



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

SANDUSKY COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Sandusky County
100 North Park Avenue, Suite A
Fremont, Ohio 43420-2477

To the County Commissioners:

We have audited the accompanying general-purpose financial statements of Sandusky County (the County) as of and for the year ended December 31, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of Sandco Industries, a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Sandco Industries, is based on the report of the other auditors.

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Sandco Industries were audited by the other auditors in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards*. 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 and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Sandusky County, as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund types and discretely presented component unit for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2001, the County adopted Government Accounting Statement No. 33. Also, during the year ended December 31, 2001, the County included the Convention and Visitors Bureau as a component unit.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2002 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the financial statements of the County taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized and cursive, with a large loop at the end.

Jim Petro
Auditor of State

October 1, 2002

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SANDUSKY COUNTY

COMBINED BALANCE SHEET

ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2001

	Governmental Fund Types				Proprietary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
ASSETS AND OTHER DEBITS					
Assets:					
Equity in pooled cash and cash equivalents	\$1,639,217	\$11,346,622	\$750,928	\$1,370,609	\$2,664,980
Investments		58,667			
Cash in segregated accounts					15,550
Receivables (net of allowances for uncollectibles):					
Taxes	3,404,937	3,828,220			622,928
Accounts	143,482	187,050		3,475	487,589
Accrued interest	22,276			4,218	
Special assessments		91,210	19,262		198
Interfund loans	70,600				
Notes		107,047			
Advances to other funds	15,000			53,250	
Due from other governments	1,032,495	3,313,824			25,423
Prepayments	75,867	348			1,751
Materials and supplies inventory	123,866	239,100			71,139
Property, plant and equipment (net of accumulated depreciation where applicable)					10,675,369
Investment in joint venture					
Other debits:					
Amount available in debt service fund for retirement of general long-term obligations					
Amount available in debt service fund for retirement of special assessment bonds					
Amount to be provided for retirement of general long-term obligations					
Total assets and other debits	\$6,527,740	\$19,172,088	\$770,190	\$1,431,552	\$14,564,927

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total Primary Government (Memorandum Only)	Component Units		Total Reporting Entity (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations		Sandco Industries	Convention and Visitors Bureau	
\$860,862	\$6,904,481			\$25,537,699			\$25,537,699
	109,155			58,667			58,667
				124,705	\$83,681	\$30,860	239,246
				7,856,085			7,856,085
260				821,856	58,419		880,275
1,734				28,228			28,228
				110,670			110,670
				70,600			70,600
				107,047			107,047
				68,250			68,250
				4,371,742		17,853	4,389,595
				77,966	587		78,553
				434,105			434,105
		\$27,969,344		38,644,713		12,915	38,657,628
		2,408,686		2,408,686			2,408,686
			\$684,487	684,487			684,487
			66,441	66,441			66,441
			9,240,447	9,240,447			9,240,447
\$862,856	\$7,013,636	\$30,378,030	\$9,991,375	\$90,712,394	\$142,687	\$61,628	\$90,916,709

(Continued)

SANDUSKY COUNTY

COMBINED BALANCE SHEET

ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNITS

DECEMBER 31, 2001

(Continued)

	Governmental Fund Types			Proprietary
	General	Special Revenue	Debt Service	Capital Projects Enterprise
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$109,452	\$706,350		\$8,180 \$94,817
Accrued wages and benefits	181,021	187,219		76,103
Compensated absences payable	53,749	43,242		318,800
Interfund loans payable				70,600
Advances from other funds		53,250		15,000
Deferred revenue	3,073,420	6,622,536	\$19,262	652,436
Due to other governments	54,853	86,789		128,647
Deposits held and due to others				15,550
Accrued interest payable				2,737
Claims and judgments payable				
Bond anticipation notes payable				800,000
Undistributed monies				
General obligation bonds payable				380,000
Special assessment debt with government commitment				
Notes payable				
OPWC loans payable				
OWPC loans payable				
Capital lease obligation				3,768
Total liabilities	3,472,495	7,699,386	19,262	1,687,858
Equity and other credits:				
Investment in general fixed assets				
Retained earnings - unreserved				12,877,069
Net Assets				
Fund balances:				
Reserved for encumbrances	75,473	678,469		53,754
Reserved for materials and supplies inventory	123,866	239,100		
Reserved for notes receivable		107,047		
Reserved for advances	15,000			53,250
Reserved for prepayments	75,867	348		
Reserved for debt service			750,928	
Reserved for external investment pool participants				
Reserved for long-term investment in Sandusky County bonds		58,667		
Unreserved-undesignated	2,765,039	10,389,071		445,768
Total equity and other credits	3,055,245	11,472,702	750,928	12,877,069
Total liabilities, equity and other credits	\$6,527,740	\$19,172,088	\$770,190	\$14,564,927

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total Primary Government (Memorandum Only)	Component Units		Total Reporting Entity (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations		Sandco Industries	Convention and Visitors Bureau	
Internal Service	Trust and Agency			\$918,799	\$4,735	\$3,988	\$927,522
				444,343	3,325	975	448,643
			\$2,246,828	2,662,619			2,662,619
				70,600			70,600
				68,250			68,250
				10,367,654			10,367,654
			467,867	738,156		2,551	740,707
	\$109,155			124,705			124,705
	78,510			2,737			2,737
				78,510			78,510
				800,000			800,000
	4,237,669			4,237,669			4,237,669
			5,335,000	5,715,000			5,715,000
			58,667	58,667			58,667
						28,898	28,898
			254,990	254,990			254,990
			1,486,754	1,486,754			1,486,754
			141,269	145,037			145,037
	4,425,334		9,991,375	28,174,490	8,060	36,412	28,218,962
		\$30,378,030		30,378,030			30,378,030
\$862,856				13,739,925	134,627		13,739,925
							134,627
				807,696			807,696
				362,966			362,966
				107,047			107,047
				68,250			68,250
				76,215			76,215
				750,928			750,928
	2,505,552			2,505,552			2,505,552
				58,667			58,667
	82,750			13,682,628		25,216	13,707,844
862,856	2,588,302	30,378,030		62,537,904	134,627	25,216	62,697,747
\$862,856	\$7,013,636	\$30,378,030	\$9,991,375	\$90,712,394	\$142,687	\$61,628	\$90,916,709

SANDUSKY COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUND
AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Property and other taxes	\$2,339,580	\$1,804,442		
Sales taxes	5,773,428	174,493		
Charges for services	2,175,638	1,497,204		
Licenses and permits	4,691			
Fines and forfeitures	419,391	98,217		
Intergovernmental	2,191,686	19,343,909		\$1,778,124
Special assessments		134,320	\$44,630	13,577
Investment income	1,089,746	83,104		4,218
Other	1,214,158	1,828,734	431,709	449,098
Total revenues	15,208,318	24,964,423	476,339	2,245,017
Expenditures:				
Current:				
General government:				
Legislative and executive	4,136,385	405,868		
Judicial	2,343,566	229,847		
Public safety	5,399,084	1,844,577		
Public works	184,119	3,963,617		
Health	112,169	160,397		
Human services	2,016,998	16,409,788		
Economic development and assistance		358,468		
Travel and tourism promotion				
Supporting services				
Other	322,682		23,339	
Capital outlay	20,606			3,469,256
Intergovernmental	290,650			
Debt service:				
Principal retirement	128,710		587,434	57,622
Interest and fiscal charges			351,821	998
Total expenditures	14,954,969	23,372,562	962,594	3,527,876
Excess of expenditures over revenues	253,349	1,591,861	(486,255)	(1,282,859)
Other financing sources (uses):				
Proceeds of capital lease	20,606			
Proceeds of loans			135,000	225,134
Operating transfers in	32,035	86,218	471,696	1,806,392
Operating transfers out	(1,596,359)	(260,206)		(74,464)
Total other financing sources (uses)	(1,543,718)	(173,988)	606,696	1,957,062
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	(1,290,369)	1,417,873	120,441	674,203
Fund balances, January 1 (restated)	4,405,992	10,097,864	630,487	(121,431)
Decrease in reserve for inventory	(60,378)	(43,035)		
Fund balances, December 31	\$3,055,245	\$11,472,702	\$750,928	\$552,772

The notes to the general-purpose financial statements are an integral part of this statement.

<u>Fiduciary Fund Type</u>	<u>Total Primary Government (Memorandum Only)</u>	<u>Component Unit Convention and Visitors Bureau</u>	<u>Total Reporting Entity (Memorandum Only)</u>
	\$4,144,022	\$156,347	\$4,300,369
	5,947,921		5,947,921
	3,672,842		3,672,842
	4,691		4,691
	517,608		517,608
	23,313,719		23,313,719
	192,527		192,527
	1,177,068	158	1,177,226
	3,923,699	910	3,924,609
	<u>42,894,097</u>	<u>157,415</u>	<u>43,051,512</u>
	4,542,253		4,542,253
	2,573,413		2,573,413
	7,243,661		7,243,661
	4,147,736		4,147,736
	272,566		272,566
	18,426,786		18,426,786
	358,468		358,468
		113,241	113,241
		49,862	49,862
	346,021		346,021
	3,489,862		3,489,862
	290,650		290,650
	773,766		773,766
	352,819		352,819
	<u>42,818,001</u>	<u>163,103</u>	<u>42,981,104</u>
	<u>76,096</u>	<u>(5,688)</u>	<u>70,408</u>
	20,606		20,606
	360,134		360,134
	2,396,341		2,396,341
	<u>(1,931,029)</u>		<u>(1,931,029)</u>
	<u>846,052</u>		<u>846,052</u>
	922,148	(5,688)	916,460
\$82,750	15,095,662	30,904	15,126,566
	<u>(103,413)</u>		<u>(103,413)</u>
<u>\$82,750</u>	<u>\$15,914,397</u>	<u>\$25,216</u>	<u>\$15,939,613</u>

SANDUSKY COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) COMPARISON ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 2001

	General		Variance: Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues:			
Property taxes	\$2,327,950	\$2,339,580	\$11,630
Sales taxes	5,683,470	5,740,979	57,509
Charges for services	2,192,780	2,214,968	22,188
Licenses and permits	4,644	4,691	47
Fines and forfeitures	414,516	418,711	4,195
Intergovernmental	2,158,257	2,180,096	21,839
Special assessments			
Investment income	1,074,150	1,119,112	44,962
Rental income			
Other	57,657	58,241	584
Total revenues	13,913,424	14,076,378	162,954
Expenditures:			
Current:			
General government:			
Legislative and executive	4,531,443	4,241,175	290,268
Judicial	2,540,757	2,439,175	101,582
Public safety	5,885,510	5,671,482	214,028
Public works	188,927	184,119	4,808
Health	121,053	111,552	9,501
Human services	2,071,465	2,032,943	38,522
Economic development and assistance			
Other	315,474	258,005	57,469
Capital outlay			
Intergovernmental	290,651	290,651	
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	15,945,280	15,229,102	716,178
Excess of revenues over (under) expenditures	(2,031,856)	(1,152,724)	879,132
Other financing sources (uses):			
Proceeds of notes			
Advances in and not repaid	47,324	47,803	479
Advances (out) and not repaid		(70,600)	(70,600)
Operating transfers in	130,713	132,035	1,322
Operating transfers (out)	(2,445,712)	(1,696,359)	749,353
Other financing sources	1,201,994	1,214,157	12,163
Other financing uses	(90,023)	(81,461)	8,562
Total other financing sources (uses)	(1,155,704)	(454,425)	701,279
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	(3,187,560)	(1,607,149)	1,580,411
Fund balances, January 1 (restated)	2,773,335	2,773,335	
Prior year encumbrances appropriated	199,147	199,147	
Fund balances, December 31	(\$215,078)	\$1,365,333	\$1,580,411

Special Revenue			Debt Service		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$1,788,957	\$1,804,442	\$15,485			
163,000	163,810	810			
1,455,459	1,496,825	41,366			
112,493	112,484	(9)			
16,894,931	18,365,397	1,470,466			
130,000	134,320	4,320	\$46,733	\$44,630	(\$2,103)
1,800,111	1,674,576	(125,535)	374,617	401,406	26,789
22,344,951	23,751,854	1,406,903	421,350	446,036	24,686
524,452	495,616	28,836			
363,494	272,472	91,022			
2,184,934	1,887,702	297,232			
4,781,576	4,275,287	506,289			
222,537	188,865	33,672			
20,567,010	17,081,820	3,485,190			
616,796	536,911	79,885	24,989	23,339	1,650
			1,252,434	1,252,434	
			369,497	351,821	17,676
29,260,799	24,738,673	4,522,126	1,646,920	1,627,594	19,326
(6,915,848)	(986,819)	5,929,029	(1,225,570)	(1,181,558)	44,012
			818,247	805,250	(12,997)
(500)	(42,803)	(42,303)			
302,089	407,875	105,786	437,439	472,227	34,788
(492,144)	(581,863)	(89,719)	(501)	(531)	(30)
1,247,739	1,293,815	46,076			
1,057,184	1,077,024	19,840	1,255,185	1,276,946	21,761
(5,858,664)	90,205	5,948,869	29,615	95,388	65,773
9,500,761	9,500,761		600,518	600,518	
811,772	811,772				
\$4,453,869	\$10,402,738	\$5,948,869	\$630,133	\$695,906	\$65,773

(Continued)

SANDUSKY COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) COMPARISON
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2001
 (Continued)

	Capital Projects		Variance: Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues:			
Property taxes			
Sales taxes			
Charges for services			
Licenses and permits			
Fines and forfeitures			
Intergovernmental	\$1,950,959	\$1,850,950	(\$100,009)
Special assessments	5,462	13,577	8,115
Investment income		6,398	6,398
Rental income			
Other	620,573	668,658	48,085
Total revenues	<u>2,576,994</u>	<u>2,539,583</u>	<u>(37,411)</u>
Expenditures:			
Current:			
General government:			
Legislative and executive			
Judicial			
Public safety			
Public works			
Health			
Human services			
Economic development and assistance			
Other			
Capital outlay	3,938,989	3,442,767	496,222
Intergovernmental			
Debt service:			
Principal retirement	62,248	57,622	4,626
Interest and fiscal charges		998	(998)
Total expenditures	<u>4,001,237</u>	<u>3,501,387</u>	<u>499,850</u>
Excess of revenues over (under) expenditures	<u>(1,424,243)</u>	<u>(961,804)</u>	<u>462,439</u>
Other financing sources (uses):			
Proceeds of notes			
Advances in and not repaid	70,600	70,600	
Advances (out) and not repaid			
Operating transfers in	2,048,440	1,806,392	(242,048)
Operating transfers (out)	(137,713)	(74,464)	63,249
Other financing sources			
Other financing uses			
Total other financing sources (uses)	<u>1,981,327</u>	<u>1,802,528</u>	<u>(178,799)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	557,084	840,724	283,640
Fund balances, January 1 (restated)	(273,968)	(273,968)	
Prior year encumbrances appropriated	796,941	796,941	
Fund balances, December 31	<u>\$1,080,057</u>	<u>\$1,363,697</u>	<u>\$283,640</u>

The notes to the general-purpose financial statements are an integral part of this statement.

Total (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$4,116,907	\$4,144,022	\$27,115
5,846,470	5,904,789	58,319
3,648,239	3,711,793	63,554
4,644	4,691	47
527,009	531,195	4,186
21,004,147	22,396,443	1,392,296
182,195	192,527	10,332
1,074,150	1,125,510	51,360
<u>2,852,958</u>	<u>2,802,881</u>	<u>(50,077)</u>
<u>39,256,719</u>	<u>40,813,851</u>	<u>1,557,132</u>
5,055,895	4,736,791	319,104
2,904,251	2,711,647	192,604
8,070,444	7,559,184	511,260
4,970,503	4,459,406	511,097
343,590	300,417	43,173
22,638,475	19,114,763	3,523,712
616,796	536,911	79,885
340,463	281,344	59,119
3,938,989	3,442,767	496,222
290,651	290,651	
1,314,682	1,310,056	4,626
369,497	352,819	16,678
<u>50,854,236</u>	<u>45,096,756</u>	<u>5,757,480</u>
<u>(11,597,517)</u>	<u>(4,282,905)</u>	<u>7,314,612</u>
818,247	805,250	(12,997)
117,924	118,403	479
(500)	(113,403)	(112,903)
2,918,681	2,818,529	(100,152)
(3,076,070)	(2,353,217)	722,853
2,449,733	2,507,972	58,239
(90,023)	(81,461)	8,562
<u>3,137,992</u>	<u>3,702,073</u>	<u>564,081</u>
(8,459,525)	(580,832)	7,878,693
12,600,646	12,600,646	
1,807,860	1,807,860	
<u>\$5,948,981</u>	<u>\$13,827,674</u>	<u>\$7,878,693</u>

SANDUSKY COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2001

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Operating revenues:			
Charges for services	\$5,005,360	\$72,064	\$5,077,424
Other operating revenues	299,614		299,614
Total operating revenues	5,304,974	72,064	5,377,038
Operating expenses:			
Personal services	3,937,507		3,937,507
Contractual services	972,818	11,841	984,659
Materials and supplies	523,864		523,864
Depreciation	337,218		337,218
Claims expense		44,689	44,689
Other operating expense	563,429		563,429
Total operating expenses	6,334,836	56,530	6,391,366
Operating income (loss)	(1,029,862)	15,534	(1,014,328)
Nonoperating revenues (expenses):			
Interest expense	(39,736)		(39,736)
Loss on sale of fixed assets	(1,953)		(1,953)
Taxes	625,511		625,511
Non-operating grants	50,261		50,261
Interest and dividend income		41,519	
Adjustment of Claims Expense		329,346	329,346
Total nonoperating revenues	634,083	370,865	1,004,948
Net income (loss) before operating transfers	(395,779)	386,399	(9,380)
Operating transfers in	34,183		34,183
Operating transfers out	(499,495)		(499,495)
Capital contributions	2,140,489		2,140,489
Net income (loss)	1,279,398	386,399	1,665,797
Retained earnings, January 1 (restated)	11,597,671	476,457	12,074,128
Retained earnings, December 31	\$12,877,069	\$862,856	\$13,739,925

The notes to the general-purpose financial statements are an integral part of this statement.

SANDUSKY COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2001

	Component Unit
	Sandco Industries
Operating revenues:	
Workshop	\$462,529
Job station	36,431
In-kind contributed services	193,608
	<hr/>
Total operating revenues	692,568
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Operating expenses:	
Program expenses	587,529
Support services expenses	147,796
	<hr/>
Total operating expenses	735,325
	<hr/>
Operating loss	(42,757)
	<hr/>
Nonoperating revenues (expenses):	
Interest and dividend income	5,626
Donations	10,431
Miscellaneous income	5,835
	<hr/>
Total nonoperating revenues	21,892
	<hr/>
Changes in Net Assets	(20,865)
	<hr/>
Net Assets, January 1	155,492
	<hr/>
Net Assets, December 31	\$134,627
	<hr/> <hr/>

The notes to the general-purpose financial statements are an integral part of this statement.

SANDUSKY COUNTY

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Proprietary Fund Types</u>		Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Cash flows from operating activities:			
Cash received from charges for services	\$4,826,946	\$107,122	\$4,934,068
Cash received from other operations	371,228		371,228
Cash payments for personal services	(3,778,466)		(3,778,466)
Cash payments for contract services	(1,065,920)	(14,991)	(1,080,911)
Cash payments for materials and supplies	(550,663)		(550,663)
Cash payments for claims expense		(202,905)	(202,905)
Cash payments for other expenses	(598,612)		(598,612)
Net cash used in operating activities	<u>(795,487)</u>	<u>(110,774)</u>	<u>(906,261)</u>
Cash flows from noncapital financing activities:			
Cash received from taxes	625,511		625,511
Cash received from nonoperating grants	50,261		50,261
Advances out to other funds	(5,000)		(5,000)
Transfers in from other funds	121,540		121,540
Transfers out to other funds	(586,967)		(586,967)
Net cash provided by noncapital financing activities	<u>205,345</u>		<u>205,345</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(62,757)		(62,757)
Interest expense	(36,675)		(36,675)
Principal payments-capital lease	(3,900)		(3,900)
Interest payments-capital lease	(340)		(340)
Principal retirement	(30,000)		(30,000)
Net cash used in capital and related financing activities	<u>(133,672)</u>		<u>(133,672)</u>
Cash flows from investing activities:			
Interest received		41,519	
Net decrease in cash and cash equivalents	(723,814)	(69,255)	(793,069)
Cash and cash equivalents at January 1	3,404,344	930,117	4,334,461
Cash and cash equivalents at December 31	<u><u>\$2,680,530</u></u>	<u><u>\$860,862</u></u>	<u><u>\$3,541,392</u></u>

(Continued)

SANDUSKY COUNTY

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

	<u>Proprietary Fund Types</u>		Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Reconciliation of operating income (loss) to net cash used in operating activities:			
Operating income (loss)	(\$1,029,862)	\$15,534	(\$1,014,328)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:			
Depreciation	337,218		337,218
Changes in assets and liabilities:			
Increase in materials and supplies inventory	(2,170)		(2,170)
(Increase) decrease in accounts receivable	(110,687)	35,058	(75,629)
Decrease in prepayments	94		94
Increase in due from other funds	(6)		(6)
Decrease in accounts payable	(115,611)	(3,150)	(118,761)
Increase (decrease) in accrued wages and benefits	18,749		18,749
Decrease in claims payable		(92,092)	(92,092)
Increase in compensated absences payable	131,245		131,245
Increase (decrease) in due to other governments	3,231	(66,124)	(62,893)
Increase deferred revenue	4,008		4,008
Decrease in due to other funds	(31,696)		(31,696)
Net cash used in operating activities	<u>(\$795,487)</u>	<u>(\$110,774)</u>	<u>(\$906,261)</u>

The notes to the general-purpose financial statements are an integral part of this statement.

SANDUSKY COUNTY

COMBINED STATEMENT OF CASH FLOWS
AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2001

	Component Unit
	Sandco Industries
Cash flows from operating activities:	
Change in net assets	<u>(\$20,865)</u>
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Changes in assets and liabilities:	
Increase in accounts receivable	(13,395)
Decrease in interest receivable	1,843
Decrease in prepaid expenses	1,018
Decrease in accounts payable	(6,019)
Decrease in accrued wages and benefits	<u>(2,510)</u>
Net cash used in operating activities	<u>(39,928)</u>
Net decrease in cash and cash equivalents	(39,928)
Cash and cash equivalents at January 1	<u>123,609</u>
Cash and cash equivalents at December 31	<u>\$83,681</u>

The notes to the general-purpose financial statements are an integral part of this statement.

SANDUSKY COUNTY

STATEMENT OF CHANGES IN NET ASSETS
INVESTMENT TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Fiduciary Fund Type</u>
	<u>Investment Trust</u>
Operations:	
Interest revenue	\$101,280
Contributions from participants	341,249
Capital transactions:	
Proceeds of investments sold	(297,592)
Purchase of investments	505,811
Increase from capital transactions	208,219
Total increase in net assets	650,748
Net assets, January 1	1,854,804
Net assets, December 31	<u><u>\$2,505,552</u></u>

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SANDUSKY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 1 - DESCRIPTION OF THE COUNTY

Sandusky County (the County) was created in 1820. The County is governed by a board of three commissioners elected by the voters of the County. Other officials elected by the voters of the County, and who manage various segments of the County's operations are the Auditor, Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, three Common Pleas Court Judges, and a Probate/Juvenile Court Judge.

Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body, and the chief administrators of public services for the entire County.

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the County. For Sandusky County, this includes the Sandusky County Board of Mental Retardation and Developmental Disabilities (MRDD); the Children's Services Board; and other departments and activities that are directly operated by the elected County officials.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The County applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the County's accounting policies are described below.

A. Reporting Entity

The County's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity". The financial statements include all funds, account groups, agencies, boards, commissions, and component units for which the County and the County Commissioners are "accountable". Accountability as defined in GASB Statement No. 14 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the County and whether exclusion would cause the County's general purpose financial statements to be misleading or incomplete.

Among the factors considered were separate legal standing; appointment of a voting majority of PCU's board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the County. Responsibility was evaluated on the basis of financial dependence and the manifestations of oversight exercised by the Commissioners. Among the factors considered were budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the County, obligation of the County to finance any deficits that may occur, reliance of the organization on continuing subsidies from the County, selection of governing authority, and designation of management.

Based on the foregoing criteria, the financial activities of the following PCU's are reflected in the accompanying financial statements:

SANDUSKY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

DISCRETELY PRESENTED COMPONENT UNITS

Sandco Industries

Sandco Industries (Sandco) is a legally separate, not-for-profit corporation, served by a self-appointed Board of Trustees. Sandco, under contractual agreement with the Sandusky County Board of Mental Retardation and Developmental Disabilities (MRDD), provides sheltered, transitional, and outside employment for mentally retarded or handicapped adults in the County. The County Board of MRDD provides Sandco with available resources and staff for operation of Sandco. Based on the significant resources and services provided by the County to Sandco and Sandco sole purpose of providing assistance to retarded and handicapped adults of the County, Sandco is reflected as a component unit of the County and is presented as a proprietary fund type. Financial information may be obtained from Sandco Industries, 1101 Castalia Road, Fremont, Ohio 43420.

Sandco is a non-governmental not-for-profit organization. Sandco prepares its financial statements according to Financial Accounting Standards Board (FASB) Statement No. 117, "Financial Statements of Not-For-Profit Organizations". The preparation of these financial statements required the use of estimates by management.

Sandco's deposits are held in segregated accounts and not held by the County Treasurer. For purposes of the statement of cash flows, Sandco considers all highly liquid instruments purchased with a maturity of less than three months to be cash equivalents. Investments held by Sandco are recorded at market value.

Convention and Visitors Bureau

The Convention and Visitors Bureau (the "Visitors Bureau") is a legally separate, not-for-profit corporation, served by a twelve member Board of Trustees. The Bureau provides travel and tourism services to residents and non-residents of the County. The Bureau primarily exists to bring visitors into the County. Based on the primary source or revenue coming from the County and eleven of the twelve board members are appointed by the County Commissioners, the Bureau is reflected as a component unit of the County and is presented as a governmental fund type. Financial information may be obtained from the Convention and Visitors Bureau, 712 North Street, Fremont, Ohio 43420.

The Bureau is a governmental not-for-profit organization. The Bureau prepares its financial statements in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Bureau also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements.

The Bureau's deposits are held in segregated accounts and not held by the County Treasurer. For purposes of the statement of cash flows, the Bureau considers all highly liquid instruments purchased with a maturity of less than three months to be cash equivalents. Investments held by the Bureau are recorded at market value.

SANDUSKY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

POTENTIAL COMPONENT UNITS REPORTED AS AGENCY FUNDS

The County Treasurer, as the custodian of public funds, invests all public monies held on deposit in the County treasury. In the case of the separate agencies, boards and commissioners listed below, the County serves as fiscal agent but is not financially accountable for their operations. Accordingly, the activities of the following entities are presented as agency funds within the general purpose financial statements:

- Sandusky County Regional Planning Commission
- Sandusky County Soil and Water Conservation District
- Sandusky County Park District
- Sandusky County General Health District
- Sandusky County Emergency Management Agency
- Wightman Conservancy District
- Sandusky County Law Library

The County is associated with certain organizations which are defined as Joint Ventures with Equity Interest, a Shared Risk Pool, and an Insurance Purchasing Pool, as follows:

JOINT VENTURES WITH EQUITY INTEREST

Ottawa, Sandusky, and Seneca County Solid Waste District

The County is a member of the Joint Solid Waste District (the District), which is a joint venture between Ottawa, Sandusky, and Seneca Counties. The purpose of the District is to make disposal of waste in the three-county area more comprehensive in terms of recycling, incinerating, and land filling. The District was created in 1989. The District is governed and operated by the three counties and its existence is dependent upon the continued participation of the counties. A nine member Board of Directors, comprised of three commissioners from each county, are responsible for the District's financial matters. Financial records are maintained by the Sandusky County Auditor. The Ottawa County Commissioners budget for the District with Board approval.

The District's sole revenue source is derived from a waste disposal fee for in-district and out-of-district waste. A twenty-one member policy committee, comprised of seven members from each county and one at-large member appointed by the Board of Directors, is responsible for preparing the solid waste management plan of the District in conjunction with a sixteen-member technical advisory council (members appointed by the policy committee). The County's investment in this joint venture is \$615,107. Financial information can be obtained from the Sandusky County Auditor, 100 North Park Avenue, Fremont, Ohio 43420.

Sandusky County - Seneca County - City of Tiffin Port Authority

The Port Authority is a joint venture between Sandusky County, Seneca County, and the City of Tiffin. The Port Authority was created for the purpose of operating a railroad line from the Village of Woodville in Sandusky County to the City of Tiffin Seneca County. The Port Authority is governed by a Board of Directors appointed by the participating governments. All operating costs of the railroad line are paid from charges to the shippers utilizing the railroad line. In May 1990, non-interest revenue bonds were issued by the Port Authority to purchase 25.1 miles of railroad. Principal and interest payments on the debt will be paid from the operating revenues of the railroad line.

SANDUSKY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

Upon dissolution of the railroad, any real and personal property will be returned to the government from which it was received; any remaining personal property will be distributed equally among the participants after payment of all expenses and outstanding debt. The County's investment in this joint venture is \$629,318. Financial information can be obtained from the Sandusky County - Seneca County - City of Tiffin Port Authority, James Supance, Chairman, P.O. Box 767, Tiffin, Ohio 44883.

Mental Health and Recovery Services

The Mental Health and Recovery Services (MHRS) is a joint venture between Seneca, Sandusky, and Wyandot Counties and is dependent upon the continued participation of the three counties. The MRHS provides mental health education, consultation, training, and referral services to residents of the participating counties. The MHRS is governed by an eighteen member board; ten members are appointed by the county commissioners from the participating counties, four members are appointed by the State Department of Mental Health, and four members are appointed by the State Department of Alcohol and Drug Addiction Services. The County's investment in this joint venture is \$1,164,261. Financial records are maintained by the Seneca County Auditor. Financial information can be obtained from the Seneca County Auditor, Seneca County Courthouse, Tiffin, Ohio 44883.

SHARED RISK POOL

County Risk Sharing Authority, Inc. (CORSA)

The County Risk Sharing Authority, Inc., is a jointly governed organization among forty-one counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by CORSA. This coverage includes comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the Board. No county may have more than one representative on the Board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the Board of Trustees.

CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The total amount of certificates issued by CORSA for the forty-one participating counties is \$1,645,000.

Financial statements may be obtained by contacting the County Commissioners Association of Ohio in Columbus, Ohio.

SANDUSKY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

INSURANCE PURCHASING POOL

County Commissioners Association of Ohio Workers' Compensation Group Rating Plan

The County is participating in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners Association of Ohio Service Corporation (CCAOSC) was established through the County Commissioners Association of Ohio (CCAO) as a group purchasing pool. A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee consists of seven members. Two members are the president and treasurer of CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at a meeting held in the month of December each year. No participant can have more than one member of the group executive committee in any year, and each elected member shall be a county commissioner.

RELATED ORGANIZATION

Sandusky County Airport Authority

The Sandusky County Airport Authority was created by resolution of the County Commissioners under the authority of Chapter 308 of the Ohio Revised Code. The Airport Authority is governed by a five member board of trustees appointed by the County Commissioners. The Board of Trustees has the authority to exercise all of the powers and privileges provided under the law. These powers include the ability to sue or be sued in its corporate name; the power to establish and collect rates, rentals, and other charges; the authority to acquire, construct, operate, manage, and maintain airport facilities; the authority to buy and sell real and personal property; and the authority to issue debt for acquiring or constructing any facility or permanent improvement. The Airport Authority serves as custodian of its own funds and maintains all records and accounts independent of the County.

A. Basis of Presentation - Fund Accounting

The accounts of the County, Sandco and Visitors Bureau are maintained on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, as appropriate; and revenues, and expenditures or expenses, as appropriate.

The County, Sandco and the Visitors Bureau use funds and account groups to report on their financial position and the results of their operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain County functions or activities.

A fund is defined as a fiscal and accounting entity with a self balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to

SANDUSKY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. For financial statement presentation purposes, the various funds of the County are grouped into the following generic fund types under the broad fund categories of governmental, proprietary and fiduciary.

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the County are financed. The acquisition, use and balances of the County's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the County's governmental fund types:

General Fund - The general fund is used to account for all financial resources of the County except those required to be accounted for in another fund. The general fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of financial resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds - The capital projects funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

PROPRIETARY FUND TYPES

The proprietary fund types are used to account for the County's ongoing activities which are similar to those found in the private sector. The following are the County's proprietary fund types:

Enterprise Funds - The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges, or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds - The internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the County on a cost-reimbursement basis.

SANDUSKY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

FIDUCIARY FUND TYPES

The fiduciary fund types are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The following are the County's fiduciary fund types:

Expendable Trust Fund - The expendable trust fund is accounted for in essentially the same manner as governmental funds.

Agency Funds - The agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. Agency funds are presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other funds, would be subject to accrual.

Investment Trust Fund - The investment trust fund, a fiduciary fund, represents an arrangement whereby the County government commingles the moneys of more than one legally separate entity, and invests, on the participants' behalf, in an investment portfolio.

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - The general fixed assets account group is used to account for all fixed assets of the County, other than those fixed assets accounted for in the enterprise funds.

General Long-Term Obligations Account Group - The general long-term obligations account group is used to account for all long-term debt of the County, except that accounted for in the enterprise funds.

COMPONENT UNITS

Component Units - Component units are either legally separate organizations for which the elected officials of the County are not financially accountable, or legally separate organizations for which the nature and significance of its relationship with the County is such that exclusion would not cause the County's financials statements to be misleading or incomplete.

C. Measurement Focus and Basis of Accounting

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental funds, the expendable trust fund and the Visitors Bureau are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

SANDUSKY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

All proprietary funds, the investment trust fund and Sandco Industries are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings or fund balance components. Operating statements of these funds present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Governmental funds, the expendable trust fund and the Visitors Bureau use the modified accrual basis of accounting. Proprietary funds, investment trust fund, and Sandco Industries use the accrual basis of accounting. Agency funds are presented on a budgetary basis, with note disclosure, regarding items which, in another fund type, would be subject to accrual. Differences between the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the reporting of expenses and 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 County, available means expected to be received within sixty days of year-end.

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements and donations. On the accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place (See Note 7). Revenue from property taxes is recognized. Revenue from grants, entitlements and donations is recognized in the fiscal 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 County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County 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: sales taxes, interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fines and forfeitures, and fees for services.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of December 31, 2001, but which were levied to finance year 2002 operations, have been recorded as deferred revenues. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

SANDUSKY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

On the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. On the modified accrual basis of accounting, 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.

D. Budgetary Data

The budgetary process is prescribed by provisions of the 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 resolution 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, legally are required to be budgeted and appropriated.

Budgetary information for Sandco and the Visitors Bureau is not reported because it is not included in the entity for which the "appropriated budget" is adopted, and does not itself maintain budgetary financial records.

The legal level of budgetary control is at the object level within each department. Although statutes require that all funds be budgeted, it is not necessary to do so if the County Commissioners do not anticipate expenditure of the available funds.

Segregated cash accounts are not included in the budgetary presentation because they are not controlled by the County Commissioners and the departments do not adopt separate budgets. Advances-in and advances-out are not required to be budgeted since they represent a cash flow resource. Budgetary modifications may only be made by resolution of the County Commissioners.

Tax Budget - A budget of estimated revenues and expenditures 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. The budget includes proposed expenditures and the means of financing for all funds. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

Estimated Resources - The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the estimated beginning fund balance and the projected revenue of each fund. Prior to December 31, the County 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

SANDUSKY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be amended further during the year if the County Auditor determines, and the Budget Commission agrees, that an estimate needs either to be increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2001.

Appropriations - A temporary appropriation resolution to control expenditures may be passed on or around January 1 of each year for the period January 1 to March 31. An annual appropriation resolution must be passed by April 1 of each year for the period January 1 to December 31. The appropriation resolution fixes the spending authority at the fund, program, department, and object level. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified.

The allocation of appropriations among departments and objects within a fund may be modified during the year only by a resolution of the Commissioners. Several supplemental appropriation resolutions were legally enacted by the County Commissioners during the year. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Budgeted Level of Expenditures - Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for the purposes other than those designated in the appropriation resolution without authority from the Commissioners. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation. Commissioners' appropriations are made to fund, department and object level (e.g., General Fund - Commissioners - salaries, supplies, equipment, contract repairs, travel expenses, maintenance, other expenses, etc.).

Encumbrances - As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

On the GAAP basis, encumbrances outstanding at year-end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds. Note 19 provides for governmental funds, a reconciliation of the budgetary-basis and GAAP-basis of accounting.

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. The encumbered appropriation balance is carried forward to the succeeding fiscal year and is not reappropriated.

E. Cash and Investments

To improve cash management, cash received by the County is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the County's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

SANDUSKY COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

During fiscal year 2001, investments were limited to STAR Ohio, federal agency securities, certificates of deposits, Small Business Association loans, and Sandusky County bonds. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and certificates of deposit are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but 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 December 31, 2001.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 2001 amounted to \$1,089,746 which includes \$976,431 assigned from other County funds.

The County has segregated bank accounts for monies held separate from the County's central bank account. These interest bearing depository accounts are presented on the combined balance sheet as "Cash in Segregated Accounts" since they are not required to be deposited into the County treasury.

For purpose of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the County are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments, to the extent the investments were purchased from a specific fund rather than the pool.

1. External Investment Pool

By statute, the County serves as fiscal agent for various legally separate entities. The County pools the moneys of these entities with the County's moneys for investment purposes. The County cannot allocate its investments between the internal and external investment pools. The external investment pool is not registered with the SEC as an investment company. The fair value of investments is determined annually. The pool does not issue shares. Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of the interest that it earns. The fair value of investments for both the internal and external investment pools are disclosed in Note 4, "Equity in Pooled Cash and Investments". Condensed financial information for the investment pool follows:

Statement of Net Assets
December 31, 2001

Assets	
Cash	\$ 1,070,000
Investments	<u>24,467,699</u>
Total Assets	<u>\$25,537,699</u>

SANDUSKY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

Net Assets Held in Trust for Participants	
Internal Portion	\$23,032,147
External Portion	<u>2,505,552</u>
Net Assets Available to Pool Participants	<u>\$25,537,699</u>

Statement of Changes in Net Assets
For the Year Ended December 31, 2001

Revenue	
Interest income	\$ 1,290,600
Distributions to Participants	<u>(2,729,340)</u>
Capital Transactions	
Proceeds of Investments sold	(3,131,259)
Purchase of Investments	<u>5,322,138</u>
Total Increase in net assets	752,139
Net Assets at January 1, 2001	<u>24,785,560</u>
Net Assets at December 31, 2001	<u>\$25,537,699</u>

2. Materials and Supplies Inventory

Inventories of governmental funds are stated at cost while inventories of enterprise funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as an expense in the proprietary fund types when used. Reported 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.

3. Prepaid Items

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefiting from the advance payment. At year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

4. Property, Plant, Equipment and Depreciation

The fixed asset values were initially determined at December 31, 1993 by assigning original acquisition costs when such information was available. In cases where supporting documentation was not available, the acquisition cost was estimated by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at fair market value on the date donated. The County maintains a capitalization threshold of \$500 for both general fixed assets and enterprise fund fixed assets. The Visitors Bureau maintains a capitalization threshold of \$100 for fixed assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized; however, improvements which extend the

SANDUSKY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

useful life or increase the capacity or operating efficiency are capitalized at cost and depreciated, if applicable, over the remaining useful lives of the related fixed assets.

General Fixed Assets - General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group at historical cost or estimated historical cost. Assets in the general fixed assets account group are not depreciated.

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized or reported, as these assets are immovable and of value only to the County.

Enterprise Fund Fixed Assets - Property, plant, and equipment reflected in the enterprise funds are stated at historical cost (or estimated historical cost) and are updated for the cost of additions and retirements during the year.

Depreciation is provided on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Buildings	20 - 40
Sewer and Water Lines	70
Vehicles	5
Machinery and Equipment	5 - 15

Capitalization of Interest - Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The County's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from temporary investment of the debt proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. There was no interest capitalized during the year.

F. Long-term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, and contractually required pension contributions are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases and long-term loans are recognized as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary fund.

G. Compensated Absences

Compensated absences of the County consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already

SANDUSKY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

rendered and are not contingent on a specific event that is outside the control of the County 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. The County records a liability for accumulated unused sick leave after fifteen years of service with the County or over fifty years of age.

The total liability for vacation 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.

The current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

H. Reserves of Fund Equity

The County records reservations for portions of fund balance which are legally segregated for specific future use or which do not represent available, spendable resources and, therefore, are not available for expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances outstanding, material and supply inventories, prepayments, long-term interfund obligations, available debt service fund equity, notes receivable, the County's investment in its own special assessment bonds, and the net assets available for distribution to external investment pool participants.

I. Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Nonrecurring and nonroutine permanent transfers of equity are reported as residual equity transfers.
3. Reimbursements from one fund to another (quasi-external transactions) are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Amounts outstanding at year-end are reported on the combined balance sheet as due to/from other funds.

SANDUSKY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

- 4. Short-term interfund loans are reported as interfund loans receivable or payable on the combined balance sheet.
- 5. Long-term interfund loans that will not be repaid within the next fiscal year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of interfund transactions is presented in Note 5.

J. Estimates

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

K. Total Columns on General-Purpose Financial Statements

Total Columns on the GPFS are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

When the title of the statement indicates that a component unit is included, two total columns are presented. The first is captioned "primary government" to indicate that only those activities that comprise the County's legal entity have been included. The second is captioned "reporting entity" and includes operations of the County's legally separate discretely presented component unit (see Note 2.A.). The total columns on statements which do not include the component unit have no additional caption.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues", an amendment of GASB Statement No. 33, were implemented during fiscal 2001. These statements pertain to the financial reporting of certain types of revenue received by the County for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions and voluntary nonexchange transactions. The adoption of these statements had the following immaterial effect on fund balances as previously reported by the County at December 31, 2000:

	<u>General</u>	<u>Special Revenue</u>
Fund balances as previously reported	\$4,016,205	\$ 9,893,687
GASB No. 33 and No. 36 implementation	<u>389,787</u>	<u>204,177</u>
Restated fund balances as of January 1, 2001	<u>\$4,405,992</u>	<u>\$10,097,864</u>

SANDUSKY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

B. Change in Reporting Entity

For the year ended December 31, 2001, the County included the Convention and Visitors Bureau as a discretely presented governmental component unit.

C. Prior Period Adjustment

The County issued a check for payment of a bond issue and also issued a warrant for the same issue. The warrant was not voided on the records. The County adjusted its beginning balance at January 1, 2001. The effect of this restatement is as follows:

	Originally Presented December 31, 2000	Effect of Restatement	Restated as of January 1, 2001
Debt Service Fund:			
Fund Balance	\$350,437	\$280,050	\$630,487
Excess of Receipts Over Disbursements	236,039	280,050	516,889

D. Agency Fund Accruals

The following are material receivables in agency funds, which would be recognized on the combined balance sheet in other fund types:

Real and other taxes receivable	\$27,304,414
Special assessments receivable	338,019
Due from other governments	1,417,057
Accounts receivable	<u>558,525</u>
Total	<u>\$29,618,015</u>

E. Deficit Retained Earnings/Fund Balances

Fund balances at December 31, 2001 included the following individual fund deficits:

	<u>Deficit Fund Balances</u>
<u>Capital Projects Funds</u>	
County Court Renovations	\$733,872
New Juvenile Detention Center	431
<u>Special Revenue Funds</u>	
Common Pleas Special Projects	23,367
Youth Services Subsidy	19,182
Senior Citizens Levy	453
Partnership Grant	909
VOCA Grant	1,300
Juvenile Advocate Grant	569
Preschool Grant	249

These deficits are caused by the application of GAAP, and will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at December 31.

SANDUSKY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

F. Material Noncompliance

Fiscal officer's certification was not made prior to incurring the commitment for forty-three percent of the items tested.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

A. Primary Government

Moneys held by the County are classified by State Statute into two categories. Active moneys are public moneys determined to be necessary to meet current demand upon the County treasury. Active moneys must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Moneys held by the County which are not considered active are classified as inactive. Inactive moneys may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal 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 or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. 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;
7. The State Treasurer's investment pool (STAR Ohio);

SANDUSKY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio; and

Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

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 County, 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 County had \$326,379 in undeposited cash on hand. This amount is included in cash amounts reported on the combined balance sheet, but is not considered part of the County's carrying amount of deposits, reported below.

Cash in Segregated Accounts: At year-end, \$124,705 was on deposit in segregated accounts used by various County departments, and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the combined balance sheet as "Equity in Pooled Cash, Cash Equivalents and Investments".

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 County's deposits was \$9,766,852 and the bank balance was \$11,352,582. Both amounts include non-negotiable certificates of deposit, cash with fiscal agents, and cash in segregated accounts. Of the bank balance:

- i. \$628,298 was covered by federal depository insurance; and
- ii. \$10,724,284 was uninsured and uncollateralized as defined by GASB even though it was covered by collateral held by third party trustees pursuant to Section 135.81, Ohio Revised Code. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

Investments: The County's investments are required to be categorized to give an indication of the level of risk assumed by the County at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County'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 County'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 County's name. STAR

SANDUSKY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

Ohio is an unclassified investment since it is not evidenced by securities which exist in physical or book entry form.

	Category 1	Category 2	Category 3	Fair Value
U. S. Government Agency Securities	\$ -	\$10,132,531	\$ -	\$10,132,531
Small Business Association Loans	-	-	86,884	86,884
Special Assessment Bonds	58,667	-	-	58,667
Investments Not Subject to Categorization:				
STAR Ohio	-	-	-	5,349,758
Total Investments	\$58,667	\$10,132,531	\$86,884	\$15,627,840

The U.S. Government Agency securities have maturity dates ranging from May, 2002 to March, 2004. The SBA Loans mature in November, 2011, and May, 2012. See Note 12 for a schedule of maturity dates for the Special Assessment Bond.

The classification of cash and cash equivalents on the combined balance sheet 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 combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$ 25,662,404	\$ 58,667
Cash on Hand	(326,379)	-
Investments of the Cash Management Pool:		
U.S. Government Agency Securities	(10,132,531)	10,132,531
Small Business Associations Loans	(86,884)	86,884
STAR Ohio	(5,349,758)	5,349,758
GASB Statement No. 3	\$ 9,766,852	\$15,627,840

B. Component Unit

At year-end, the carrying amount of Sandco and the Visitors Bureau cash and deposits was \$83,681 and \$30,860, respectively. All deposits were covered by federal depository insurance. There are no significant statutory restrictions regarding the deposit and investment of funds by the not-for-profit corporations.

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at December 31, 2001 consist of the following individual fund loans which are short term in nature (outstanding less than one year):

SANDUSKY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

	<u>Interfund Loans Receivable</u>	<u>Interfund Loans Payable</u>
General	\$70,600	\$ -
<u>Capital Projects Funds</u>		
County Court Renovation	-	65,000
Juvenile Detention Center Construction	-	5,600
Total Interfund Loans Receivable/Payable	<u>\$70,600</u>	<u>\$70,600</u>

- B.** Interfund balances at December 31, 2001 consist of the following individual fund loans which are long-term in nature (outstanding greater than one year):

	<u>Advances to Other Funds</u>	<u>Advances (from) Other Funds</u>
General	\$15,000	\$ -
<u>Special Revenue Fund</u>		
Common Pleas Court Facility	-	53,250
<u>Capital Projects Fund</u>		
Permanent Improvement	53,250	-
<u>Enterprise Fund</u>		
Sanitary Sewer	-	15,000
Total Advances to/Advances from Other Funds	<u>\$68,250</u>	<u>\$68,250</u>

- C.** A reconciliation of the County's operating transfers for 2001 is as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 32,035	\$1,596,359
<u>Special Revenue Funds</u>		
Human Services	41,485	104,433
Title Administration	-	20,000
Ditch Maintenance	-	21,018
CDBG	44,720	-
County Court Facilities	-	102,707
DARE	-	12,035
Pilot Probation	13	-
County Probation Services	-	13
Total Special Revenue Funds	<u>86,218</u>	<u>260,206</u>
<u>Debt Service Fund</u>		
Bond Retirement	<u>471,696</u>	-
<u>Capital Projects Funds</u>		
Sunny Acres Construction	17,800	44,720
Permanent Improvements	1,577,446	-
County Court Renovations	102,707	-
Joint Sewer Improvement	43,166	-
Pump Station	11,020	-
Sewer Pump Station	2,492	-
Shorewood Phase II	1,942	-
Ditch Construction	44,819	29,744
Waterline Project	5,000	-
Total Capital Projects Funds	<u>1,806,392</u>	<u>74,464</u>

SANDUSKY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

<u>Enterprise Funds</u>		
County Home	575	440,875
Sanitary Sewer	<u>33,608</u>	<u>58,620</u>
Total Enterprise Funds	34,183	499,495
Total Transfers In/Out	<u>\$2,430,524</u>	<u>\$2,430,524</u>

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the County. Real property taxes and public utility taxes are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35 percent of appraised market value. Public utility real and personal property taxes are assessed on tangible personal property, as well as land and improvements, at true value, although certain personal property is assessed at 88 percent of true value. Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25 percent of true value. The full tax rate for all County operations applied to real property for fiscal year ended December 31, 2001 was \$7.10 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property upon which 2001 tax receipts were collected are as follows:

Real Property	
Residential/Agricultural	\$ 640,642,840
Commercial/Industrial/Mineral	148,148,680
Personal Property	
Public Utility Real	348,210
Public Utility Personal	68,167,020
Tangible Personal Property	<u>163,493,408</u>
Total Assessed Value	<u>\$1,020,800,158</u>

Real property taxes are payable annually or semi-annually. The first payment is due December 31, and the remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

Tangible personal property taxes for unincorporated and single county businesses may be paid annually or semi-annually. If paid annually, payment is due April 30. If paid semi-annually, the first payment is due April 30 and the remainder payable by September 20. Due dates are normally extended an additional 45 days. The due date for the entire tax for inter-county businesses is September 20 or the extended date. The first \$10,000 of taxable value is exempt from taxation for each business by state law. The lien date is either December 31 or the end of their fiscal year (for incorporated businesses in operation more than one year). Since each business files a return to the County Auditor, the tangible personal taxes are not known until all the returns are received.

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County.

“Real and Other Taxes” receivable represents delinquent real and tangible personal property and public utility taxes outstanding as of the last settlement and real and public utility taxes which were measurable as of the year-end.

SANDUSKY COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

Since the current levy is not intended to finance 2002 operations, the receivable is offset by a credit to "Deferred Revenue". The delinquent real, public utility and tangible personal property taxes that will become available to the County within the first 60 days of 2002 are shown as 2001 revenue; the remainder is shown as "Deferred Revenue".

The eventual collection of significantly all real and public utility property taxes (both current and delinquent) is reasonably assured due to the County's ability to force foreclosure of the properties on which the taxes are levied.

NOTE 7 - PERMISSIVE SALES AND USE TAX

In 1979, the County Commissioners, by resolution, imposed a 0.5 percent tax on all retail sales made in the County, except sales of motor vehicles. In 1989, the percentage increased to 1 percent. The tax included the storage, use, or consumption of tangible personal property in the County, including motor vehicles not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

Proceeds of the tax are credited entirely to the general and special revenue funds. Amounts that are measurable and available at year-end are accrued as revenue. Permissive sales and use tax revenue totaled \$5,947,921 in 2001.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2001, consisted of taxes, interest, special assessments, accounts (billings for user charged services, including unbilled utility services), and intergovernmental receivables arising from grants and shared revenues. All receivables are considered collectible in full. Delinquent accounts receivable may be certified and collected as a special assessment, subject to foreclosure for nonpayment. Any underpayment of benefits due the public assistance and child support enforcement agency special revenue funds are not reflected on the financial statements. These amounts were not available at the time of the preparation of these statements. A summary of principal receivables follows:

<u>Fund Description</u>	<u>Amount</u>
<u>General Fund</u>	
Sales Taxes	\$ 960,153
Real and Other Taxes	2,444,784
Accounts	143,482
Due From Other Governments	1,032,495
<u>Special Revenue Funds</u>	
Real and Other Taxes	3,817,537
Sales Taxes	10,683
Special Assessments	91,210
Due From Other Governments	3,313,824
Notes Receivable	107,047
Accounts	187,050

SANDUSKY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

<u>Capital Projects Funds:</u>	
Accounts	3,475
 <u>Internal Service Funds:</u>	
Accounts	260
 <u>Enterprise Funds</u>	
Accounts	487,589
Real and Other Taxes	622,928
Due From Other Governments	25,423

NOTE 9 - NOTES RECEIVABLE

The County, through the Community Development Block Grant program, makes low-interest or interest-free loans to small businesses in the County. The activity for these loans is accounted for in the Revolving Loan special revenue fund. The following is a summary of the changes in the notes receivable during 2001.

Balance of notes receivable, 12/31/00	\$ 322,593
Principal payments received in 2001	(265,546)
Notes issued in 2001	<u>50,000</u>
Net notes receivable, 12/31/01	<u>\$ 107,047</u>

NOTE 10 - FIXED ASSETS

A. A summary of the enterprise funds' fixed assets at December 31, 2001 follows:

Land & Buildings	\$ 5,228,483
Sewer & Water Lines	7,765,375
Vehicles	176,701
Machinery and Equipment	1,109,770
Construction in Progress	322,089
Contributed Capital:	
Sewer & Water Lines	<u>2,140,489</u>
Total	16,742,907
Less Accumulated Depreciation	<u>(6,067,528)</u>
Net Fixed Assets	<u>\$10,675,369</u>

A summary of the changes in general fixed assets during 2001 follows:

	Balance January 1, 2001	Additions	Reductions	Balance December 31, 2001
Land and Buildings	\$15,341,440	\$2,366,779	\$ -	\$17,708,219
Vehicles	3,513,523	168,949	(13,750)	3,668,722
Machinery and Equipment	5,579,599	412,791	(202,593)	5,689,797
Construction in Progress	<u>3,283,042</u>	<u>1,936,832</u>	<u>(4,317,268)</u>	<u>902,606</u>
Total General Fixed Assets	<u>\$27,717,604</u>	<u>\$4,885,351</u>	<u>\$(4,633,611)</u>	<u>\$27,969,344</u>

SANDUSKY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

B. A summary of the Visitors Bureau's fixed assets at December 31, 2001, follows:

Building	\$6,920
Leasehold Improvements	5,178
Furniture and Fixtures	35,771
Total	47,869
Less: Accumulated Depreciation	34,954
Net Property and Equipment	\$12,915

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, and in the current year, the County has entered into a capital lease agreement for equipment. This lease meets the criteria of a capital lease as defined by FASB Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Equipment and vehicles acquired by lease have been capitalized in the general fixed assets account group in the amount of \$404,663, and in the enterprise funds in the amount of \$19,312. These amounts equal the present value of the future minimum lease payments at the time of acquisition. At inception, capital lease transactions are accounted for as a capital outlay expenditure or fixed asset addition and other financing source or non-operating revenue in the appropriate fund, and a corresponding liability was recorded in the general long-term obligations account group or enterprise fund.

Principal payments in 2001 totaled \$128,710 in the general fund. Capital lease payments in governmental funds have been reclassified on the financial statements to reflect debt principal and interest retired. These payments are reported as program expenditures on the budgetary statement.

Principal payments in 2001 totaled \$3,900 in the enterprise funds. These expenses are reported as function expenses on a budgetary basis.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of December 31, 2001:

Year Ending December 31	Enterprise	GLTOAG
2002	\$3,871	\$141,928
2003	-	7,243
Total Future Minimum Lease Payments	3,871	149,171
Less: Amount Representing Interest	(103)	(7,902)
Present Value of Future Minimum Lease Payments	\$3,768	\$141,269

NOTE 12 - LONG-TERM OBLIGATIONS

A. The following is a summary of the changes in the County's long-term obligations during 2001:

SANDUSKY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

	Interest Rate	Balance 1/1/01	Additions	Reductions	Balance 12/31/01
<u>General Long-Term Obligations:</u>					
<u>General Obligation Bonds:</u>					
County Service Building - 1994	3.5-6.25%	\$3,560,000	\$ -	\$(160,000)	\$3,400,000
Various Purpose Refunding - 1996	4.4-7.90%	2,165,000	-	(230,000)	1,935,000
Total General Obligation Bonds		5,725,000	-	(390,000)	5,335,000
Special Assessment Bonds:					
C.E. Wolfe Ditch	5.00%	\$ 983	\$ -	\$ (246)	\$ 737
Eva Haar Ditch	5.50%	6,337	-	(3,169)	3,168
Buchler-Gessner Ditch	6.50%	3,658	-	(3,658)	0
Kenan Ditch	4.75%	2,736	-	(2,736)	0
Township Rd. 55	6.00%	8,430	-	(2,107)	6,323
Gangwer Ditch	5.50%	8,775	-	(8,775)	0
Bowe Ditch	5.00%	5,363	-	(1,788)	3,575
Total Special Assessment Bonds		96,101	-	(37,434)	58,667
Ohio Public Works Commission Loans:					
Rice Township Sewer Improvements	N/A	148,105	-	-	148,105
Sunny Acres Sewer Improvements	N/A	49,844	-	(2,492)	47,352
Rice/Sandusky Sewer Improvements	N/A	59,533	-	-	59,533
Total OPWC Loans		257,482	-	(2,492)	254,990
Ohio Water Pollution Control Loan:					
Sandusky/Rice Joint					
Sewer Improvements	4.16%	952,876	199,010	(43,166)	1,108,720
Sunny Acres Sewer Improvements	4.16%	228,874	106,280	(11,020)	324,134
Rice Township Sewer Improvement	3.64%	-	54,844	(944)	53,900
Total OWPC Loans		1,181,750	360,134	(55,130)	1,486,754
Other Long-Term Obligations:					
Compensated Absences Payable		2,655,149	-	(408,321)	2,246,828
Due to Other Governments		268,424	199,443	-	467,867
Capital Lease Obligation		249,373	20,606	(128,710)	141,269
Total Other Long-Term Obligations		3,172,946	220,049	(537,031)	2,855,964
Total General Long-Term Obligations		\$10,433,279	\$580,183	(\$1,022,087)	\$9,991,375
<u>Enterprise Funds Obligations:</u>					
<u>General Obligation Bonds:</u>					
General Obligation Bonds:					
Sewer District #1 - 1980	9.00%	\$ 410,000	\$ -	\$ (30,000)	\$ 380,000
Other Long-Term Obligations:					
Capital Lease Obligation		7,668	-	(3,900)	3,768
Total Enterprise Fund Obligations		\$ 417,668	\$ -	\$ (33,900)	\$ 383,768

B. The 1994 County Service Building Bonds were issued to pay for the construction of a building for the Department of Human Services and related offices. The bonds are retired with

SANDUSKY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

general resources of the County. Interest is payable on June and December 1 each year with principal payments due in December.

The 1996 Various Purpose Refunding Bonds were issued to advance refund the County's outstanding Various Purpose Improvement Bonds, dated February 15, 1989. The Series 1989 Bonds had an outstanding principal amount of \$3,290,000 at the time of refunding, and the balance at December 31, 2001 is \$1,935,000. This refunded debt is considered defeased (in-substance); accordingly, it has been removed from the General Long-Term Obligations Account Group.

The County entered into three debt financing arrangements through the Ohio Public Works Commission (OPWC) to fund sewer improvements. The amounts due to the OPWC are payable solely from operating revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2001, the County has outstanding borrowings of \$254,990 in the capital projects funds. The loan agreements require semi-annual payments based on the actual amount loaned. The OPWC loans are interest free.

The County entered into three debt financing arrangements through the Ohio Water Pollution Control Loan Fund (OWPCLF) to fund sewer improvements. The amounts due to the OWDA are payable solely from operating revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2001, the County has outstanding borrowings of \$1,486,754 in the capital projects funds. The loan agreements require semi-annual payments based on the actual amount loaned.

The 1980 Sewer District Improvement Bonds are general obligation revenue bonds, which are supported by the full faith and credit of the County. These bonds were issued to pay for the costs of improving the Sewer District #1. The bonds are retired with revenues from the sanitary engineer enterprise fund. Interest is payable on June and December 1 of each year with principal payments due in December.

Special assessment bonds will be paid from the proceeds of special assessments levied against the property owners who are primarily benefited from the project. In the event that property owners fail to make their payments, the County is responsible for providing the resources to meet annual principal and interest payments.

Capital leases will be paid from the fund that maintains custody of the related asset. The compensated absences liability will be paid from the fund from which the employees' salaries are paid.

- C. The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors should not exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and unvoted net debt of the County less the same exempt debt should not exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000.

The effects of the debt limitations described above at December 31, 2001 are an overall debt margin of \$19,408,421 and an unvoted debt margin of \$5,596,419, both of which include available funds of \$723,417.

SANDUSKY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

- D. The following is a summary of the County's future annual debt service requirements for general long-term obligations:

Year	General Obligation Bonds	OPWC Loans	Special Assessment Bonds	Total
2002	\$ 699,943	\$ 12,874	\$25,726	\$ 738,543
2003	695,645	12,874	21,257	729,776
2004	685,508	12,873	18,342	716,723
2005	679,673	12,876	-	692,549
2006	667,588	12,875	-	680,463
2007 - 2011	2,253,870	64,370	-	2,318,240
2012 - 2016	1,396,578	64,370	-	1,460,948
2017 - 2021	743,126	61,878	-	805,004
Total Payments	7,821,931	254,990	65,325	8,142,246
Less: Interest	(2,486,931)	-	(6,658)	(2,493,589)
Total Principal	<u>\$ 5,335,000</u>	<u>\$254,990</u>	<u>\$58,667</u>	<u>\$ 5,648,657</u>

The loan agreement with the Ohio Water Pollution Control in the amount of \$1,486,754 is for projects in progress, thus no final debt schedule is available as of December 31, 2001.

- E. The following is a summary of the County's future annual debt service requirements for enterprise fund obligations:

Year	Principal on General Obligation Bonds	Interest on General Obligation Bonds	Total
2002	\$ 60,000	\$ 32,850	\$ 92,850
2003	40,000	28,800	68,800
2004	40,000	25,200	65,200
2005	40,000	21,600	61,600
2006	40,000	18,000	58,000
2007 - 2010	160,000	36,000	196,000
Totals	<u>\$380,000</u>	<u>\$162,450</u>	<u>\$542,450</u>

F. Component Unit

The Bureau has a line of credit with First Star Bank. As of December 31, 2001 the Bureau owed \$28,898.

NOTE 13 - NOTES PAYABLE

The County had the following general obligation bond anticipation notes outstanding at December 31, 2001:

	Issue Date	Balance 1/1/01	Additions	Reductions	Balance 12/31/01
<u>Capital Projects Funds</u>					
County Court Facilities	12/7/00	\$665,000	\$ -	\$(665,000)	\$ -
Real Estate Acquisition Note	07/1/01		160,000	(160,000)	-
Various Purpose Improvement	12/7/01		800,000	-	800,000
Total Capital Projects Funds		<u>\$665,000</u>	<u>\$960,000</u>	<u>\$(825,000)</u>	<u>\$800,000</u>

SANDUSKY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

During the fiscal year, on December 7, 2001, the County issued \$800,000 in bond anticipation note. This note combined the County Court Facilities note of \$665,000 and the Real Estate Acquisition note of \$135,000. This note is general obligation of the County, for which the full faith and credit of the County is pledged for repayment. Current operating funds will provide the source of repayment. This note is a fund liability in the capital projects fund.

NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The County maintains two enterprise funds to account for nursing home care and waste disposal services. Segment information as of and for the year ended December 31, 2001 is as follows:

	County Home	Sanitary Sewer	Total
Operating Revenues	\$ 4,629,609	\$ 675,365	\$ 5,304,974
Operating Expenses Before Depreciation	5,561,363	439,255	5,997,618
Depreciation Expense	145,034	192,184	337,218
Operating Income/(Loss)	(1,076,788)	46,926	(1,029,862)
Operating Transfers In	575	33,608	34,183
Operating Transfers Out	(440,875)	(58,620)	(499,495)
Net Income/(Loss)	(843,593)	2,122,991	1,279,398
Fixed Assets: Acquisitions	33,962	23,310	57,272
Net Working Capital	2,313,412	590,856	2,904,268
Total Assets	6,249,330	8,315,597	14,564,927
Long-Term Liabilities:			
General Obligation Bonds	-	380,000	380,000
Capital Lease Obligation	3,768	-	3,768
Compensated Absences	245,190	73,610	318,800
Advances From Other Funds	-	15,000	15,000
Total Fund Equity	5,059,229	7,817,840	12,877,069
Encumbrances Outstanding at December 31, 2001 - Budget Basis	151,044	12,081	163,125

SANDUSKY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

NOTE 15 - RISK MANAGEMENT

A. General Insurance

The County is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2001, the County contracted with County Risk Sharing Authority (CORSA) for liability, property and crime insurance. The CORSA program has a \$2,500 deductible. Coverages provided by CORSA are as follows:

Type of Coverage	Amount
General Liability (per occurrence)	\$ 1,000,000
Law Enforcement Liability (per occurrence)	1,000,000
Automobile Liability and Physical Damage	
Liability (per occurrence)	1,000,000
Medical payments	
Per Person	5,000
Per Occurrence	50,000
Uninsured Motorist (per person)	250,000
Physical Damage	Actual Cost
Flood (pool limit)	100,000,000
Earthquake (pool limit)	100,000,000
Property	58,946,527
Other Property Insurance:	
EDP Extra Expense	50,000
Extra Expense	1,000,000
EDP Media	100,000
911 Equipment	225,000
Contractor's Equipment	1,250,000
Money and Securities	1,000,000
Valuable Papers and Records	1,000,000
Motor Truck Cargo	100,000
Crime Insurance:	
Faithful Performance	1,000,000

With the exceptions of health insurance, life insurance, and workers' compensation, all insurance is held with CORSA (see Note 1). There has been no significant reduction in coverage from 1999, and settled claims have not exceeded limits of coverage in the past three years. The County pays all elected officials' bonds in accordance with statute.

1. Health and Vision Insurance

The County provides comprehensive health and vision insurance coverage to its employees through a traditionally funded plan. Effective January 1, 2001, the County switched from being self-insured for health and vision benefits to obtaining full coverage from an outside insurance carrier. This change resulted in an adjustment to the estimated claims liability as of December 31, 2000 in the amount of \$329,346. The County purchases commercial health insurance coverage through Community Health Plan of Ohio. The County pays 87% of the monthly premium while the employee pays 13%. The entire risk of loss transfers to the commercial insurance carrier. The County's monthly premium requirement per each plan is as follows:

SANDUSKY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

	<u>Family Coverage</u>	<u>Single Coverage</u>
Low co-pay option	\$502.93	\$198.00
Select one option	603.79	237.71

2. Insurance Purchasing Pool

For 2001, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (see Note 2). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to counties that can meet the Plan's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

The County may withdraw from the Plan if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal, and any participant leaving the Plan allows representatives of the Plan to access loss experience for three years following the last year of participation.

In prior years, the County paid the State Workers' Compensation System using a retrospective rating plan. The County continues to pay claims resulting from this plan. The activity is accounted for in an internal service fund. The claims activity for the past two fiscal periods is as follows:

	<u>Beginning Balance</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2001	\$ 0	\$110,813	\$110,813	\$ 0
2000	0	23,926	23,926	0

NOTE 16 - DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

All County full-time employees, other than teachers, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system created by the State of Ohio. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which

SANDUSKY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 2001 was 8.5 percent for employees other than law enforcement. In January 2001, House Bill 416 divided the PERS law enforcement program into two separate divisions with separate employee contribution rates and benefits. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. All other members of the PERS law enforcement program were placed in a newly named public safety division and continued to contribute at 9%. The employer contribution rate for employees other than law enforcement was 13.55 percent of covered payroll; 9.25 percent was the portion used to fund pension obligations for 2001. The employer contribution rate for law enforcement employees was 16.70 percent of covered payroll; 11.40 percent was the portion used to fund pension obligations for 2001. The County's contributions for pension obligations to the PERS for the years ended December 31, 2001, 2000, and 1999 were \$1,718,267, \$1,995,013, and \$2,110,026, respectively; 75.50 percent has been contributed for 2001 and 100 percent for 2000 and 1999. \$787,864, representing the unpaid contribution for 2001, is recorded as a liability within the respective funds and the General Long-Term Debt Account Group.

B. State Teachers Retirement System

Certified teachers employed by the school for the Mental Retarded/Developmentally Disabled participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code.

STRS Ohio issues a publicly available financial report that includes financial statements and required supplementary information for STRS Ohio. That report may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3% of their annual covered salary and the County is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The County's contributions for pension obligations to STRS Ohio for the years ended December 31, 2001, 2000, and 1999 were \$50,206, \$41,436, and \$40,950, respectively; 92.39% been contributed for 2001 and 100% for the years 2000 and 1999. \$3,820, representing the unpaid contributions for 2001, is recorded as a liability within the respective funds.

C. Component Unit

Employees of the Visitors Bureau are covered under the Social Security System. The Bureau's liability is 6.2% of employees' wages.

SANDUSKY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

NOTE 17 - POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

PERS provides post-retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients is available. 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". A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The PERS law enforcement program was separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2001 employer contribution rate for local government employers was 13.55% of covered payroll; 4.30% was the portion that was used to fund health care. The law enforcement employer rate for 2001 was 16.70% of covered payroll; 4.30% was the portion used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. The County's contribution actually made to fund post employment benefits was \$355,379.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

As of December 31, 1999 (the latest information available), the unaudited estimated net assets available for future OPEB payments were \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,473.6 million and \$1,668.1 million, respectively, at December 31, 1999 (the latest information available). The number of benefit recipients eligible for OPEB at December 31, 1999 (the latest information available) was 401,339.

In January 2001, House Bill 416 divided the PERS law enforcement program into two separate divisions with separate employee contribution rates and benefits. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. All other members of the PERS law enforcement program were placed in a newly named public safety division and continue to contribute at 9.0%. The employer contribution rate for both the law enforcement and public safety divisions is 16.70%.

Law enforcement officer benefits permit age and service retirement at an earlier age with a different formula than that for PERS members not covered under this division.

Additional information on the PERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due is available in the PERS December 31, 2001, Comprehensive Annual Financial Report.

SANDUSKY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

B. State Teacher's Retirement System

Comprehensive health care benefits are provided to retired teachers and their dependents through the STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS Ohio based on authority granted by State statute.

All benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to the Health Care Reserve Fund equal to 4.5% of covered payroll for the fiscal year ended June 30, 2001. For the County, this amount equaled \$16,138 during calendar year 2001. As of June 30, 2001, the balance in the Health Care Reserve Fund was \$3.256 billion and eligible benefit recipients totaled 102,132 for STRS Ohio as a whole. For the fiscal year ended June 30, 2001, net health care costs paid by STRS Ohio were \$300,772,000.

NOTE 18 - OTHER EMPLOYEE BENEFITS

Compensated Absences

County employees earn vacation leave at varying rates ranging from two to five weeks per year. Accumulated vacation cannot exceed three times the annual accumulation rate for an employee. All accumulated, unused vacation time is paid upon separation from the County. Sick leave is accumulated at the rate of three weeks per year. Upon retirement, employees hired before August 12, 1982, are entitled to 100 percent of their accumulated sick leave up to a maximum of 260 days. Employees hired after August 12, 1982, with seven years of service, are entitled to 25 percent of their accumulated sick leave up to a maximum of 30 days. As of December 31, 2001 the total liability for compensated absences was \$2,662,619 for the Primary Government. Of that amount, the liability for governmental funds was \$2,343,819; the current portion was \$96,991, and \$2,246,828 was reported in the general long-term obligations account group. The total liability for the enterprise funds was \$318,800, of which \$15,454 was current, and the balance of \$303,346 was reported as long-term.

NOTE 19 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations and changes in fund balance on the basis of 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis), All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

SANDUSKY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

3. Outstanding year-end encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance for governmental fund types (GAAP).
4. Cash activity of accounts which are held separately by the County and not budgeted for by the County are excluded on the budget basis, but are recorded on the GAAP basis.
5. Short-term note proceeds and note principal retirement are operating transactions (budget) as opposed to the fund that received the proceeds (GAAP).
6. State statute requires short-term note debt to be repaid from the debt service fund (budget) as opposed to the fund that received the proceeds (GAAP).

Adjustments necessary to convert the results of operations at the end of the year on the Budget basis to the GAAP basis are as follows:

**Excess of Revenue and Other Financing Sources
Over/(Under) Expenditures and Other Financing Uses**

	General	Special Revenue	Debt Service	Capital Projects
Budget Basis	\$(1,607,149)	\$ 90,205	\$ 95,388	\$840,724
Net Adjustment for Revenue Accruals	1,113,990	1,212,569	(29,969)	(29,653)
Net Adjustment for Expenditure Accruals	96,764	427,904	725,272	34,308
Net Adjustment for Other Financing Sources (Uses)	(1,089,293)	(1,251,012)	(670,250)	(232,110)
Budget Basis Encumbrances Outstanding at Year-End	177,369	938,207	-	61,934
GAAP Basis	\$(1,290,369)	\$ 1,417,873	\$ 120,441	\$674,203

NOTE 20 - CONTINGENCIES

Grants

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the County Commissioners believe such disallowances, if any, will be immaterial.

SANDUSKY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

NOTE 21 - FEDERAL FOOD STAMP PROGRAM

The County's Department of Human Services distributes federal food stamps through the department as well as through contracting issuance centers to entitled recipient within The County. The receipt and issuance of these stamps have the characteristics of federal "grants"; however, the Department of Human Services merely acts in an intermediary capacity.

The inventory value of these stamps is not reflected in the accompanying financial statements as the only economic interest related to the stamps rests with the ultimate recipient. Federal food stamp activity for the year is as follows:

Balance at beginning of year	\$106,517
Amount distributed to entitled recipients	<u>(9,550)</u>
Balance at end of year	<u>\$ 96,967</u>

NOTE 22 - CONDUIT DEBT OBLIGATIONS

From time to time, the County has issued Industrial Revenue Bonds and Health Care Facility Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2001 there are four series of Industrial Revenue Bonds outstanding, aggregate principal \$7,596,732; and three series of Health Care Facility Bonds outstanding, aggregate principal \$17,705,000.

NOTE 23 - SIGNIFICANT SUBSEQUENT EVENTS

On April 12, 2002, the County contracted with a private firm to operate the County Home; therefore, employees of the County Home will no longer be employees of the County.

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SANDUSKY COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2001

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education</i>				
<u>Child Nutrition Cluster:</u>				
Food Distribution	10.550	N/A		\$4,659
National School lunch Program	10.555		\$4,805	
Special Milk Program for Children	10.556		5,180	
Total U.S. Department of Agriculture - <i>Child Nutrition Cluster</i>			9,985	4,659
U.S. DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education</i>				
<u>Special Education Cluster</u>				
Special Education Grants to States - Title VI-B	84.027	066233-6B-SF-01P 066233-6B-SF-02P	20,371 2,966	
Total Special Education Grants to States			23,337	
Preschool Disabilities	84.173	066233-6B-SF-02P 066233-PG-S1-01P	5,202 3,994	
Total Preschool Disabilities			9,196	
<i>Total Special Education Cluster</i>			32,533	
Innovative Education Program - Title II	84.298	066233-C2-S1-2001 066233-C2-S1-2002	2,367 2,079	
Total Innovative Education Program - Title II			4,446	
Total U.S. Department of Education			36,979	
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT <i>Passed Through Ohio Department of Development:</i>				
Community Development Block Grant	14.228	B-F-00-507-1 B-F-99-067-1	66,623 65,440	
Total Community Development Block Grant			132,063	
Community Housing Improvement	14.228	B-C-98-067-1	24,270	
HOME Investment Partnership Program	14.238	B-C-98-067-2	27,088	
Total U. S. Department of Housing and Urban Development			183,421	

(Continued)

SANDUSKY COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF JUSTICE				
<i>Passed Through Ohio Attorney General's Office:</i>				
Crime Victims Assistance	16,575	01-VAG-ENE-251	20,669	
		00-VAG-ENE-251-X	6,090	
Total Crime Victims Assistance			<u>26,759</u>	
Juvenile Justice and Delinquent Prevention	16.540		12,776	
Juvenile Accountability Incentive Block Grant	16.523		<u>4,074</u>	
Total U.S. Department of Justice			<u>43,609</u>	
U. S. DEPARTMENT OF LABOR				
<i>Passed Through Ohio Department of Jobs and Family Services:</i>				
Workforce Investment Act	17.255		<u>633,631</u>	
Total U.S. Department of Labor			<u>633,631</u>	
FEDERAL EMERGENCY MANAGEMENT AGENCY				
<i>Passed Through Ohio Department of Emergency Management:</i>				
State and Local Assistance	83.534		<u>26,901</u>	
Total Federal Emergency Management Agency			<u>26,901</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i>				
Medical Assistance Program - Title XIX	93.778	7200013	563,840	
Child Welfare - Title IV-B	93.563		74,972	
Social Services Block Grant - Title XX	93.667		<u>52,122</u>	
Total U.S. Department of Health and Human Services			<u>690,934</u>	
U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICES				
<i>Passed through Ohio Department of Youth Services:</i>				
Americorps	94.006		<u>9,276</u>	
TOTAL FEDERAL AWARDS			<u>\$1,634,736</u>	<u>\$4,659</u>

The accompanying notes are an integral part of this schedule.

SANDUSKY COUNTY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES FISCAL YEAR ENDED DECEMBER 31, 2001

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At December 31, 2001, the District had no significant food commodities in inventory.

NOTE C - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County passed through the Ohio Department of Development (ODOD). The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property. ODOD has informed us that all their CDBG loans should be collateralized. At December 31, 2001, the gross amount of loans outstanding under this program were \$107,047.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Sandusky County
100 North Park Avenue, Suite A
Fremont, Ohio 43420-2477

To the County Commissioners:

We have audited the financial statements of Sandusky County as of and for the year ended December 31, 2001, and have issued our report thereon dated October 1, 2002, which referenced the report of other auditors of the component unit (Sandco Industries). We also indicated the County implemented GASB 33 and included the Convention and Visitors Bureau as a component unit. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the component unit (Sandco Industries), were not audited in accordance with *Government Auditing Standards* and accordingly this report does not extend to that component unit.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-60172-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated October 1, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be 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 County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2001-60172-002.

A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of 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 to be material weaknesses. However, we believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that did not require inclusion in this report, that we have reported to management of Sandusky County in a separate letter dated October 1, 2002.

This report is intended for the information and use of the audit committee, management, County Commissioners, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

October 1, 2002



STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Sandusky County
100 North Park Avenue, Suite A
Fremont, Ohio 43420-2477

To the County Commissioner:

Compliance

We have audited the compliance of Sandusky County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2001. The County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2001.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, County Commissioners, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

October 1, 2002

SANDUSKY COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title XIX - Medicaid CFDA #93.778
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2001-60172-001

Noncompliance

Ohio Revised Code § 5705.41(D) states no orders or contracts involving the expenditure of money is to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirement:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$100, the fiscal officer may authorize it to be paid without the affirmation of the Board, if such expenditure is otherwise valid.

Forty-three percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and neither of the exceptions provided for were used. To improve controls over disbursements, we recommend that all County disbursements receive certification of the fiscal officer that the funds are or will be available.

FINDING NUMBER 2001-60172-002

Material Weakness - Fixed Asset Listing

The County does not maintain a fixed asset listing. We recommend the County maintain a fixed asset ledger. At a minimum the equipment records should be updated annually and contain the following data: a) department name and location; b) date of purchase; c) description of item; d) model/serial number, if applicable; e) tag number; f) quantity; g) purchase cost; h) disposition; i) estimated value, and j) fund ownership. Failure to properly identify equipment, or errors not being detected in a timely manner could result in difficulty processing insurance claims in the event of loss.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.

SANDUSKY COUNTY

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-60172-001	Ohio Revised Code § 5705.39 Appropriations in excess of estimated resources.	Yes	
2000-60172-002	Ohio Revised Code § 5705.41 (B) Expenditures in excess of appropriations.	Yes	
2000-60172-003	Ohio Revised Code § 5705.36 Failure to obtain an amended certificate of estimated resources.	Yes	
2000-60172-004	Ohio Revised Code § 5705.41 (D) Failure to certify expenditures.	No	Reissued as Finding 2001-60172-001.
2000-60172-005	Failure to record certain liabilities in the financial statements.	Partially Corrected	Reported in the management letter.



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FINANCIAL CONDITION

SANDUSKY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 7, 2002