	302
Net cash provided by investing activities . . . . .	<u>34,535</u>	<u>-</u>	<u>19,663</u>	<u>54,198</u>	<u>302</u>
Net increase (decrease) in cash and cash equivalents . . . . .	(128,323)	(362,192)	(804,530)	(1,295,045)	76,035
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<u>2,599,711</u>	<u>2,034,873</u>	<u>6,147,180</u>	<u>10,781,764</u>	<u>28,036</u>
<b>Cash and cash equivalents at end of year. . . . .</b>	<u>\$ 2,471,388</u>	<u>\$ 1,672,681</u>	<u>\$ 5,342,650</u>	<u>\$ 9,486,719</u>	<u>\$ 104,071</u>

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**CITY OF CLYDE, OHIO  
SANDUSKY COUNTY**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Business-type Activities - Enterprise Funds</u>				<b>Governmental</b>
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Total</u>	<b>Activities - Internal Service Funds</b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>					
Operating income (loss) . . . . .	\$ (111,649)	\$ (301,894)	\$ 1,068,266	\$ 654,723	\$ 108,735
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation . . . . .	527,068	473,813	266,027	1,266,908	53,622
Changes in assets and liabilities:					
Increase in accounts receivable . . . . .	(118,239)	(80,235)	(721,902)	(920,376)	-
(Increase) decrease in materials and supplies inventory . . . . .	536	7,152	(17,093)	(9,405)	608
Increase in due from other funds . . . . .	-	-	-	-	(45,466)
Increase (decrease) in accounts payable . . . . .	14,601	25,742	(6,761)	33,582	(2,192)
Increase (decrease) in accrued wages and benefits . . . . .	(3,605)	(391)	(1,021)	(5,017)	(1,441)
Increase (decrease) in compensated absences payable . . . . .	(15,479)	2,209	(3,643)	(16,913)	(7,684)
Increase in pension obligation payable . . . . .	284	871	765	1,920	734
Increase in due to other governments . . . . .	-	5,200	-	5,200	-
Increase in due to other funds . . . . .	7,894	8,025	20,061	35,980	-
Net cash provided by operating activities . . . . .	<u>\$ 301,411</u>	<u>\$ 140,492</u>	<u>\$ 604,699</u>	<u>\$ 1,046,602</u>	<u>\$ 106,916</u>

The Sewer Fund received capital assets in the amount of \$154,145 purchased from governmental funds

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE, OHIO  
SANDUSKY COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
DECEMBER 31, 2004

	<u>Private-Purpose Trust</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 6,465
	<hr/>
Total assets . . . . .	6,465
	<hr/>
<b>Net Assets:</b>	
Held in trust for private cemetery care . . . . .	6,465
	<hr/>
Total net assets . . . . .	\$ 6,465
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CLYDE, OHIO  
SANDUSKY COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

	<b>Private-Purpose Trust</b>
<b>Deductions:</b>	
Cemetery care . . . . .	44
Total deductions . . . . .	44
Changes in net assets. . . . .	(44)
<b>Net assets at the beginning of the year. . . . .</b>	<b>6,509</b>
<b>Net assets at the end of the year . . . . .</b>	<b>\$ 6,465</b>

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, 2004

**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, waste water treatment and electric distribution. The City constructs and maintains streets and sidewalks within the City. The City also operates and maintains parks.

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

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

**A. Reporting Entity**

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

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

*JOINTLY GOVERNED ORGANIZATION*

Municipal Energy Services Agency (MESA)

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

**CITY OF CLYDE  
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

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

*PUBLIC ENTITY RISK POOLS*

Buckeye Ohio Risk Management Agency (BORMA)

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

Participation in BORMA is by written application subject to approval of the Board of Directors and the payment of premiums. Member cities must remain members for cycles of three years. A member may withdraw from a program by giving a forty day notice prior to the beginning of the next cycle. BORMA does not have any outstanding debt obligations as of December 31, 2004. Financial information may be obtained from Arthur J. Gallagher & Co., Crown Centre Building, 5505 Rockside Road, 10<sup>th</sup> Floor, Cleveland, Ohio 44131-2157.

North Central Ohio Municipal Finance Officers' Association Workers' Compensation Group Rating Plan

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

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

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

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

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



**CITY OF CLYDE  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

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

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

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

**C. Fund Accounting**

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

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

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

*Permanent Improvement Fund* - The permanent improvement fund accounts for all transactions relating to the construction and improvements other than those financed by proprietary funds.

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

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

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

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

**CITY OF CLYDE  
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

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

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

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

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

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

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

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

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

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

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.

**CITY OF CLYDE  
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

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

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

**E. Basis of Accounting**

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

**Revenues - Exchange and Non-exchange Transactions** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within thirty-one 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 6). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 5). 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 Revenue** - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2004, but which were levied to finance year 2005 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**CITY OF CLYDE  
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

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

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

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

**F. Budgetary Data**

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

*Tax Budget* - During the first Council meeting in July, the City Manager 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. Prior to 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 may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs 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, department level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund, department, object appropriations do not exceed current estimated resources, as certified. The amounts

**CITY OF CLYDE  
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

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

reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the City Council during the year.

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

**G. Cash and Cash Equivalents**

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

During 2004, investments were limited to nonnegotiable certificates of deposit, U.S. government money market mutual funds, investments in State Treasury Asset Reserve of Ohio (STAR Ohio), and federal agency securities.

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

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2004.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2004 amounted to \$181,871, which included \$163,256 assigned from other funds of the City.

For purposes of presentation on the statement of cash flows and for presentation on the statement of net assets, investments of the cash management pool and investments with original maturities of three months or less 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 3.

**H. Inventories of Materials and Supplies**

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

**CITY OF CLYDE  
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

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

On fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

**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 balance sheet because their use is limited by applicable bond covenants.

**J. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, irrigation systems, and water and sewer lines. 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 capitalized. 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>
Improvements to land	5 - 20 years	5 - 20 years
Buildings	20 - 40 years	20 - 40 years
Equipment	5 - 15 years	5 - 15 years
Vehicles	8 years	8 years
Infrastructure	25 - 50 years	80 years

**CITY OF CLYDE  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

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

**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 are attributable to services already rendered and are not contingent on a specific event that is outside the control of the City and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty-two (52) or greater or any employee with at least ten (10) 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. Accrued Liabilities and Long-Term Obligations**

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

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

**CITY OF CLYDE  
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

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

**M. Interfund Balances**

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

**N. 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 BFS.

**O. Fund Balance Reserves**

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

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

**P. 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.

**Q. Contributions of Capital**

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements.



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

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

**R. Net Assets**

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

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

**S. Operating Revenues and Expenses**

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

**T. Extraordinary Item**

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. Neither type of transaction occurred during fiscal 2004.

**NOTE 3 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

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

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

**CITY OF CLYDE  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

**NOTE 3 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS – (Continued)**

Interim monies may be deposited or invested in the following:

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 or 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 division (1) or (2) 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 (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.

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 treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

*Cash on Hand:* At year-end the City had \$390 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

**CITY OF CLYDE  
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

**NOTE 3 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS – (Continued)**

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, “Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements”.

*Deposits:* At year-end, the carrying amount of the City’s deposits was \$6,568,510 and the bank balance was \$6,754,877. Of the bank balance:

1. \$366,751 was covered by federal depository insurance; and
2. \$6,388,126 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

*Investments:* The City’s investments are required to be categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City’s name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty’s trust department or agent in the City’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City’s name. STAR Ohio and U.S. Government money market mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category			Reported Amount	Fair Value
	1	2	3		
Federal agency securities	\$ -	\$ 2,510,951	\$ -	\$ 2,510,951	\$ 2,510,951
STAR Ohio	-	-	-	740,033	740,033
U.S. Government money market mutual funds (restricted)	-	-	-	1,176,286	1,176,286
<b>Total investments</b>	<b>\$ -</b>	<b>\$ 2,510,951</b>	<b>\$ -</b>	<b>\$ 4,427,270</b>	<b>\$ 4,427,270</b>

The classification of cash and cash equivalents on the financial statements is based on criteria set forth in GASB Statement No. 9, “Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting”.

A reconciliation between the classifications of cash and cash equivalents and investments on the financial statements (per GASB Statement No. 9) and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

**CITY OF CLYDE  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

**NOTE 3 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS – (Continued)**

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 10,996,170	\$ -
Investments of the cash management pool:		
STAR Ohio	(740,033)	740,033
U.S. Government money market mutual funds	(1,176,286)	1,176,286
Federal agency securities	(2,510,951)	2,510,951
Cash on hand	(390)	-
 GASB Statement No. 3	 <u>\$ 6,568,510</u>	 <u>\$ 4,427,270</u>

**NOTE 4 - INTERFUND ACTIVITY**

- A.** Interfund transfers for the year ended December 31, 2004, consisted of the following, as reported on the fund financial statements:

Transfers to Permanent Improvement:	
General Fund	\$ 400,000
Transfers to Nonmajor Governmental Funds from:	
General Fund	145,000
Permanent Improvement	452,161
Total Transfers to Nonmajor Governmental Funds	597,161
Transfers from Permanent Improvement Fund to:	
Water Fund	175,230
Total Transfers	\$ 1,172,391

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.

- B.** Due from/to other funds consisted of the following at December 31, 2004, as reported on the fund financial statements:

**CITY OF CLYDE  
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

**NOTE 4 - INTERFUND ACTIVITY – (Continued)**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water Fund	\$ 8,024
General	Sewer Fund	8,025
General	Electric Fund	78,901
Internal Service Fund	General Fund	30,519
Internal Service Fund	Nonmajor governmental fund	<u>14,947</u>
Total Due To/From Other Funds		<u>\$ 140,416</u>

The balances resulted from the time lag between the dates that payments between the funds are made.

**NOTE 5 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Real property tax revenues received in 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2004 represent the collection of 2003 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2002, were levied after October 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in 2004 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The Sandusky County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City. The County Auditor periodically remits to the City its portion of the taxes collected.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2004, and for which there was an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, and are not intended to finance 2004 operations.

On the full accrual basis, collectible delinquent real property taxes have been recorded as a receivable and revenue. On the modified accrual basis, the revenue is deferred.

**CITY OF CLYDE  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 5 - PROPERTY TAXES – (Continued)**

The full tax rate for all City operations for the year ended December 31, 2004 was 3.5 mills of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real property tax	\$ 81,377,300
Public utility tangible personal property	2,392,770
Tangible personal property	<u>31,797,600</u>
Total assessed valuation	<u>\$ 115,567,670</u>

**NOTE 6 - LOCAL INCOME TAX**

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

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. 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 to the General and Permanent Improvement capital projects funds, 55% to General and 45% to Permanent Improvement. The additional one-half percent tax is placed in the General fund for municipal operations. Income tax revenue for 2004 was \$3,329,371 as reported in the fund financial statements.

**NOTE 7 - RECEIVABLES**

Receivables at December 31, 2004, 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 financial statements. The only receivable not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment.

**CITY OF CLYDE  
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

**NOTE 7 – RECEIVABLES – (Continued)**

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

**Governmental Activities:**

Income taxes	\$1,054,730
Real and other taxes	420,674
Accounts	56,757
Special assessments	183,621
Accrued interest	91,026
Due from other governments	239,383

**Business-type Activities:**

Accounts	1,539,759
Due from other governments	75,000
Excise tax	59,051

**CITY OF CLYDE  
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2004, was as follows:

<b><u>Governmental Activities:</u></b>	<u>Balance</u> 12/31/03	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> 12/31/04
<i>Capital assets, not being depreciated:</i>				
Land	\$ 903,733	\$ -	\$ -	\$ 903,733
Construction in progress	<u>547,260</u>	<u>278,216</u>	<u>(811,009)</u>	<u>14,467</u>
Total capital assets, not being depreciated	<u>1,450,993</u>	<u>278,216</u>	<u>(811,009)</u>	<u>918,200</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	920,327	-	-	920,327
Buildings and improvements	2,550,946	15,771	-	2,566,717
Equipment	576,101	67,409	(22,043)	621,467
Vehicles	1,759,875	99,476	(133,035)	1,726,316
Infrastructure	<u>1,795,531</u>	<u>877,372</u>	<u>-</u>	<u>2,672,903</u>
Total capital assets, being depreciated	<u>7,602,780</u>	<u>1,060,028</u>	<u>(155,078)</u>	<u>8,507,730</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(648,393)	(35,760)	-	(684,153)
Buildings and improvements	(1,386,275)	(65,607)	-	(1,451,882)
Equipment	(358,873)	(37,742)	7,711	(388,904)
Vehicles	(1,297,753)	(137,067)	93,030	(1,341,790)
Infrastructure	<u>(28,523)</u>	<u>(39,343)</u>	<u>-</u>	<u>(67,866)</u>
Total accumulated depreciation	<u>(3,719,817)</u>	<u>(315,519)</u>	<u>100,741</u>	<u>(3,934,595)</u>
Total capital assets, being depreciated, net	<u>3,882,963</u>	<u>744,509</u>	<u>(54,337)</u>	<u>4,573,135</u>
Governmental activities capital assets, net	<u>\$ 5,333,956</u>	<u>\$ 1,022,725</u>	<u>\$ (865,346)</u>	<u>\$ 5,491,335</u>

Under GASB Statement No. 34, the City has elected to “phase in” the retroactive reporting of infrastructure assets. The City plans to retroactively report infrastructure capital assets in the 2005 basic financial statements. Only infrastructure capital assets acquired or constructed in 2003 and 2004 are reflected in the basic financial statements for the fiscal year ended December 31, 2004.



**CITY OF CLYDE  
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

**NOTE 8 - CAPITAL ASSETS – (Continued)**

<b><u>Business-type Activities:</u></b>	Balance <u>12/31/03</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/04</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 505,683	\$ -	\$ (4,863)	\$ 500,820
Construction in progress	<u>-</u>	<u>351,726</u>	<u>-</u>	<u>351,726</u>
Total capital assets, not being depreciated	<u>505,683</u>	<u>351,726</u>	<u>(4,863)</u>	<u>852,546</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	516,321	-	-	516,321
Buildings and improvements	11,603,963	-	-	11,603,963
Equipment	5,621,723	21,833	(18,344)	5,625,212
Vehicles	608,133	-	-	608,133
Infrastructure	<u>39,534,776</u>	<u>285,520</u>	<u>-</u>	<u>39,820,296</u>
Total capital assets, being depreciated	<u>57,884,916</u>	<u>307,353</u>	<u>(18,344)</u>	<u>58,173,925</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(388,434)	(16,798)	-	(405,232)
Buildings and improvements	(3,462,241)	(347,224)	-	(3,809,465)
Equipment	(3,638,930)	(244,077)	18,344	(3,864,663)
Vehicles	(310,897)	(49,358)	-	(360,255)
Infrastructure	<u>(4,659,518)</u>	<u>(609,451)</u>	<u>-</u>	<u>(5,268,969)</u>
Total accumulated depreciation	<u>(12,460,020)</u>	<u>(1,266,908)</u>	<u>18,344</u>	<u>(13,708,584)</u>
Total capital assets, being depreciated, net	<u>45,424,896</u>	<u>(959,555)</u>	<u>-</u>	<u>44,465,341</u>
Business-type activities capital assets, net	<u>\$ 45,930,579</u>	<u>\$ (607,829)</u>	<u>\$ (4,863)</u>	<u>\$ 45,317,887</u>

**CITY OF CLYDE  
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to functions/programs of the City as follows:

**Governmental activities:**

General government	\$ 8,452
Security of persons and property	129,585
Public health and welfare	52,262
Transportation	39,343
Community environment	32,255
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>53,622</u>
Total depreciation expense - governmental activities	<u>\$ 315,519</u>

**NOTE 9 - 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 their unused vacation leave. The total obligation for vacation leave for the City as a whole amounted to \$28,936 at December 31, 2004. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

City employees may accumulate up to 120 hours of compensatory time at time and a-half in lieu of direct pay of overtime hours worked. The total obligation for compensatory time accrual for the City as a whole amounted to \$27,766 at December 31, 2004. 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 .0577 for each hour in active pay status, up to one hundred twenty (120) hours per year. Upon retirement an employee is paid for forty percent of their accumulated sick leave up to a maximum payment equal to 130 days or 1,040 hours, except the fire department employees, who are part-time and do not accumulate sick leave. The total obligation for sick leave accrual for the City as a whole amounted to \$169,908 at December 31, 2004. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

**NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE**

In the prior year, the City entered into three capital lease agreements for the acquisition of vehicles. During 2004, the City entered into a capital lease for an additional vehicle. The leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. At inception, capital lease transactions are accounted for as a capital outlay expenditure and another financing source in the appropriate fund.

**CITY OF CLYDE  
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

**NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE – (Continued)**

For the City, a corresponding liability was recorded in the government-wide financial statements. Principal payments in 2004 totaled \$24,516 in the general fund. Capital lease payments in the general fund have been reclassified on the financial statements to reflect debt principal and interest payments. These payments are reported as program expenditures on the budgetary statement.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2004.

Year Ending <u>December 31,</u>	<u>General</u>
2005	\$ 28,217
2006	28,216
2007	<u>6,946</u>
Total future minimum lease payments	63,379
Less: amount representing interest	<u>(5,921)</u>
Present value of net minimum lease payments	<u>\$ 57,458</u>

**NOTE 11 - LONG-TERM OBLIGATIONS**

A. During 2004, the following changes occurred in the City's governmental long-term obligations:

<b>Governmental Activities:</b>	<u>Interest Rate</u>	<u>Balance 12/31/03</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/04</u>	<u>Amounts Due in One Year</u>
<b><u>General Obligation Debt:</u></b>						
Woodland/Premier						
General Obligation Bonds	2.0%-4.15%	\$ 915,000	\$ -	\$ (100,000)	\$ 815,000	\$ 100,000
Vine/Main Street Improvements						
General Obligation Bonds	1.70%-5.0%	<u>3,490,000</u>	<u>-</u>	<u>(175,000)</u>	<u>3,315,000</u>	<u>185,000</u>
Total general obligation debt		<u>\$4,405,000</u>	<u>\$ -</u>	<u>\$ (275,000)</u>	<u>\$4,130,000</u>	<u>\$ 285,000</u>
<b><u>Other Obligations:</u></b>						
Police Pension Liability		\$ 80,213	\$ -	\$ (1,251)	\$ 78,962	\$ 1,304
Capital Lease Obligation		56,254	25,720	(24,516)	57,458	24,658
Compensated Absences		<u>113,989</u>	<u>36,854</u>	<u>(49,403)</u>	<u>101,440</u>	<u>28,836</u>
Total other obligations		<u>\$ 250,456</u>	<u>\$ 62,574</u>	<u>\$ (75,170)</u>	<u>\$ 237,860</u>	<u>\$ 54,798</u>
Total governmental activities long-term obligations		<u>\$4,655,456</u>	<u>\$ 62,574</u>	<u>\$ (350,170)</u>	<u>\$4,367,860</u>	<u>\$ 339,798</u>

**CITY OF CLYDE  
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

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

*General Obligation Bonds:* 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.

In prior years, the City defeased the Main Street general obligation bond by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the City's financial statements. At December 31, 2004, \$4,230,000 of this debt was still outstanding.

The annual requirements amortize general long-term obligations outstanding as of December 31, 2004, are as follows:

	Vine/Main Street		Woodland/Premier	
	Principal	Interest	Principal	Interest
2005	\$ 185,000	\$ 141,538	\$ 100,000	\$ 29,223
2006	180,000	136,173	100,000	26,522
2007	190,000	130,502	100,000	23,522
2008	195,000	123,852	100,000	20,223
2009	205,000	116,540	100,000	16,622
2010 - 2014	940,000	455,412	315,000	26,418
2015 - 2019	820,000	269,919	-	-
2020 - 2022	600,000	60,810	-	-
Total	\$ 3,315,000	\$ 1,434,746	\$ 815,000	\$ 142,530

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

*Police Pension Liability:* An accrual has been setup for a legal liability for past service cost for the Police and Firemen's Disability and Pension Fund which arose when the Fund was established in 1968. The remaining unfunded pension liability is to be amortized in semi-annual installments through 2035. Principal payments are made from the Police Pension special revenue fund.

**CITY OF CLYDE  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

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

The annual requirements to amortize police pension obligations outstanding as of December 31, 2004, are as follows:

Year Ending	Police Pension	
	Principal	Interest
2005	\$ 1,305	\$ 3,342
2006	1,361	3,286
2007	1,419	3,228
2008	1,480	3,167
2009	1,544	3,103
2010 - 2014	8,772	14,463
2015 - 2019	10,826	12,408
2020 - 2024	13,358	9,876
2025 - 2029	16,484	6,748
2030 - 2034	20,341	2,892
2035	<u>2,072</u>	<u>44</u>
Total	<u>\$ 78,962</u>	<u>\$ 62,557</u>

**CITY OF CLYDE  
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

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

**B.** During 2004, the following changes occurred in the City's business-type long-term liabilities:

<b>Business-Type Activities:</b>	<u>Interest Rate</u>	<u>Balance 12/31/03</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/04</u>	<u>Amount Due in One Year</u>
<u>Mortgage Revenue Bonds</u>						
Electric System Mortgage Revenue Refunding Bonds, Series 1998	4.0%-6%	\$ 3,325,000	\$ -	\$ (225,000)	\$ 3,100,000	\$ 235,000
Electric System Mortgage Revenue Refunding Bonds	3.0%-6.3%	4,530,000	-	(4,530,000)	-	-
Total mortgage revenue bonds		<u>7,855,000</u>	<u>-</u>	<u>(4,755,000)</u>	<u>3,100,000</u>	<u>235,000</u>
<u>OWDA Loans</u>						
Sewer Plant OWDA Loan	3.90%	530,489	-	(20,024)	510,465	20,813
Water System OWDA Loan	2.00%	1,344,320	-	(54,934)	1,289,386	60,765
Total OWDA Loans		<u>1,874,809</u>	<u>-</u>	<u>(74,958)</u>	<u>1,799,851</u>	<u>81,578</u>
<u>General Obligation Bonds</u>						
Water System General Obligation Bonds Series 1997	3.0%-6.30%	5,325,000	-	(60,000)	5,265,000	70,000
Water System Improvement Revenue Bonds	2.1%-4.65%	1,300,000	-	(125,000)	1,175,000	125,000
Electric System G.O. Refunding Bonds	2.0%-4.125%	-	4,345,000	(455,000)	3,890,000	340,000
Total general obligation bonds		<u>6,625,000</u>	<u>4,345,000</u>	<u>(640,000)</u>	<u>10,330,000</u>	<u>535,000</u>
<u>Other Obligations</u>						
Compensated Absences		142,083	27,866	(44,779)	125,170	27,866
Total other obligations		<u>142,083</u>	<u>27,866</u>	<u>(44,779)</u>	<u>125,170</u>	<u>27,866</u>
Total business-type activities long-term obligations		<u>\$ 16,496,892</u>	<u>\$ 4,372,866</u>	<u>\$ (5,514,737)</u>	<u>15,355,021</u>	<u>\$ 879,444</u>
Deferred charges/bond issuance cost					<u>(409,212)</u>	
					<u>\$ 14,945,809</u>	

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

**CITY OF CLYDE  
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

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

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

In prior years, the City defeased Electric System Mortgage Revenue Bonds, Series B by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the City's financial statements. At December 31, 2004, \$423,000 of this debt was still outstanding.

General Obligation Bonds: During 1997, the City issued general obligation bonds for improvements to the City's water system. The revenues derived from user charges will be used to repay the debt. During prior years the City issued additional general obligation bonds for additional water system improvements. These bonds will be repaid with user charges collected in the water fund. During 2004, the City issued general obligation bonds for electric system improvements. These bonds retired the mortgage revenue bonds outstanding at December 31, 2003, in the amount of \$4,530,000. These general obligation bonds will be repaid with user charges collected in the electric fund.

On May 13, 2004, the City issued \$4,345,000 in electric system refunding bonds to currently refund the callable portion of the 1993 electric system bonds (principal \$4,530,000; interest rate 3.0%-6.30%). The refunded debt is considered defeased (insubstance) and accordingly, has been removed from the statement of net assets. The principal balance of the electric system refunding bonds at December 31, 2004 was \$3,890,000.

The 2004 electric system refunding issue is comprised of current interest bonds, par value \$4,345,000, with an annual interest rate ranging from 2.00% - 4.125%. The reacquisition price exceeded the net carrying amount of the old debt by \$141,091. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to interest expense through the year 2014 using the straight-line method. This current refunding was undertaken to reduce total debt service payments over the next 10 years by 3.59% and resulted in an economic gain of \$368,560.

OWDA Loans: The City has entered into debt financing arrangements through the 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, 2004, the City has outstanding borrowings of \$1,799,851.

**CITY OF CLYDE  
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

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

The annual requirements to amortize enterprise fund obligations outstanding as of year-end are as follows:

Year Ending	Electric Revenue Bonds		Electric General Obligation Refunding Bonds		Water Improvement G.O. Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
	2005	\$ 235,000	\$ 184,237	\$ 340,000	\$ 133,714	\$ 195,000
2006	250,000	171,900	345,000	126,914	200,000	301,080
2007	265,000	156,900	355,000	118,289	205,000	292,706
2008	280,000	141,000	365,000	107,639	220,000	283,613
2009	295,000	124,200	380,000	96,689	230,000	273,518
2010 - 2014	1,775,000	331,500	2,105,000	260,060	970,000	1,208,054
2015 - 2019	-	-	-	-	610,000	1,039,750
2020 - 2024	-	-	-	-	780,000	868,625
2025 - 2029	-	-	-	-	1,000,000	650,000
2030 - 2034	-	-	-	-	1,270,000	371,000
2035 - 2037	-	-	-	-	760,000	57,625
Total	<u>\$ 3,100,000</u>	<u>\$ 1,109,737</u>	<u>\$ 3,890,000</u>	<u>\$ 843,305</u>	<u>\$ 6,440,000</u>	<u>\$ 5,654,857</u>

Year Ending	OWDA Loan	
	Principal	Interest
2005	\$ 80,977	\$ 45,195
2006	83,005	43,167
2007	85,091	41,082
2008	87,235	38,937
2009	89,439	36,733
2010 - 2014	482,495	148,364
2015 - 2019	547,780	83,080
2020 - 2023	343,829	14,427
Total	<u>\$1,799,851</u>	<u>\$ 450,985</u>

**C. Legal Debt Margin**

The City's voted and unvoted legal debt margins were \$8,010,028 and \$2,231,645, respectively, at December 31, 2004.



**CITY OF CLYDE  
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

**NOTE 12 - INTERFUND ADVANCES**

The City had the following interfund loan in the permanent improvement fund for 2004:

	Interest <u>Rate</u>	Issue <u>Date</u>	Balance <u>12/31/03</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>12/31/04</u>
Land Acquisition	3.00%	8/1/00	\$ 105,466	\$ -	\$ (13,764)	\$ 91,702

The interfund loan outstanding at December 31, 2004 is an internal City note that represents amounts borrowed from other funds of the City. This note is structured in essentially the same manner as note agreements with outside institutions. The Electric enterprise fund loaned the monies to the permanent improvement fund and has reported "Advances to other funds" on the balance sheet for the principal amounts due at December 31, 2004.

The following is a summary of the City's future annual debt service and interest requirements for the City's internal note:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 14,177	\$ 2,751	\$ 16,928
2006	14,602	2,326	16,928
2007	15,040	1,888	16,928
2008	15,492	1,436	16,928
2009	15,956	972	16,928
2010	16,435	493	16,928
Total	<u>\$ 91,702</u>	<u>\$ 9,866</u>	<u>\$ 101,568</u>

**NOTE 13 - RISK MANAGEMENT**

**A. Property and Casualty Insurance**

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

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

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000 up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

**CITY OF CLYDE  
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

**NOTE 13 - RISK MANAGEMENT – (Continued)**

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

Financial Position

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

<u>Casualty Coverage</u>	<u>2004</u>
Assets	\$ 30,547,049
Liabilities	<u>(16,989,918)</u>
Retained earnings	<u>\$ 13,557,131</u>
 <u>Property Coverage</u>	 <u>2004</u>
Assets	\$ 3,652,970
Liabilities	<u>(544,771)</u>
Retained earnings	<u>\$ 3,108,199</u>

**B. Employee Health Insurance**

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

The pool is for employee benefits and includes life insurance, accidental death and dismemberment insurance, health insurance and prescription drug insurance. Each member has an option on the coverage it has elected to provide for its employees. The City provides, to its employees, all available options offered by the pool. The employee benefits pools include the following municipalities: Archbold, Bowling Green, Carey, Clyde, Defiance, Fayette, Hicksville, Napoleon, Oberlin, Sandusky, Upper Sandusky and Willard. As of December 31, 2004 the pool had cash reserves of \$3,074,858 which, in the opinion of management, is adequate for any claims against the pool.

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

**CITY OF CLYDE  
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

**NOTE 13 - RISK MANAGEMENT – (Continued)**

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 14 - DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642.

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5% of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1% of their annual covered salary; members in public safety contributed 9%. The City's contribution rate for pension benefits for 2004 was 9.55%, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 12.7% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$220,458, \$220,793, and \$215,948, respectively; 100% has been contributed for 2003 and 2002. 90.94% has been contributed for 2004; \$19,966 represents the unpaid portion which is reported as a liability in the respective funds. The City and plan members did not make any contributions to the member-directed plan for 2004.

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

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are

**CITY OF CLYDE  
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary to fund pension obligations while the City is required to contribute 19.5% for police officers and 24.0% for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for police for the years ended December 31, 2004, 2003, and 2002 were \$100,116, \$77,903, and \$91,895, respectively. The full amount has been contributed for 2003 and 2002. 92.35% for police and fire has been contributed for 2004 with the remainder of \$7,654 being reported as a liability in the respective funds.

**NOTE 15 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55% of covered payroll (16.70% for public safety and law enforcement); 4.00% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPER's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00%, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$460,084. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003 (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

**CITY OF CLYDE  
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

**NOTE 15 - POSTRETIREMENT BENEFIT PLANS – (Continued)**

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

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

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement 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. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 7.75% of covered payroll was applied to the postemployment health care program during 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2004 that were used to fund postemployment benefits were \$57,776 for police. The OP&F's total health care expense for the year ended December 31, 2003 (the latest information available) was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003 (the latest information available), was 13,662 for police and 10,474 for firefighters.

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP basis).

**CITY OF CLYDE  
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING – (Continued)**

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

**Net Change in Fund Balance**

	General
Budget basis	\$ (339,112)
Net adjustment for revenue accruals	247,476
Net adjustment for expenditure accruals	142,868
Net adjustment for other sources/uses	(243,861)
Adjustment for encumbrances	107,758
GAAP basis	\$ (84,871)

**NOTE 17 - CONTINGENCIES**

**A. Grants**

The City receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2004.

**B. Litigation**

The City is currently not involved in litigation that the City’s legal counsel anticipates a loss.

**NOTE 18 - MASTER LEASE-PURCHASE AND SUBLEASE PURCHASE AGREEMENT**

To provide for the acquisition, construction, equipping, improvement and installing of a new hospital in Bellevue, Ohio and to retire the Bellevue Hospital Series 2002 note, the City has authorized a master lease-purchase and sublease-purchase agreement dated July 1, 2003, with Fifth Third Bank, and the Bellevue Hospital in a principal amount of \$10,000,000. The agreement includes a statement to the effect that the City’s obligations thereunder, which constitute “revenue obligations” within the meaning of Section 140.06 of the Act, are not obligations, debt or bonded indebtedness of the City. As of December 31, 2004 the principal outstanding aggregated \$10,000,000.



**Auditor of State  
Betty Montgomery**

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

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

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clyde (the City) as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 6, 2006, which was qualified due to our inability to obtain sufficient evidential matter supporting infrastructure capital assets, accumulated depreciation, depreciation expense, and related net asset restrictions of the business-type activities, the Water Fund, Sewer Fund, and the Electric Fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable condition 2004-001 listed above to be a material weakness. In a separate letter to the City's management dated January 6, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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### **Compliance and Other Matters**

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance and other matters we must report under *Government Auditing Standards*. In a separate letter to the City's management dated January 6, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and City Council. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

January 6, 2006



**CITY OF CLYDE  
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004**

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

**FINDING NUMBER 2004-001**

**Capital Assets**

The City does not maintain an adequate detailed capital asset listing for infrastructure for its business-type activities, Water Fund, Sewer Fund, and Electric Fund. The failure to maintain an accurate capital asset listing could increase the risk that capital assets may be inaccurate for reporting and insurance purposes and increase the possibility of theft or loss without detection.

We recommend the City obtain a capital asset listing for its infrastructure capital assets. The capital asset listing should include opening balances, additions and deletions by category and fund, ending balances, current and accumulated depreciation (if applicable), carrying amounts for all assets, location and purchase date. The capital asset system should also assign each asset to a functional category so that the City can allocate depreciation expense to proper functions. The capital asset procedures should include documents for the addition and deletion of capital assets with approval signatures of the responsible officials and a procedure to report this information to the Finance Director.

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**CITY OF CLYDE  
SANDUSKY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	ORC § 5705.39 Appropriations exceeded estimated resources	No	Partially corrected. Reported in the management letter.
2003-002	ORC § 5705.10 Negative cash balances	No	Partially corrected. Reported in the management letter.
2003-003	ORC § 5705.41 (B) Expenditures exceeded appropriations	No	Partially corrected. Reported in the management letter.
2003-004	Material Weakness – Capital Assets	No	Repeated as Finding 2004-001.





**Auditor of State  
Betty Montgomery**

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**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  
FEBRUARY 9, 2006**