

**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

January 8, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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**FINANCIAL CONDITION
SANDUSKY COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Sandusky County
100 N. Park Avenue, Suite B
Fremont, Ohio 43420-2472

To the County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sandusky County, Ohio (the County), as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sandusky County, Ohio, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, Motor Vehicle and Gas Tax Fund, Human Services Fund and County Board of Mental Retardation Developmental Disabilities Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2006, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

December 21, 2006

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

The management's discussion and analysis of Sandusky County's (the County) financial performance provides an overall review of the County's financial activities for the year ended December 31, 2005. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- The total net assets of the County increased \$18,897. Net assets of governmental activities increased \$182,969, which represents a 0.31% increase over fiscal year 2004. Net assets of business-type activities decreased \$164,072 or 2.63% from fiscal year 2004.
- General revenues accounted for \$19,020,116 or 40.77% of total governmental activities revenue. Program specific revenues accounted for \$27,628,295 or 59.23% of total governmental activities revenue.
- The County had \$46,595,887 in expenses related to governmental activities; \$27,628,295 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily property and sales taxes) of \$19,020,116 were adequate to provide for these programs.
- The general fund, the County's largest major fund, had revenues and other financing sources of \$17,279,905 in 2005, an increase of \$1,203,574 from 2004 revenues. The general fund had expenditures and other financing uses of \$17,112,989 in 2005, an increase of \$1,216,631 from 2004. The general fund, fund balance increased \$166,916 from 2004 to 2005.
- The motor vehicle and gas tax fund, a County major fund, had revenues of \$4,390,224 in 2005. The motor vehicle and gas tax fund had expenditures of \$4,260,349 in 2005. The motor vehicle and gas tax fund, fund balance increased \$129,875 from 2004 to 2005.
- The human services fund, a County major fund, had revenues and other financing sources of \$9,094,986 in 2005. The human services fund had expenditures of \$9,138,607 in 2005. The human services fund, fund balance decreased \$43,621 from 2004 to 2005.
- The County board of mental retardation and developmentally disabled (MR/DD) fund, a County major fund, had revenues of \$7,944,487 in 2005. The County board of MR/DD fund had expenditures of \$7,317,372 in 2005. The County board of MR/DD fund, fund balance increased \$627,115 from 2004 to 2005.
- Net assets for the Sanitary Sewer enterprise fund decreased in 2005 by \$164,072 or 2.63%. The sanitary sewer enterprise fund transferred \$130,445 to the general fund in 2005.
- In the general fund, the actual revenues and other financing sources came in \$1,899,292 higher than they were originally budgeted and actual expenditures were \$1,022,380 less than the amount in the original budget. These positive variances are a result of the County's conservative budgeting process.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Using the Basic Financial Statements (BFS)

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole County, presenting both an aggregate view of the County's finances and a longer-term view of those finances.

Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the County's most significant funds with all other non-major funds presented in total in one column. In the case of the County, there are four major governmental funds. The general fund is the largest major fund.

Reporting the County as a Whole

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities answer the question, "How did we do financially during 2005?" These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. The accrual basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the County is divided into two distinct kinds of activities:

Governmental Activities - Most of the County's programs and services are reported here including human services, health, public safety, public works and general government. These services are funded primarily by taxes and intergovernmental revenues including federal and state grants and other shared revenues.

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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Reporting the County's Most Significant Funds

Fund Financial Statements

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

Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the General Fund, Motor Vehicle and Gas Tax, Human Services and County Board of Mental Retardation and Developmentally Disabled (MR/DD).

Governmental Funds

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

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

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation.

Proprietary Funds

The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for its sanitary sewer operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for a self-funded workers compensation insurance program for employees of the County and several governmental units within the County. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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(Continued)**

Fiduciary Funds

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

Notes to the Financial Statements

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

Government-Wide Financial Analysis

The Statement of Net Assets provides the perspective of the County as a whole. Recall that the Statement of Net Assets provides the perspective of the County as a whole.

The table below provides a summary of the County's net assets for 2005 and 2004.

	Net Assets					
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	2005 Total	2004 Total
	<u>2005</u>	<u>2005</u>	<u>2004</u>	<u>2004</u>		
<u>Assets</u>						
Current and other assets	\$ 38,368,943	\$ 807,278	\$ 37,668,308	\$ 736,090	\$ 39,176,221	\$ 38,404,398
Capital assets	<u>41,427,655</u>	<u>5,560,551</u>	<u>42,134,838</u>	<u>5,788,734</u>	<u>46,988,206</u>	<u>47,923,572</u>
Total assets	<u>79,796,598</u>	<u>6,367,829</u>	<u>79,803,146</u>	<u>6,524,824</u>	<u>86,164,427</u>	<u>86,327,970</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	9,527,347	211,175	9,751,166	250,500	9,738,522	10,001,666
Other liabilities	<u>11,302,917</u>	<u>82,081</u>	<u>11,268,615</u>	<u>35,679</u>	<u>11,384,998</u>	<u>11,304,294</u>
Total liabilities	<u>20,830,264</u>	<u>293,256</u>	<u>21,019,781</u>	<u>286,179</u>	<u>21,123,520</u>	<u>21,305,960</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	34,095,900	5,360,551	34,347,077	5,548,734	39,456,451	39,895,811
Restricted	17,636,586		17,396,257		17,636,586	17,396,257
Unrestricted	<u>7,233,848</u>	<u>714,022</u>	<u>7,040,031</u>	<u>689,911</u>	<u>7,947,870</u>	<u>7,729,942</u>
Total net assets	<u>\$ 58,966,334</u>	<u>\$ 6,074,573</u>	<u>\$ 58,783,365</u>	<u>\$ 6,238,645</u>	<u>\$ 65,040,907</u>	<u>\$ 65,022,010</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31,

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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(Continued)**

2005, the County's assets exceeded liabilities by \$65,040,907. This amounts to \$58,966,334 in governmental activities and \$6,074,573 in business-type activities. The County's finances remained strong during 2005, despite the decline in the economy.

Capital assets reported on the government-wide statements represent the largest portion of the County's net assets. At year-end, capital assets represented 54.53% of total governmental and business-type assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles, construction in progress, water and sewer lines and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2005, were \$39,456,451. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2005, the County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the County's net assets, \$17,636,586, represents resources that are subject to external restrictions on how they may be used. The remaining balance of government-wide unrestricted net assets of \$7,947,870 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net assets for fiscal years 2005 and 2004.

	Change in Net Assets					
	Governmental	Business-type	Governmental	Business-type	2005	2004
	Activities 2005	Activities 2005	Activities 2004	Activities 2004	Total	Total
Revenues						
Program revenues:						
Charges for services and sales	\$ 6,663,183	\$ 927,835	\$ 6,508,498	\$ 892,180	\$ 7,591,018	\$ 7,400,678
Operating grants and contributions	20,193,201		21,314,405		20,193,201	21,314,405
Capital grants and contributions	771,911	-	305,000	-	771,911	305,000
Total program revenues	<u>27,628,295</u>	<u>927,835</u>	<u>28,127,903</u>	<u>892,180</u>	<u>28,556,130</u>	<u>29,020,083</u>
General revenues:						
Property taxes	7,569,308		6,804,541		7,569,308	6,804,541
Sales tax	6,051,944		6,098,833		6,051,944	6,098,833
Unrestricted grants	2,113,026		2,056,686		2,113,026	2,056,686
Investment earnings	1,497,961		1,228,885		1,497,961	1,228,885
Increase in FMV of investment			109,480			109,480
Other	1,787,877	24,168	1,072,746	93,883	1,812,045	1,166,629
Total general revenues	<u>19,020,116</u>	<u>24,168</u>	<u>17,371,171</u>	<u>93,883</u>	<u>19,044,284</u>	<u>17,465,054</u>
Total revenues	<u>46,648,411</u>	<u>952,003</u>	<u>45,499,074</u>	<u>986,063</u>	<u>47,600,414</u>	<u>46,485,137</u>

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Expenses

Program Expenses:

General government	\$ 9,029,596		\$ 7,768,339		\$ 9,029,596	\$ 7,768,339
Public safety	8,822,858		9,185,350		8,822,858	9,185,350
Public works	5,059,249		4,727,732		5,059,249	4,727,732
Health	369,110		448,360		369,110	448,360
Human services	20,359,700		19,470,971		20,359,700	19,470,971
Economic development and assistance	2,026,653		2,031,074		2,026,653	2,031,074
Intergovernmental	188,000		192,800		188,000	192,800
Other	416,125		432,746		416,125	432,746
Interest and fiscal charges	324,596		311,286		324,596	311,286
Sanitary sewer	-	\$ 985,630	-	\$ 827,389	985,630	827,389
	<u>46,595,887</u>	<u>985,630</u>	<u>44,568,658</u>	<u>827,389</u>	<u>47,581,517</u>	<u>45,396,047</u>
Change in net assets before transfers and special item	52,524	(33,627)	930,416	158,674	18,897	1,089,090
Transfers	130,445	(130,445)	134,292	(134,292)		
Special item:						
Gain on sale of senior center	-	-	1,009,800	-	-	1,009,800
	<u>\$ 182,969</u>	<u>\$ (164,072)</u>	<u>\$ 2,074,508</u>	<u>\$ 24,382</u>	<u>\$ 18,897</u>	<u>\$ 2,098,890</u>

Governmental Activities

Governmental assets increased by \$182,969 in 2005 over 2004. This increase is due to investment earnings for 2005.

Human services expenses which support the operations of the County Board of MRDD, Job and Family Services, Veteran Services, and the Children Services Board, accounts for \$20,359,700 of expenses, or 43.69% of total governmental expenses of the County. These expenses were funded in part by \$487,208 in charges to users of services in 2005. General government expenses which includes legislative and executive and judicial programs, totaled \$9,029,596 or 19.38% of total governmental expenses. General government expenses were covered by \$3,449,711 of direct charges to users in 2005.

The state and federal government contributed to the County revenues of \$20,193,201 in operating grants and contributions and \$771,911 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions \$14,544,719, or 72.03%, subsidized human services programs.

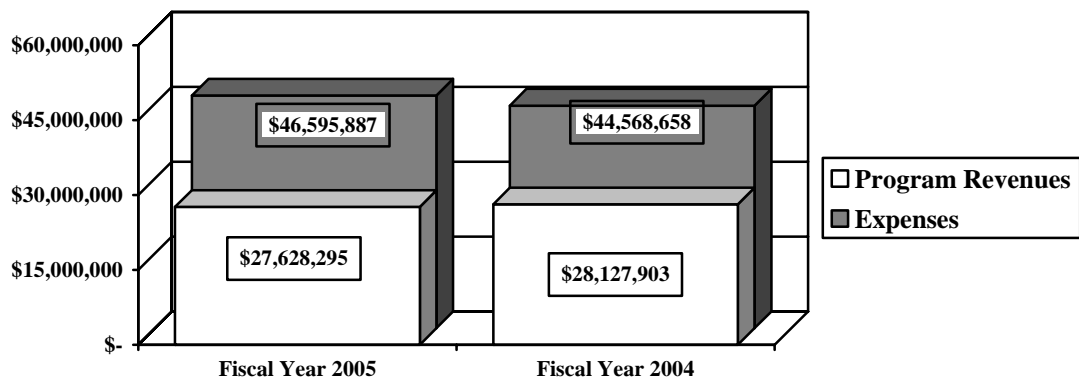
General revenues totaled \$19,020,116, and amounted to 40.77% of total revenues. These revenues primarily consist of property and sales tax revenue of \$13,621,252, or 71.61% of total general revenues in 2005. The other primary source of general revenues is grants and entitlements not restricted to specific programs, with local government and local government revenue assistance making up \$2,113,026, or 11.11% of the total.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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(Continued)**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2005 and 2004. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

Governmental Activities – Program Revenues vs. Total Expenses



Governmental Activities

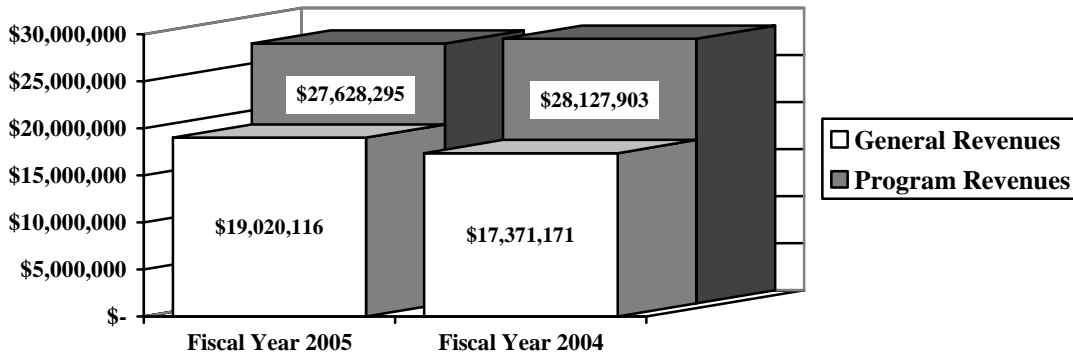
	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
Program Expenses:				
General government	\$ 9,029,596	\$ 5,508,880	\$ 7,768,339	\$ 4,352,066
Public safety	8,822,858	5,938,294	9,185,350	6,960,888
Public works	5,059,249	472,641	4,727,732	(835,458)
Health	369,110	119,928	448,360	224,141
Human services	20,359,700	5,327,773	19,470,971	4,906,101
Economic development and assistance	2,026,653	1,101,723	2,031,074	495,418
Intergovernmental	188,000	185,815	192,800	117,109
Other	416,125	410,790	432,746	432,346
Interest and fiscal charges	324,596	(98,252)	311,286	(211,856)
Total	<u>\$ 46,595,887</u>	<u>\$ 18,967,592</u>	<u>\$ 44,568,658</u>	<u>\$ 16,440,755</u>

The dependence upon general revenues for governmental activities is apparent, with 40.71% of expenses supported through taxes and other general revenues during 2005.

**FINANCIAL CONDITION
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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(Continued)**

Governmental Activities - General and Program Revenues



Business-Type Activities

The Sanitary Sewer is the County's only enterprise fund. This program had revenues of \$952,003 and expenses of \$985,630 for fiscal year 2005. The Sanitary Sewer fund transferred out \$130,445 to the general fund. The Sanitary Sewer fund, fund balance decreased \$164,072 in 2005. Activity remained relatively consistent between the two years.

Financial Analysis of the Government's Funds

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

Governmental Funds

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

The County's governmental funds reported a combined fund balance of \$21,506,447, which is \$968,395 over last year's total of \$20,538,052. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2005 for all major and non-major governmental funds.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
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	<u>Fund Balance</u> <u>December 31, 2005</u>	<u>Fund Balance</u> <u>December 31, 2004</u>	<u>Increase</u> <u>(Decrease)</u>
Major Funds:			
General	\$ 5,135,188	\$ 4,968,272	\$ 166,916
Motor Vehicle and Gas Tax	1,737,532	1,607,657	129,875
Human Services	982,330	1,025,951	(43,621)
County Board of MRDD	5,107,982	4,480,867	627,115
Other Nonmajor Governmental Funds	<u>8,543,415</u>	<u>8,455,305</u>	<u>88,110</u>
Total	<u>\$ 21,506,447</u>	<u>\$ 20,538,052</u>	<u>\$ 968,395</u>

General Fund

The general fund is the operating fund of the County. The general fund, the County's largest major fund, had revenues and other financing sources of \$17,279,905 in 2005, an increase of \$1,203,574 or 7.49% from 2004 revenues and other financing sources. The general fund had expenditures and other financing uses of \$17,112,989 in 2005, an increase of \$1,216,631 or 7.66% from 2004. The general fund, fund balance increased \$166,916 from 2004 to 2005.

Motor Vehicle and Gas Tax Fund

The motor vehicle and gas tax fund, a County major fund, had revenues of \$4,390,224 in 2005. The motor vehicle and gas tax fund had expenditures of \$4,260,349 in 2005. The motor vehicle and gas tax fund, fund balance increased \$129,875 from 2004 to 2005.

Human Services Fund

The human services fund, a County major fund, had revenues and other financing sources of \$9,094,986 in 2005. The human services fund had expenditures of \$9,138,607 in 2005. The human services fund, fund balance decreased \$43,621 from 2004 to 2005.

County Board of Mental Retardation and Developmentally Disabled Fund

The County board of mental retardation and developmentally disabled (MR/DD) fund, a County major fund, had revenues of \$7,944,487 in 2005. The County board of MR/DD fund had expenditures of \$7,317,372 in 2005. The County board of MR/DD fund, fund balance increased \$627,115 from 2004 to 2005.

Budgeting Highlights - General Fund

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

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

The original budgeted revenues and other financing sources were increased \$719,393 in the final budget. Actual revenues and other financing sources of \$17,453,402 exceeded final budgeted revenues and other financing sources by \$1,179,899. This significant increase is due to the County's conservative approach to budgeting. The difference between the final budgeted appropriations and other financing uses and actual expenditures and other financing uses was a \$1,407,929 decrease in expenditures.

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, but in more detail.

Capital Assets and Debt Administration

Capital Assets

At the end of 2005, the County had \$46,988,206 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, construction in progress, sewer and water lines and infrastructure. Of this total, \$41,427,655 was reported in governmental activities and \$5,560,551 was reported in business-type activities. The following table shows fiscal 2005 balances compared to 2004:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land	\$ 1,407,198	\$ 1,407,198	\$ 11,828	\$ 11,828	\$ 1,419,026	\$ 1,419,026
Land improvements	305,509	341,190	64,378	68,848	369,887	410,038
Building and improvements	14,049,477	14,591,323	222,891	242,563	14,272,368	14,833,886
Furniture and equipment	1,251,339	1,494,896	325,702	361,025	1,577,041	1,855,921
Vehicles	1,797,765	1,539,513	45,718	39,284	1,843,483	1,578,797
Infrastructure	22,394,396	22,760,718			22,394,396	22,760,718
Construction in progress	221,971				221,971	
Sewer and water lines	-	-	4,890,034	5,065,186	4,890,034	5,065,186
Total	<u>\$ 41,427,655</u>	<u>\$ 42,134,838</u>	<u>\$ 5,560,551</u>	<u>\$ 5,788,734</u>	<u>\$ 46,988,206</u>	<u>\$ 47,923,572</u>

During 2005, the County's governmental activities had \$1,891,997 in additions, \$3,600 (net of accumulated depreciation) in deletions and \$2,595,580 in depreciation expense. The decrease in the County's governmental activities capital assets for 2005 was \$707,183. See Note 10 to the basic financial statements for detail on governmental activities and business-type activities capital assets.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Debt Administration

At December 31, 2005, the County's governmental activities had \$9,527,347 in general obligation bonds, special assessment bonds, OPWC loans, capital leases, and compensated absences outstanding. Of this total, \$1,387,089 is due within one year and \$8,140,258 is due in greater than one year. In addition, the County had \$374,000 in bond anticipation notes outstanding at December 31, 2005. At December 31, 2005 the County's business-type activities had \$211,175 in general obligation bonds and compensated absences outstanding. Of this total, \$48,221 is due within one year and \$162,954 is due within greater than one year. The following table summarizes the bonds, notes, leases, loans and compensated absences outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2005	Business-Type Activities 2005	Governmental Activities 2004	Business-Type Activities 2004
Long-Term Obligations:				
General obligation bonds	\$ 5,245,000	\$ 200,000	\$ 5,545,000	\$ 240,000
Special assessment bonds	53,171		51,033	
OPWC/OWPC loans	1,659,584		1,741,728	
Bond anticipation notes	374,000		450,000	
Capital lease obligation	304,811			
Compensated absences	<u>2,264,781</u>	<u>11,175</u>	<u>2,413,405</u>	<u>10,500</u>
Total	<u>\$ 9,901,347</u>	<u>\$ 211,175</u>	<u>\$ 10,201,166</u>	<u>\$ 250,500</u>

See Note 13 to the basic financial statements for additional disclosures and detail regarding the County's debt activity.

Economic Factors and Next Year's Budgets and Rates

The County's current estimated population is 61,676.

The County's unemployment rate is currently 6.2%, compared to the 5.9% state average and the 5.1% national average.

These economic factors were considered in preparing the County's budget for fiscal year 2005. With the continuation of conservative budgeting practices, the County's financial position should remain strong in future years.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Honorable Bill Farrell, Sandusky County Auditor, 100 North Park Avenue, Fremont, Ohio 43420-2472.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2005**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents.	\$ 21,119,639	\$ 723,601	\$ 21,843,240
Receivables:			
Sales taxes	931,108		931,108
Real estate and other taxes	8,082,024		8,082,024
Accounts	295,562	79,898	375,460
Special assessments	125,715	2,732	128,447
Accrued interest	24,514		24,514
Due from other governments.	4,718,889		4,718,889
Loans receivable	82,887		82,887
Prepayments	86,089	1,047	87,136
Materials and supplies inventory.	405,148		405,148
Investment in joint ventures	2,497,368		2,497,368
Capital assets:			
Land.	1,407,198	11,828	1,419,026
Construction in progress.	221,971		221,971
Depreciable capital assets, net.	39,798,486	5,548,723	45,347,209
Total capital assets, net.	41,427,655	5,560,551	46,988,206
Total assets.	79,796,598	6,367,829	86,164,427
Liabilities:			
Accounts payable.	1,290,409	63,078	1,353,487
Accrued wages and benefits	712,933	8,319	721,252
Due to other governments	845,580	9,205	854,785
Deferred revenue.	7,926,942		7,926,942
Accrued interest payable.	37,359	1,479	38,838
Amount to be repaid to claimants	115,694		115,694
Notes payable	374,000		374,000
Long-term liabilities:			
Due within one year.	1,387,089	48,221	1,435,310
Due in more than one year	8,140,258	162,954	8,303,212
Total liabilities	20,830,264	293,256	21,123,520
Net assets:			
Invested in capital assets, net of related debt.	34,095,900	5,360,551	39,456,451
Restricted for:			
Capital projects	2,861,771		2,861,771
Debt service	799,437		799,437
Public works projects	3,276,375		3,276,375
Public safety programs.	1,304,597		1,304,597
Human services programs	7,920,237		7,920,237
Other purposes	1,474,169		1,474,169
Unrestricted	7,233,848	714,022	7,947,870
Total net assets.	\$ 58,966,334	\$ 6,074,573	\$ 65,040,907

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**FINANCIAL CONDITION
SANDUSKY COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government:				
Legislative and executive	\$ 5,456,671	\$ 2,381,844		
Judicial	3,572,925	1,067,867	\$ 71,005	
Public safety	8,822,858	1,841,913	1,042,651	
Public works	5,059,249	199,493	3,615,204	\$ 771,911
Health	369,110	249,182		
Human services	20,359,700	487,208	14,544,719	
Economic development and assistance. . .	2,026,653	5,308	919,622	
Intergovernmental	188,000	2,185		
Other	416,125	5,335		
Interest and fiscal charges	324,596	422,848		
Total governmental activities.	<u>46,595,887</u>	<u>6,663,183</u>	<u>20,193,201</u>	<u>771,911</u>
Business-Type Activities:				
Sanitary sewer.	<u>985,630</u>	<u>927,835</u>		
Total business-type activities	<u>985,630</u>	<u>927,835</u>		
Total primary government.	<u>\$ 47,581,517</u>	<u>\$ 7,591,018</u>	<u>\$ 20,193,201</u>	<u>\$ 771,911</u>

General Revenues:

Property taxes levied for:

- General fund
- Human services - County Board of MR/DD
- Human services - Senior Citizens
- Public safety 911 system

Sales taxes

Grants and entitlements not restricted to specific programs

Investment earnings.

Miscellaneous.

Total general revenues

Transfers

Change in net assets

Net assets at beginning of year.

Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (3,074,827)		\$ (3,074,827)
(2,434,053)		(2,434,053)
(5,938,294)		(5,938,294)
(472,641)		(472,641)
(119,928)		(119,928)
(5,327,773)		(5,327,773)
(1,101,723)		(1,101,723)
(185,815)		(185,815)
(410,790)		(410,790)
98,252		98,252
<u>(18,967,592)</u>		<u>(18,967,592)</u>
	\$ (57,795)	(57,795)
	<u>(57,795)</u>	<u>(57,795)</u>
<u>(18,967,592)</u>	<u>(57,795)</u>	<u>(19,025,387)</u>
2,780,898		2,780,898
4,354,338		4,354,338
165,034		165,034
269,038		269,038
6,051,944		6,051,944
2,113,026		2,113,026
1,497,961		1,497,961
1,787,877	24,168	1,812,045
<u>19,020,116</u>	<u>24,168</u>	<u>19,044,284</u>
130,445	(130,445)	
182,969	(164,072)	18,897
<u>58,783,365</u>	<u>6,238,645</u>	<u>65,022,010</u>
<u>\$ 58,966,334</u>	<u>\$ 6,074,573</u>	<u>\$ 65,040,907</u>

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	<u>General</u>	<u>Motor Vehicle and Gas Tax</u>	<u>Human Services</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 4,271,246	\$ 990,449	\$ 1,509,527
Receivables (net of allowance for uncollectibles):			
Sales taxes	917,027	14,081	
Real estate and other taxes	3,030,700		
Accounts	187,076	8,888	15,325
Special assessments			
Accrued interest	24,514		
Loans to other funds	74,000		
Loans receivable			
Due from other funds	734		
Due from other governments	1,162,997	2,439,413	257,759
Prepayments	83,987	1,064	
Materials and supplies inventory	161,410	167,281	50,388
Total assets	<u>\$ 9,913,691</u>	<u>\$ 3,621,176</u>	<u>\$ 1,832,999</u>
Liabilities:			
Accounts payable	\$ 286,898	\$ 86,890	\$ 322,850
Accrued wages and benefits	322,905	66,182	109,739
Loans from other funds			
Due to other funds			
Due to other governments	342,962	64,270	220,966
Amounts to be repaid to claimants	115,694		
Deferred revenue	3,710,044	1,666,302	197,114
Total liabilities	<u>4,778,503</u>	<u>1,883,644</u>	<u>850,669</u>
Fund Balances:			
Reserved for encumbrances	66,487		
Reserved for prepayments	83,987	1,064	
Reserved for materials and supplies inventory	161,410	167,281	50,388
Reserved for loans receivable			
Reserved for internal loans	74,000		
Unreserved undesignated, reported in:			
General fund	4,749,304		
Special revenue funds		1,569,187	931,942
Debt service fund			
Capital projects funds			
Total fund balances	<u>5,135,188</u>	<u>1,737,532</u>	<u>982,330</u>
Total liabilities and fund balances	<u>\$ 9,913,691</u>	<u>\$ 3,621,176</u>	<u>\$ 1,832,999</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

County Board of MR/DD	Other Governmental Funds	Total Governmental Funds
\$ 5,290,517	\$ 8,879,398	\$ 20,941,137
		931,108
4,588,981	462,343	8,082,024
12,899	71,374	295,562
	125,715	125,715
		24,514
	33,160	107,160
	82,887	82,887
		734
380,350	478,370	4,718,889
	1,038	86,089
12,941	13,128	405,148
<u>\$ 10,285,688</u>	<u>\$ 10,147,413</u>	<u>\$ 35,800,967</u>
\$ 140,197	\$ 453,574	\$ 1,290,409
126,098	88,009	712,933
	107,160	107,160
	734	734
135,639	81,743	845,580
		115,694
4,775,772	872,778	11,222,010
<u>5,177,706</u>	<u>1,603,998</u>	<u>14,294,520</u>
		4,749,304
72,911	131,737	271,135
	1,038	86,089
12,941	13,128	405,148
	82,887	82,887
	33,160	107,160
		12,269,149
5,022,130	4,745,890	811,059
	811,059	2,724,516
	2,724,516	2,724,516
<u>5,107,982</u>	<u>8,543,415</u>	<u>21,506,447</u>
<u>\$ 10,285,688</u>	<u>\$ 10,147,413</u>	<u>\$ 35,800,967</u>

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2005**

Total governmental fund balances		\$	21,506,447
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			41,427,655
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.			
Property taxes	\$	166,403	
Special assessments		125,715	
Accrued interest receivable		24,347	
Intergovernmental revenues		<u>2,978,603</u>	
Total			3,295,068
The investment in joint ventures by governmental activities are not financial resources and therefore are not reported in fund balance at year end.			2,497,368
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.			178,502
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(37,359)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		5,245,000	
Notes payable		374,000	
Special assessment bonds		53,171	
OWPC loans		1,359,830	
OPWC loans		299,754	
Capital lease payable		304,811	
Compensated absences		<u>2,264,781</u>	
Total			<u>(9,901,347)</u>
Net assets of governmental activities		\$	<u><u>58,966,334</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**FINANCIAL CONDITION
SANDUSKY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Motor Vehicle and Gas Tax</u>	<u>Human Services</u>
Revenues:			
Property taxes	\$ 2,780,587		
Sales taxes	5,876,825	\$ 175,119	
Charges for services	2,829,095	465	
Licenses and permits	4,817		
Fines and forfeitures	540,265	55,762	
Intergovernmental	2,091,882	3,585,244	\$ 8,816,473
Special assessments			
Investment income	1,473,614		
Rental income	373,731		
Other	664,473	573,634	
Total revenues	<u>16,635,289</u>	<u>4,390,224</u>	<u>8,816,473</u>
Expenditures:			
Current:			
General government:			
Legislative and executive	4,249,107		
Judicial	2,977,209		
Public safety	6,510,422		
Public works	87,053	4,260,349	
Health	64,769		
Human services	1,316,018		9,138,607
Economic development and assistance			
Intergovernmental	188,000		
Other	327,889		
Capital outlay	471,457		
Debt service:			
Principal retirement	166,646		
Interest and fiscal charges			
Total expenditures	<u>16,358,570</u>	<u>4,260,349</u>	<u>9,138,607</u>
Excess (deficiency) of revenues over (under) expenditures	<u>276,719</u>	<u>129,875</u>	<u>(322,134)</u>
Other financing sources (uses):			
Sale of bond anticipation notes			
Sale of special assessment bonds			
Transfers in	173,159		278,513
Transfers out	(754,419)		
Capital lease transaction	471,457		
Total other financing sources (uses)	<u>(109,803)</u>		<u>278,513</u>
Net change in fund balances	166,916	129,875	(43,621)
Fund balances at beginning of year	<u>4,968,272</u>	<u>1,607,657</u>	<u>1,025,951</u>
Fund balances at end of year	<u>\$ 5,135,188</u>	<u>\$ 1,737,532</u>	<u>\$ 982,330</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

County Board of MR/DD	Other Governmental Funds	Total Governmental Funds
\$ 4,360,772	\$ 434,265	\$ 7,575,624
		6,051,944
69,187	1,779,465	4,678,212
	281,309	286,126
	20,396	616,423
3,491,613	5,737,046	23,722,258
	91,098	91,098
		1,473,614
	535,126	908,857
22,915	344,390	1,605,412
<u>7,944,487</u>	<u>9,223,095</u>	<u>47,009,568</u>
	928,507	5,177,614
	461,761	3,438,970
	1,723,682	8,234,104
	326,614	4,674,016
	221,524	286,293
5,685,308	3,751,087	19,891,020
1,632,064	360,210	1,992,274
		188,000
	88,236	416,125
	940,831	1,412,288
	841,441	1,008,087
	309,719	309,719
<u>7,317,372</u>	<u>9,953,612</u>	<u>47,028,510</u>
<u>627,115</u>	<u>(730,517)</u>	<u>(18,942)</u>
	374,000	374,000
	11,435	11,435
	1,212,043	1,663,715
	(778,851)	(1,533,270)
		471,457
	<u>818,627</u>	<u>987,337</u>
627,115	88,110	968,395
4,480,867	8,455,305	20,538,052
<u>\$ 5,107,982</u>	<u>\$ 8,543,415</u>	<u>\$ 21,506,447</u>

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

Net change in fund balances - total governmental funds	\$	968,395
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.		
Capital outlay	\$ 1,891,997	
Depreciation expense	<u>(2,595,580)</u>	
Total		(703,583)
 The effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		
Capital asset disposals	(12,000)	
Accumulated depreciation on disposals	<u>8,400</u>	
Total		(3,600)
 Proceeds of bonds, notes and capital leases are other financing sources in the governmental funds, but increase liabilities in governmental activities.		
		(856,892)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(6,316)	
Special assessments	66,624	
Accrued interest receivable	24,347	
Intergovernmental	<u>(628,277)</u>	
Total		(543,622)
 Increases in the value of investment in joint ventures that do not provide current financial resources are not reported in the funds.		
		182,465
 Repayment of bonds, notes and capital leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		1,008,087
 In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		(14,877)
 Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
		148,624
 The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		<u>(2,028)</u>
Change in net assets of governmental activities	\$	<u>182,969</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 2,516,077	\$ 2,632,448	\$ 2,664,318	\$ 31,870
Sales taxes.	5,622,911	5,882,976	5,954,199	71,223
Charges for services.	2,662,764	2,785,919	2,819,647	33,728
Licenses and permits	4,549	4,759	4,817	58
Fines and forfeitures	508,061	531,559	537,994	6,435
Intergovernmental.	1,921,072	2,009,924	2,034,257	24,333
Investment income	652,853	683,048	1,674,198	991,150
Rental income.	353,376	369,720	374,196	4,476
Other	23,476	24,563	24,862	299
Total revenues.	<u>14,265,139</u>	<u>14,924,916</u>	<u>16,088,488</u>	<u>1,163,572</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	4,363,101	4,768,159	4,387,717	380,442
Judicial.	2,988,445	3,079,066	2,783,868	295,198
Public safety	6,915,543	7,038,138	6,819,351	218,787
Public works	86,881	87,384	87,053	331
Health	119,684	121,184	120,143	1,041
Human services	1,747,196	1,748,918	1,741,833	7,085
Intergovernmental	232,400	190,400	190,400	
Other.	563,233	466,783	342,118	124,665
Total expenditures	<u>17,016,483</u>	<u>17,500,032</u>	<u>16,472,483</u>	<u>1,027,549</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,751,344)</u>	<u>(2,575,116)</u>	<u>(383,995)</u>	<u>2,191,121</u>
Other financing sources (uses):				
Other financing sources	1,125,445	1,177,498	1,191,755	14,257
Transfers in.	163,526	171,089	173,159	2,070
Transfers (out).	<u>(1,000,000)</u>	<u>(902,000)</u>	<u>(521,620)</u>	<u>380,380</u>
Total other financing sources	<u>288,971</u>	<u>446,587</u>	<u>843,294</u>	<u>396,707</u>
Net change in fund balance.	(2,462,373)	(2,128,529)	459,299	2,587,828
Fund balance at beginning of year	3,221,023	3,221,023	3,221,023	
Prior year encumbrances appropriated	382,236	382,236	382,236	
Fund balance at end of year	<u>\$ 1,140,886</u>	<u>\$ 1,474,730</u>	<u>\$ 4,062,558</u>	<u>\$ 2,587,828</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
MOTOR VEHICLE AND GAS TAX
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Sales taxes.	\$ 154,569	\$ 169,326	\$ 173,619	\$ 4,293
Charges for services.	414	454	466	12
Fines and forfeitures	50,049	54,827	56,217	1,390
Intergovernmental	3,469,635	3,800,891	4,243,656	442,765
Other	501,691	549,589	563,524	13,935
Total revenues	<u>4,176,358</u>	<u>4,575,087</u>	<u>5,037,482</u>	<u>462,395</u>
Expenditures:				
Current:				
Public works.	4,611,836	4,611,836	4,757,499	(145,663)
Total expenditures	<u>4,611,836</u>	<u>4,611,836</u>	<u>4,757,499</u>	<u>(145,663)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(435,478)</u>	<u>(36,749)</u>	<u>279,983</u>	<u>316,732</u>
Other financing sources:				
Other financing sources	54,692	59,913	61,433	1,520
Total other financing sources.	<u>54,692</u>	<u>59,913</u>	<u>61,433</u>	<u>1,520</u>
Net change in fund balance.	(380,786)	23,164	341,416	318,252
Fund balance at beginning of year	453,351	453,351	453,351	
Prior year encumbrances appropriated	<u>111,836</u>	<u>111,836</u>	<u>111,836</u>	
Fund balance at end of year	<u>\$ 184,401</u>	<u>\$ 588,351</u>	<u>\$ 906,603</u>	<u>\$ 318,252</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
HUMAN SERVICES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 6,292,249	\$ 8,166,083	\$ 8,189,682	\$ 23,599
Other	687	892	895	3
Total revenues	<u>6,292,936</u>	<u>8,166,975</u>	<u>8,190,577</u>	<u>23,602</u>
Expenditures:				
Current:				
Human services	9,183,187	9,200,803	8,918,869	281,934
Total expenditures	<u>9,183,187</u>	<u>9,200,803</u>	<u>8,918,869</u>	<u>281,934</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,890,251)</u>	<u>(1,033,828)</u>	<u>(728,292)</u>	<u>305,536</u>
Other financing sources:				
Other financing sources	976,503	1,267,306	1,270,968	3,662
Transfers in.	213,986	277,710	278,513	803
Total other financing sources.	<u>1,190,489</u>	<u>1,545,016</u>	<u>1,549,481</u>	<u>4,465</u>
Net change in fund balance.	(1,699,762)	511,188	821,189	310,001
Fund balance at beginning of year	499,879	499,879	499,879	
Prior year encumbrances appropriated	173,791	173,791	173,791	
Fund balance (deficit) at end of year	<u>\$ (1,026,092)</u>	<u>\$ 1,184,858</u>	<u>\$ 1,494,859</u>	<u>\$ 310,001</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
COUNTY BOARD OF MR/DD
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 3,881,367	\$ 4,184,628	\$ 4,184,857	\$ 229
Charges for services	49,215	53,060	53,063	3
Intergovernmental	3,084,447	3,325,442	3,325,624	182
Other	<u>9,773</u>	<u>10,537</u>	<u>10,537</u>	
Total revenues	<u>7,024,802</u>	<u>7,573,667</u>	<u>7,574,081</u>	<u>414</u>
Expenditures:				
Current:				
Human services	6,216,449	6,208,648	5,698,007	510,641
Economic development and assistance	<u>1,283,101</u>	<u>1,695,662</u>	<u>1,669,871</u>	<u>25,791</u>
Total expenditures	<u>7,499,550</u>	<u>7,904,310</u>	<u>7,367,878</u>	<u>536,432</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(474,748)</u>	<u>(330,643)</u>	<u>206,203</u>	<u>536,846</u>
Other financing sources (uses):				
Transfers (out)		(1,375,000)	(1,375,000)	
Transfers in.	1,275,284	1,374,925	1,375,000	75
Other financing sources	<u>16,792</u>	<u>18,104</u>	<u>18,105</u>	<u>1</u>
Total other financing sources (uses)	<u>1,292,076</u>	<u>18,029</u>	<u>18,105</u>	<u>76</u>
Net change in fund balance.	817,328	(312,614)	224,308	536,922
Fund balance at beginning of year	4,451,783	4,451,783	4,451,783	
Prior year encumbrances appropriated	<u>225,403</u>	<u>225,403</u>	<u>225,403</u>	
Fund balance at end of year	<u>\$ 5,494,514</u>	<u>\$ 4,364,572</u>	<u>\$ 4,901,494</u>	<u>\$ 536,922</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2005**

	Business-Type Activities - Sanitary Sewer	Governmental Activities - Internal Service Fund
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents.	\$ 723,601	\$ 178,502
Receivables (net of allowance for uncollectibles):		
Accounts	79,898	
Special assessments.	2,732	
Prepayments.	1,047	
Total current assets	807,278	178,502
Noncurrent assets:		
Capital assets:		
Land.	11,828	
Depreciable capital assets, net	5,548,723	
Total noncurrent assets	5,560,551	
Total assets	6,367,829	178,502
Liabilities:		
Current liabilities:		
Accounts payable.	63,078	
Accrued wages and benefits	8,319	
Compensated absences payable.	8,221	
Due to other governments	9,205	
Accrued interest payable.	1,479	
Current portion of general obligation bonds payable	40,000	
Total current liabilities	130,302	
Long-term liabilities:		
General obligation bonds payable	160,000	
Compensated absences	2,954	
Total long-term liabilities.	162,954	
Total liabilities	293,256	
Net assets:		
Invested in capital assets, net of related debt.	5,360,551	
Unrestricted	714,022	178,502
Total net assets	\$ 6,074,573	\$ 178,502

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Business-Type Activities - Sanitary Sewer	Governmental Activities - Internal Service Fund
Operating revenues:		
Charges for services	\$ 927,835	\$ 14,108
Other	24,168	
Total operating revenues	952,003	14,108
Operating expenses:		
Personal services	455,526	
Contract services	134,818	
Materials and supplies	39,998	
Depreciation	242,762	
Claims		16,136
Other	90,772	
Total operating expenses.	963,876	16,136
Operating loss.	(11,873)	(2,028)
Nonoperating expenses:		
Interest expense and fiscal charges	(21,754)	
Total nonoperating expenses	(21,754)	
Loss before transfers.	(33,627)	(2,028)
Transfers in.	9,498	
Transfers out	(139,943)	
Change in net assets	(164,072)	(2,028)
Net assets at beginning of year.	6,238,645	180,530
Net assets at end of year	\$ 6,074,573	\$ 178,502

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Business-Type Activities - Sanitary Sewer	Governmental Activities - Internal Service Fund
Cash flows from operating activities:		
Cash received from sales/service charges	\$ 902,159	\$ 14,108
Cash received from other operating revenue	17,702	
Cash payments for personal services	(450,329)	
Cash payments for contract services	(94,903)	
Cash payments for materials and supplies	(37,737)	
Cash payments for claims		(16,136)
Cash payments for other expenses	(90,772)	
	246,120	(2,028)
Net cash provided by (used in) operating activities.		
Cash flows from noncapital financing activities:		
Transfers in from other funds	9,498	
Transfers out to other funds	(139,943)	
Net cash used in noncapital financing activities	(130,445)	
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(14,579)	
Principal payments on bonds	(40,000)	
Interest payments on bonds	(22,050)	
Net cash used in capital and related financing activities	(76,629)	
Net increase (decrease) in cash and cash equivalents	39,046	(2,028)
Cash and cash equivalents at beginning of year	684,555	180,530
Cash and cash equivalents at end of year.	\$ 723,601	\$ 178,502
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$ (11,873)	\$ (2,028)
Adjustments:		
Depreciation	242,762	
Changes in assets and liabilities:		
(Increase) in accounts receivable	(31,485)	
(Increase) in special assessments receivable	(657)	
Increase in accounts payable	42,176	
Increase in accrued wages and benefits	503	
Increase in due to other governments	4,019	
Increase in compensated absences payable	675	
	246,120	(2,028)
Net cash provided by (used in) operating activities.	\$ 246,120	\$ (2,028)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2005**

	Investment Trust	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 1,649,375	\$ 6,036,777
Cash in segregated accounts		828,634
Receivables:		
Real estate and other taxes.		33,395,185
Accounts		115,267
Due from other governments		1,515,700
Total assets	1,649,375	\$ 41,891,563
 Liabilities:		
Undistribubted monies		\$ 41,062,929
Deposits held and due to others.		828,634
Total liabilities		\$ 41,891,563
 Net assets:		
Net assets available for pool participants	\$ 1,649,375	
Total net assets	\$ 1,649,375	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
INVESTMENT TRUST FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005**

	<u>Investment Trust</u>
Net increase in net assets resulting from operations \$	57,645
Share transactions:	
Purchase of units	1,900,991
Redemptions of units	<u>(1,546,555)</u>
Net increase in net assets and shares resulting from share transactions	<u>354,436</u>
Change in net assets	412,081
Net assets at beginning of year.	<u>1,237,294</u>
Net assets at end of year	<u><u>\$ 1,649,375</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 1 - DESCRIPTION OF THE COUNTY

Sandusky County, Ohio (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 Services Board; and other departments and activities that are directly operated by the elected County officials.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements 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 also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The County has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise fund, subject to this same limitation. The County has elected not to apply these FASB Statements and Interpretations.

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 GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The basic financial statements include all funds, agencies, boards, commissions, and component units for which the County and the County Commissioners are "accountable". Accountability 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 basic financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of the 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.

Based on the foregoing criteria, the financial activities of the following PCUs have been reflected in the accompanying basic financial statements as follows:

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (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 activity of the following entities is presented as agency funds within the financial statements:

Sandusky County Regional Planning Commission
Family and Children First Council
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, and a related organization as follows:

JOINT VENTURES WITH EQUITY INTEREST

Ottawa, Sandusky, and Seneca County Solid Waste District

The Solid Waste District (the "District") is a joint venture of Sandusky, Ottawa and Seneca Counties and is established under the authority of Section 3734.54 of the Ohio Revised Code. The cost of operations and expenses is to be funded by fees collected by the District. In the event that fees are not sufficient for the purpose, the Counties shall share all operating costs and expenses incurred in the same proportions as the populations of the respective Counties bear to the total population of all the Counties. Upon the withdrawal of a county from the District, the Board of Directors shall ascertain, apportion, and order a division of the funds on hand, credits and real personal property of the District, either in money or in kind, on any equitable basis between the District and the withdrawing county. Should the District be dissolved, the Boards of County Commissioners shall continue to levy and collect taxes for the payment of any outstanding indebtedness. The District is governed by the three commissioners of each county involved.

The counties share in the equity of the District based on relative percentages of population within the three counties. Based upon this calculation, Sandusky County's equity interest in the District is \$420,838 at December 31, 2005. Financial information can be obtained from the Sandusky County Auditor, 100 North Park Avenue, Fremont, Ohio 43420.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

Sandusky County - Seneca County - City of Tiffin Port Authority

The Port Authority, a joint venture between Sandusky and Seneca Counties and the City of Tiffin, is established under the authority of Sections 4582.21 et. seq., of the Ohio Revised Code, with territorial limits co-terminus with the boundaries of the Counties, with Tiffin being within the boundaries of Seneca County. The Port Authority is governed by a seven member Board of Directors, consisting of two members from each of the counties and the city, with the seventh member being rotated between the three entities every four years. The members are appointed by the County Commissioners in the Counties, and by the Mayor of Tiffin in the City. Appointed members may hold no other public office or public employment except Notary Public, member of the State Militia, or member of a reserve component of the United States Armed Forces. Initial funding for organizational expenses, including purchase of real or personal property by the Port Authority, were contributed by each subdivision with no obligation of future contributions or financial support. The contributions were equal and simultaneous. The Port Authority may be dissolved at any time upon the enactment of an ordinance by the City and resolutions by the Counties. Any real or personal property will be returned to the subdivision from which it was received.

Upon dissolution of the Port Authority, any balance remaining in the Port Authority's funds or any real or personal property belonging to the Port Authority will be distributed equally to the city and the counties after paying all expenses and debts. Sandusky County's equity interest in the Port Authority is \$785,439 at December 31, 2005. 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. The headquarters for the Mental Health Board is in Seneca County. The Board provides community services to mentally ill and emotionally disturbed persons. Statutorily created, the Mental Health Board is made of 18 members, 10 of the members are appointed by the county commissioners of each respective county, 4 are appointed by the State Department of Mental Health, and 4 are appointed by the State of Ohio Department of Alcohol and Drug Addiction Services. Revenues to provide mental health services are generated through state and federal grants. The Mental Health Board adopts its own budget, hires and fires staff and does not rely on the County to finance deficits.

The counties share in the equity of the MHRS Board based on the percentages of population within the three counties. Sandusky County's equity interest in this joint venture at December 31, 2005, is \$1,291,091.

Financial information can be obtained from the Seneca County Auditor, Seneca County Courthouse, Tiffin, Ohio 44883.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

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 coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance. The County paid \$242,133 to CORSA during fiscal year 2005.

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.

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.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

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.

B. Basis of Presentation

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

The government-wide statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the County are included on the statement of net assets. This is the same approach used in the preparation of the enterprise fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County and for each function or program of the County’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements - Fund financial statements report detailed information about the County. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All enterprise funds 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 statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its enterprise activities.

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

Agency funds do not report a measurement focus as they do not report operations.

C. Fund Accounting

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

General Fund - The general fund is used to account for all activities of the County not required to be included 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.

Motor Vehicle and Gas Tax - This fund accounts for revenues derived from motor vehicle licenses, and gasoline taxes. Expenditures are restricted by State law to County road and bridge repair and maintenance programs.

Human Services - This fund accounts for various federal and state grants, as well as transfers from the general fund used to provide public assistance to general relief recipients to pay their providers for medical assistance and for certain public services.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

County Board of Mental Retardation and Developmentally Disabled (MRDD) - This fund accounts for the operation of a school and the costs of administering a workshop for the mentally retarded and developmentally disabled. Revenue sources include a countywide property tax levy and federal and state grants.

Other governmental funds of the County are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; (b) for the accumulation of resources for, and the repayment of, general long-term debt principal, interest and related costs and (c) for grants and other resources, the use of which is restricted to a particular purpose.

PROPRIETARY FUNDS

Proprietary funds are used to account for the County's ongoing activities which are similar to those found in the private sector. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds - The enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises. The intent of the County is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The County has presented the following major enterprise fund:

Sanitary Sewer - This fund accounts for sanitary sewer services provided to individual and commercial users in the majority of the unincorporated areas of Sandusky County. The costs of providing these services are primarily financed through user charges. The sanitary sewer district has its own facilities and rate structure.

Internal Service Fund - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the County on a cost-reimbursement basis. The County's internal service fund accounts for a Workers Compensation program for employees of the County.

FIDUCIARY FUNDS

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

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

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 cause the County's financial statement to be misleading or incomplete.

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the full 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 a full accrual basis, revenue from sales taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). 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 all other 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 tax (See Note 7), interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees and rentals.

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

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of December 31, 2005, but which were levied to finance 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met also are recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

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

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

E. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriation 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, are required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the County Commissioners.

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 cash receipts and disbursements 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. All funds, except agency funds, are legally required to be budgeted. The expressed purpose of the Tax Budget is to reflect the need for existing (or increased) tax rates.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews revenue estimates. 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 projected revenue of each fund.

On or about January 1, the Certificate of Estimated Resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if the County Auditor determines that revenue to be collected will be greater than or less than the prior estimates and the Budget Commission finds the revised estimates to be reasonable. The amounts set forth in the budgetary statements represent estimates from the final amended certificate issued during 2005.

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 a 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 18 provides a reconciliation of the budgetary-basis and GAAP-basis of accounting for major government funds.

Lapsing of Appropriations - At the close of each fiscal 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 re-appropriated.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

F. 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 basic financial statements.

During fiscal year 2005, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, money market funds, and certificates of deposits. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as certificates of deposit are reported at cost.

The County has invested funds in STAR Ohio during fiscal year 2005. 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 Securities Exchange Commission (SEC) as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2005.

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 year 2005 amounted to \$1,473,614 which includes \$421,206 assigned from other County funds.

The County has segregated bank accounts for monies held separately 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 presentation on the basic financial statements, 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.

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

G. External Investment Pool

By statute, the County serves as fiscal agent for various legally separate entities. The County pools the monies of these entities with the County's 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 interest that it earns. The fair value of investments for both the internal and external investment pools are disclosed in Note 4, "Deposits and Investments".

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

Condensed financial information for the investment pool is as follows:

**Statement of Net Assets
December 31, 2005**

<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 29,529,392
Accrued interest receivable	<u>24,514</u>
Total	<u>\$ 29,553,906</u>
<u>Net assets held in trust for participants</u>	
Internal portion	\$ 27,904,531
External portion	<u>1,649,375</u>
Total	<u>\$ 29,553,906</u>

**Statement of Changes in Net Assets
For the Year Ended December 31, 2005**

<u>Revenue:</u>	
Interest income	\$ 1,473,614
<u>Expenses:</u>	
Operating expenses	<u>-</u>
Net increase in assets resulting from operations	1,473,614
Distribution to pool participants	(1,479,752)
<u>Capital Transactions</u>	
Proceeds of investments sold	(26,632,661)
Purchase of investments	<u>29,529,392</u>
Total increase in net assets	2,890,593
Net assets, beginning of year	<u>26,663,313</u>
Net assets, end of year	<u>\$ 29,553,906</u>

H. Inventories of Materials and Supplies

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

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

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of \$5,000. The County's infrastructure consists of roads, bridges, culverts and sanitary sewers. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is also capitalized.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land improvements	15 - 30 years	15 - 30 years
Buildings and improvements	8 - 40 years	30 - 40 years
Furniture and equipment	5 - 15 years	10 - 20 years
Vehicles	8 - 15 years	15 years
Infrastructure	25 - 50 years	50 years

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 method over the estimated useful life of the asset. For 2005, the net interest expense incurred on proprietary fund construction projects was not material.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

J. 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 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 December 31, 2005, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. Sick leave benefits are accrued using the "Vesting" method. 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 December 31, 2005, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments.

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the accounts "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2005, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At year-end, because payments 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.

L. Loans Receivable

Loans receivable represent the right to receive repayment for certain loans made by the County. These loans are based upon written agreements between the County and the various loan recipients. Reported loans receivable is offset by a fund balance reserve in the governmental fund types, which indicates that the reserved portion does not constitute available expendable resources even though it is a component of net current assets.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

M. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability in the fund financial statements when due.

N. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

During the normal course of operations, the County has numerous transactions between funds. Transfers represent movement of resources from a fund receiving revenue to a fund through which those resources will be expended and are recorded as other financing sources (uses) in governmental funds and as transfers in proprietary funds. Interfund transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the County are treated similarly when involving other funds of the County.

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivable/interfund payable" for the current portion of interfund loans or advances to/from other funds for the non-current portion of interfund loans. All other outstanding balances outstanding between funds are reported as "due to/from other funds." These amounts are eliminated in the Statement of Net Assets, except for any residual balances outstanding between the governmental activities and business-type activities, which are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the governmental fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

O. Fund Balance Reserves

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

The County reports amounts representing encumbrances outstanding, prepayments, loans receivable, materials and supplies inventories, and internal loans as reservations of fund balance in the governmental funds.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

P. Operating Revenues and Expenses

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

Q. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

R. Net Assets

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

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

S. Estimates

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County administration and that are either unusual in nature or infrequent in occurrence. Neither type of transactions occurred during 2005.

NOTE 3 - ACCOUNTABILITY AND CHANGE IN ACCOUNTING PRINCIPLES

A. Change in Accounting Principles

For fiscal year 2005, the County has implemented GASB Statement No. 40 "Deposit and Investment Risk Disclosures", and GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries".

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 3 - ACCOUNTABILITY AND CHANGE IN ACCOUNTING PRINCIPLES – (Continued)

GASB Statement No. 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits.

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

The implementation of GASB Statement No. 40 and GASB Statement No. 42 did not have an effect on the financial statements of the County, however additional note disclosure can be found in Note 4.

B. Deficit Fund Balances

Fund balances at December 31, 2005, included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Governmental Funds</u>	
Litter Control	\$ 2,877
Work Release Earnings	995
Computer Legal Research	684
Intense Supervision	94
Americorp	1,307
County Courts 1 & 2 Renovation	65,000
Genesis Program Grant	8,445

These funds, except for the Work Release Earnings and Computer Legal Research funds, complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 3 - ACCOUNTABILITY AND CHANGE IN ACCOUNTING PRINCIPLES – (Continued)

C. Noncompliance

The County had negative cash fund balances in the following funds indicating that revenue from other sources were used to pay obligations of these funds contrary to Ohio Revised Code Section 5705.10. For GAAP purposes, these amounts have been reported as fund liabilities in the respective funds.

<u>Nonmajor Governmental Funds</u>	<u>Deficit</u>
Work Release Earnings	\$ 504
Computer Legal Research	230

During the year ended December 31, 2005, the County did not certify the availability of funds prior to a commitment being incurred.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio 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);
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 for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio; and
10. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five 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 County Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

A. Cash on Hand

At year-end, the County had \$4,091 in undeposited cash on hand which is included on the financial statements of the County as part of "Equity in Pooled Cash and Cash Equivalents."

B. Cash in Segregated Accounts

At year-end, \$1,178,337 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 financial statements as "Equity in Pooled Cash and Cash Equivalents". The carrying value of these deposits was \$828,634 at December 31, 2005.

C. Deposits with Financial Institutions

At December 31, 2005, the carrying amount of all County deposits, including nonnegotiable certificates of deposit and cash in segregated accounts, was \$16,634,863. On the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2005, \$16,888,476 of the County's bank balance of \$18,268,598 was exposed to custodial risk as discussed below, while \$1,380,122 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the County's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the County.

D. Investments

As of December 31, 2005, the County had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities</u>		
		<u>6 months or less</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
U.S. Govt Money Market	\$ 16,250	\$ 16,250	\$ -	\$ -
STAR Ohio	3,361,220	3,361,220		
FHLB	4,972,095		976,250	3,995,845
FHLMC	2,925,650			2,925,650
FFCB	1,469,557		1,469,557	
FNMA	974,300	-	-	974,300
	<u>\$ 13,719,072</u>	<u>\$ 3,377,470</u>	<u>\$ 2,445,807</u>	<u>\$ 7,895,795</u>

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

The weighted average maturity of investments is 2.25 years.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the County's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The County's investments, except for STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

Concentration of Credit Risk: The County places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the County at December 31, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
U.S. Govt Money Market	\$ 16,250	0.12%
STAR Ohio	3,361,220	24.50%
FHLB	4,972,095	36.24%
FHLMC	2,925,650	21.33%
FFCB	1,469,557	10.71%
FNMA	974,300	7.10%
	<u>\$ 13,719,072</u>	<u>100.00%</u>

E. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2005:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 16,634,863
Investments	13,719,072
Cash on hand	4,091
Total	<u>\$ 30,358,026</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 21,119,639
Business type activities	723,601
Investment trust	1,649,375
Agency funds	6,865,411
Total	<u>\$ 30,358,026</u>

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund transfers for the year ended December 31, 2005, consisted of the following, as reported on the fund financial statements:

<u>Transfer From</u>	<u>Transfer To</u>				<u>Total</u>
	<u>General</u>	<u>Human Services</u>	<u>Nonmajor Governmental</u>	<u>Sewer</u>	
General		\$ 278,513	\$ 466,408	\$ 9,498	\$ 754,419
Nonmajor governmental	\$ 173,159		605,692		778,851
Sewer	-	-	139,943	-	139,943
Total	\$ 173,159	\$ 278,513	\$ 1,212,043	\$ 9,498	\$ 1,673,213

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

- B.** Loans to/from other funds consisted of the following at December 31, 2005:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 74,000
Nonmajor governmental funds	Nonmajor governmental funds	33,160

These loans will be repaid in the next fiscal year as resources become available.

- C.** Due to/from other funds consisted of the following at December 31, 2005:

<u>Receivable Fund</u>	<u>Payable Funds</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 734

The purpose of these interfund transactions was to cover deficit cash balances at December 31, 2005. This amount will be repaid in the next fiscal year.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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% of appraised market value. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at 88% of true value for taxable transmission and distribution property and 25% of true value for all other taxable property. Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2005 taxes were collected was \$1,136,723,936. The full tax rate for all County operations applied to real property for fiscal year ended December 31, 2005, was \$7.10 per \$1,000 of assessed valuation.

The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

<u>Real Property</u>	
Agricultural	\$ 84,131,790
Residential	671,370,870
Commercial/Industrial/Mineral	173,278,290
Tangible Personal Property	158,859,956
 <u>Public Utility</u>	
Real	369,210
Personal	<u>48,713,820</u>
 Total Assessed Value	 <u>\$1,136,723,936</u>

Real property taxes are payable annually or semi-annually. If paid annually, payment is due March 1. If paid semi-annually, the first payment is due March 1 and the remainder payable July 15. Under certain circumstances, State statute permits earlier or later payment dates to be established.

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.

Tangible personal property taxes for unincorporated and single county businesses are due semi-annually, with the first payment due May 10 and the remainder payable by September 20. Due dates are normally extended an additional 30 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 must file a return to the County Auditor, the tangible personal taxes are not known until all the returns are received.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 6 - PROPERTY TAXES – (Continued)

"Real estate and other taxes" receivable represents delinquent real and tangible personal property and public utility taxes outstanding as of December 31 (net of allowances for estimated uncollectibles) and real and public utility taxes which were measurable as of the year end.

Since the current levy is not intended to finance 2005 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 sixty days of 2006 are shown as 2005 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 Motor Vehicle and Gas Tax fund. Amounts that are measurable and available at year-end are accrued as revenue on the fund financial statements. Permissive sales and use tax revenue totaled \$6,051,944 in 2005.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2005, consisted of taxes, accounts (billings for user charged services), interfund transactions related to charges for goods and services rendered, intergovernmental receivables arising from grants, entitlements and shared revenue, special assessments, accrued interest, and loans. All intergovernmental receivables have been classified as "Due From Other Governments" on the financial statements. Receivables have been recorded as described in Note 2.D. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

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

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 8 – RECEIVABLES – (Continued)

Governmental Activities:

Sales taxes	\$ 931,108
Real estate and other taxes	8,082,024
Accounts	295,562
Special assessments	125,715
Accrued interest	24,514
Due from other governments	4,718,889
Loans	82,887

Business-Type Activities:

Accounts	79,898
Special assessments	2,732

Receivables have been disaggregated on the BFS. The only receivable not expected to be collected within the subsequent year are the special assessments, which are collected over the life of the assessment.

NOTE 9 - LOANS 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 (a nonmajor governmental fund). The following is a summary of the changes in the loans receivable during 2005.

Balance of loans receivable, 12/31/04	\$ 89,148
Principal payments received in 2005	(6,261)
Loans issued in 2005	-
Net loans receivable, 12/31/05	<u>\$ 82,887</u>

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2005, was as follows:

<u>Governmental Activities:</u>	<u>Balance</u> <u>12/31/2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2005</u>
<i>Capital asset not being depreciated:</i>				
Land	\$ 1,407,198			\$ 1,407,198
Construction in progress	-	\$ 221,971	-	221,971
Total capital assets not being depreciated:	<u>1,407,198</u>	<u>221,971</u>	<u>-</u>	<u>1,629,169</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,039,698			1,039,698
Buildings and improvements	22,326,229			22,326,229
Furniture and equipment	3,792,985	53,965	\$ (12,000)	3,834,950
Vehicles	4,453,524	730,907	-	5,184,431
Infrastructure	35,901,965	885,154	-	36,787,119
Total capital assets, being depreciated:	<u>67,514,401</u>	<u>1,670,026</u>	<u>(12,000)</u>	<u>69,172,427</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(698,508)	(35,681)		(734,189)
Buildings and improvements	(7,734,906)	(541,846)		(8,276,752)
Furniture and equipment	(2,298,089)	(293,922)	8,400	(2,583,611)
Vehicles	(2,914,011)	(472,655)		(3,386,666)
Infrastructure	(13,141,247)	(1,251,476)	-	(14,392,723)
Total accumulated depreciation	<u>(26,786,761)</u>	<u>(2,595,580)</u>	<u>8,400</u>	<u>(29,373,941)</u>
Total capital assets, being depreciated net	<u>40,727,640</u>	<u>(925,554)</u>	<u>(3,600)</u>	<u>39,798,486</u>
Governmental activities capital assets, net	<u>\$ 42,134,838</u>	<u>\$ (703,583)</u>	<u>\$ (3,600)</u>	<u>\$ 41,427,655</u>

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 10 - CAPITAL ASSETS - (Continued)

<u>Business-Type Activities:</u>	<u>Balance</u> <u>12/31/2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2005</u>
<i>Capital asset not being depreciated:</i>				
Land	\$ 11,828	\$ -	\$ -	\$ 11,828
Total capital assets not being depreciated:	<u>11,828</u>	<u>-</u>	<u>-</u>	<u>11,828</u>
 <i>Capital assets, being depreciated:</i>				
Land improvements	105,384			105,384
Buildings and improvements	667,123			667,123
Furniture and equipment	654,508			654,508
Vehicles	115,278	14,579		129,857
Infrastructure	<u>8,757,567</u>	<u>-</u>	<u>-</u>	<u>8,757,567</u>
Total capital assets, being depreciated:	<u>10,299,860</u>	<u>14,579</u>	<u>-</u>	<u>10,314,439</u>
 <i>Less: accumulated depreciation:</i>				
Land improvements	(36,536)	(4,470)		(41,006)
Buildings and improvements	(424,560)	(19,672)		(444,232)
Furniture and equipment	(293,483)	(35,323)		(328,806)
Vehicles	(75,994)	(8,145)		(84,139)
Infrastructure	<u>(3,692,381)</u>	<u>(175,152)</u>	<u>-</u>	<u>(3,867,533)</u>
Total accumulated depreciation	<u>(4,522,954)</u>	<u>(242,762)</u>	<u>-</u>	<u>(4,765,716)</u>
Total capital assets, being depreciated net	<u>5,776,906</u>	<u>(228,183)</u>	<u>-</u>	<u>5,548,723</u>
Business-type activities capital assets, net	<u>\$ 5,788,734</u>	<u>\$ (228,183)</u>	<u>\$ -</u>	<u>\$ 5,560,551</u>

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

Governmental Activities

Legislative and executive	\$ 244,195
Judicial	89,846
Public safety	493,959
Public works	1,416,836
Health	78,237
Human services	<u>272,507</u>

Total depreciation expense - governmental activities \$ 2,595,580

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE

During 2005, the County entered into a lease agreement with Ford Motor Credit Corp. for vehicles. This lease agreement meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers the benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as function expenditures in the budgetary statements.

General capital assets consisting of equipment have been capitalized in the statement of net assets in the amount of \$471,457. This amount represents the present value of the minimum lease payments at the time of the lease inception. A corresponding liability was recorded in the statement of net assets. During fiscal 2005, principal payments totaled \$166,646 paid by the General fund. There were no interest payments made during 2005. As of December 31, 2005, the liability for capital lease obligation included in the long-term liabilities of governmental activities totaled \$304,811.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2005:

<u>Year Ended December 31,</u>	<u>Amount</u>
2006	\$ 166,646
2007	<u>166,646</u>
Total	333,292
Less: amount representing interest	<u>(28,481)</u>
Present value of net minimum lease payments	<u>\$ 304,811</u>

NOTE 12 - 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, 2005, the total liability for unpaid compensated absences was \$2,275,956 (both governmental and business-type activities).

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 13 - LONG-TERM OBLIGATIONS

A. Long-term obligation activity for the fiscal year ended December 31, 2005 was as follows:

<u>Governmental Activities:</u>	<u>Interest Rate</u>	<u>Balance 12/31/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/05</u>	<u>Amount Due in One Year</u>
<u>General Obligation Bonds:</u>						
Various Purpose/Improvement and Refunding - 2002	2.25-5%	\$ 5,545,000	\$ -	\$ (300,000)	\$ 5,245,000	\$ 295,000
Total general obligation bonds		<u>5,545,000</u>	<u>-</u>	<u>(300,000)</u>	<u>5,245,000</u>	<u>295,000</u>
<u>Special Assessment Bonds:</u>						
Devries Ditch	5.00%	11,704		(2,926)	8,778	2,926
Dibert Ditch	5.00%	176		(88)	88	88
Walter Cramer Ditch	5.00%	6,430		(1,608)	4,822	1,607
Loy Ditch	3.50%	20,301		(2,900)	17,401	2,900
Nighswander Ditch	3.00%	6,020		(860)	5,160	860
Carroll Russell Ditch	3.50%	4,758		(680)	4,078	680
Bierly Ditch	3.00%	1,644		(235)	1,409	235
Williams Ditch	5.00%	-	11,435	-	11,435	1,634
Total Special Assessment Bonds		<u>51,033</u>	<u>11,435</u>	<u>(9,297)</u>	<u>53,171</u>	<u>10,930</u>
<u>Ohio Public Works Commission Loans:</u>						
Sunny Acres Sewer Improvements	N/A	39,875		(2,492)	37,383	2,492
Rice Township Sewer Improvements - Phase II	N/A	108,895		(6,406)	102,489	6,405
Rice/Sandusky Sewer Improvements	N/A	169,287	-	(9,405)	159,882	9,404
Total OPWC Loans		<u>318,057</u>	<u>-</u>	<u>(18,303)</u>	<u>299,754</u>	<u>18,301</u>
<u>Ohio Water Pollution Control Loans:</u>						
Sandusky/Rice Joint Sewer Improvement	4.16%	985,865		(44,442)	941,423	46,310
Sunny Acres Sewer Improvements	4.16%	288,217		(12,992)	275,225	13,539
Rice Township/Shorewood Sewer Improvement	3.64%	47,864		(2,161)	45,703	2,241
Route 53 Area Sewers	3.64%	101,725	-	(4,246)	97,479	2,181
Total OWPC Loans		<u>1,423,671</u>	<u>-</u>	<u>(63,841)</u>	<u>1,359,830</u>	<u>64,271</u>
<u>Other Long-Term Obligations:</u>						
Compensated absences payable		2,413,405	673,123	(821,747)	2,264,781	850,741
Capital lease obligation	6.00%	-	471,457	(166,646)	304,811	147,846
Total other long-term obligations		<u>2,413,405</u>	<u>1,144,580</u>	<u>(988,393)</u>	<u>2,569,592</u>	<u>998,587</u>
Total governmental obligations		<u>\$ 9,751,166</u>	<u>\$ 1,156,015</u>	<u>\$ (1,379,834)</u>	<u>\$ 9,527,347</u>	<u>\$ 1,387,089</u>
<u>Business-Type Activities:</u>						
<u>General Obligation Bonds:</u>						
Sewer District #1 - 1980	9.00%	\$ 240,000	\$ -	\$ (40,000)	\$ 200,000	\$ 40,000
Compensated absences payable		10,500	8,314	(7,639)	11,175	8,221
Total business-type obligations		<u>\$ 250,500</u>	<u>\$ 8,314</u>	<u>\$ (47,639)</u>	<u>\$ 211,175</u>	<u>\$ 48,221</u>

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 13 - LONG-TERM OBLIGATIONS – (Continued)

- 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 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. This refunded debt is considered defeased (in-substance); accordingly, it has been removed from the financial statements.

In 2002, the County issued \$6,410,000 in general obligation various purpose improvement and refunding bonds. \$3,910,000 of the proceeds of these bonds were used to advance refund the 1994 County Service Building bonds and the 1996 various purpose refunding bonds. These proceeds were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the advance refunded debt. The advance refunding bonds are not included in the County's outstanding debt since all future obligations have been satisfied through the advance refunding. The remaining \$2,500,000 of the proceeds were be used to construct a new Juvenile Detention Center.

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, 2005, the County has outstanding borrowings of \$299,754. The loan agreements require semi-annual payments based on the actual amount loaned. The OPWC loans are interest free.

The County entered into four debt financing arrangements through the OhioWater 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, 2005, the County has outstanding borrowings of \$1,359,830. The loan agreements require semi-annual payments based on the actual amount loaned.

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.

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.

The compensated absences liability will be paid from the fund from which the employees' salaries are paid.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 13 - LONG-TERM OBLIGATIONS – (Continued)

- 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, 2005 are an overall debt margin of \$22,559,157 and an unvoted debt margin of \$6,963,298, both of which include available funds of \$811,059.

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

Year Ended	General Obligation Bonds			Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 295,000	\$ 229,123	\$ 524,123	\$ 10,930	\$ 2,372	\$ 13,302
2007	305,000	218,798	523,798	10,842	1,734	12,576
2008	305,000	207,360	512,360	10,842	1,268	12,110
2009	315,000	195,465	510,465	6,308	801	7,109
2010	315,000	182,865	497,865	6,308	561	6,869
2011 - 2015	1,675,000	711,354	2,386,354	7,941	403	8,344
2016 - 2020	1,665,000	315,960	1,980,960			
2021 - 2022	370,000	28,000	398,000	-	-	-
Total	<u>\$ 5,245,000</u>	<u>\$ 2,088,925</u>	<u>\$ 7,333,925</u>	<u>\$ 53,171</u>	<u>\$ 7,139</u>	<u>\$ 60,310</u>

Year Ended	OPWCLF Loans			OPWC Loans		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 64,271	\$ 57,369	\$ 121,640	\$ 18,301	\$ -	\$ 18,301
2007	69,169	52,470	121,639	18,303		18,303
2008	72,041	49,599	121,640	18,303		18,303
2009	75,031	46,608	121,639	18,303		18,303
2010	78,146	43,493	121,639	18,303		18,303
2011 - 2015	442,183	166,016	608,199	91,513		91,513
2016 - 2020	541,953	66,247	608,200	91,513		91,513
2021 - 2023	17,036	729	17,765	25,215	-	25,215
Total	<u>\$ 1,359,830</u>	<u>\$ 482,531</u>	<u>\$ 1,842,361</u>	<u>\$ 299,754</u>	<u>\$ -</u>	<u>\$ 299,754</u>

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 13 - LONG-TERM OBLIGATIONS – (Continued)

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

<u>Year Ended</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 40,000	\$ 18,000	\$ 58,000
2007	40,000	14,400	54,400
2008	40,000	10,800	50,800
2009	40,000	7,200	47,200
2010	40,000	3,600	43,600
Total	\$ 200,000	\$ 54,000	\$ 254,000

NOTE 14 - NOTES PAYABLE

The County had the following general obligation bond anticipation notes outstanding at December 31, 2005:

	<u>Issue Date</u>	<u>Balance at 12/31/2004</u>	<u>Issued</u>	<u>Reductions</u>	<u>Balance at 12/31/2005</u>
<u>Nonmajor Capital Projects Funds</u>					
County Court Facilities - 2.2%	12/04/04	\$ 405,000		\$ (405,000)	
Hazmat - 2.2%	12/04/04	45,000		(45,000)	
County Court Facilities - 2.2%	12/04/05		\$ 348,000		\$ 348,000
Hazmat - 2.2%	12/04/05	-	26,000	-	26,000
Total		\$ 450,000	\$ 374,000	\$ (450,000)	\$ 374,000

In 2005, the County repaid \$450,000 in bond anticipation notes that were outstanding at December 31, 2004. The County also issued \$374,000 in bond anticipation notes on December 4, 2005. The notes mature on December 2, 2006. These notes are rolled over and the new maturity date is November 30, 2006.

These notes are general obligations 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.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(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 2005, 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:

<u>Type of Coverage</u>	<u>Amount</u>
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
Errors and Omissions	1,000,000
Excess Liability	1,000,000
Property	74,092,632
Equipment Breakdown	100,000,000
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 2). There has been no significant reduction in coverage from prior year, 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.

B. Health and Vision Insurance

The County provides comprehensive health and vision insurance coverage to its employees through a traditionally funded plan. 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 under each plan is as follows:

	<u>Family Coverage</u>	<u>Single Coverage</u>
SuperMed Plus	\$ 771.75	\$ 315.37
Select One Plan	\$ 1,174.17	\$ 462.68

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 15 - RISK MANAGEMENT – (Continued)

C. Insurance Purchasing Pool

For 2005, 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>Year</u> <u>Liability</u>	<u>Beginning</u> <u>Balance</u>	<u>Claims and Changes</u> <u>in Estimates</u>	<u>Claims</u> <u>Payments</u>	<u>Ending</u> <u>Balance</u>
2005	\$ -	\$ 6,286	\$ 6,286	\$ -
2004	\$ -	\$ 1,221	\$ 1,221	-

D. Natural Gas

The County participates in the County Commissioners Association of Ohio Service Corporation National Gas Program (the Program), a natural gas cost savings pool. In 1999 the CCAO Service Corporation (CCAOSC) Board of Trustees authorized the establishment of a Natural Gas Program for CCAO members. The 30 counties that enrolled in the program save money in two ways: 1) Pre-payment – 1 bcf of gas was purchased from CMS, a Michigan corporation, for the next ten years. Members save \$.07 per mcf below the FERC index. 2) Aggregation – buying as a group.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 15 - RISK MANAGEMENT – (Continued)

CCAOSC Natural Gas Program currently has 31 member counties enrolled in the program. The program was designed by Seasongood and Mayer. Taxable bonds in the amount of \$29,890,000 were issued by Hamilton County on October 31, 2000, to assist the CCAOSC and the CCAOSC Natural Gas Program member counties. The program began on November 1, 2000. Huntington Bank is the trustee for the program.

Counties sign up for the program through CCAO, who also receives payments and handles administrative duties. The gas commodity is managed by Exelon Energy. Since 2000 the member counties have saved \$3.5 million. Sandusky County has saved \$38,694. CCAO earns approximately \$15,000 to defray expenses. No staff salaries are paid from the program. CCAO established the program as a service to the Counties. The Ohio schools have a similar program administrated by the Ohio Schools Council.

NOTE 16 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6701 or 800-222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5% of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1% of their annual covered salary; members in public safety contributed 9%. The County's contribution rate for pension benefits for 2005 was 13.55%, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 16.7% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 16 - DEFINED BENEFIT PENSION PLANS – (Continued)

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003, were \$2,498,554, \$2,424,326, and \$2,331,875, respectively; 89.3% has been contributed for 2005. The remainder to be contributed for 2005 is \$267,391. This amount is recorded as a fund liability within the respective funds. 100% has been contributed for 2004 and 2003. The County and plan members did not make any contributions to the member-directed plan for 2005.

B. State Teachers Retirement System

Certified teachers employed by the school for the Mentally 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 10% of their annual covered salary and the County is required to contribute 14%; 13% was the portion used to fund pension obligations. The portion to fund pension obligations for 2005 was 9.09%. 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, 2005, 2004, and 2003 were \$45,970, \$47,377, and \$47,884, respectively; equal to their required contributions for each year.

NOTE 17 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55% of covered payroll (16.70% for public safety and law enforcement); 4.00% of covered payroll was the portion that was used to fund health care.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 17 - POSTEMPLOYMENT BENEFITS – (Continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPER's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase 1% to 6.00% annually for the next eight years and 4.00% in subsequent years.

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

The number of active contributing participants in the traditional and combined plans was 376,109 as of December 31, 2005. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$1,780,654. The actual contribution and the actuarially required contribution amounts are the same. OPER's net assets available for payment of benefits at December 31, 2004 (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPER covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

Additional information on the OPER, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due is available in the OPER December 31, 2005, Comprehensive Annual Financial Report.

B. State Teachers Retirement System of Ohio

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

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 17 - POSTEMPLOYMENT BENEFITS – (Continued)

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 Stabilization Fund equal to 1.0% of covered payroll for the fiscal year ended June 30, 2005. For the County, this amount equaled \$3,284 during calendar year 2005. As of June 30, 2005, the balance in the Health Care Stabilization Fund was \$3.3 billion and eligible benefit recipients totaled 115,395 for STRS Ohio as a whole. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254.780 million.

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund and major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as payables (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund and major special revenue funds are as follows:

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

Net Change in Fund Balances

	Governmental Fund Types			
	<u>General</u>	<u>Motor Vehicle and Gas Tax</u>	<u>Human Services</u>	<u>County Board of MR/DD</u>
Budget basis	\$ 459,299	\$ 341,416	\$ 821,189	\$ 224,308
Net adjustment for revenue accruals	546,801	(647,258)	625,896	370,406
Net adjustment for expenditure accruals	(239,472)	413,304	(234,406)	(162,602)
Net adjustment for other financing sources/(uses) accruals	(953,097)	(61,433)	(1,270,968)	(18,105)
Encumbrances (budget basis)	<u>353,385</u>	<u>83,846</u>	<u>14,668</u>	<u>213,108</u>
GAAP basis	<u>\$ 166,916</u>	<u>\$ 129,875</u>	<u>\$ (43,621)</u>	<u>\$ 627,115</u>

NOTE 19 - CONTINGENT LIABILITIES

A. 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 the terms of the grant. Based on prior experience, the County Commissioners believe such disallowance, if any, will be immaterial.

B. Litigation

Several claims and lawsuits are pending against the County. In the opinion of the County Prosecutor, no liability is anticipated in excess of insurance coverage.

NOTE 20 - 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, 2005, there are four series of Industrial Revenue Bonds outstanding, aggregate principal \$5,751,560; and three series of Health Care Facility Bonds outstanding, aggregate principal \$17,387,556.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2005**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Number	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
<i><u>Nutrition Cluster:</u></i>				
Food Distribution	10.550	N/A		\$9,162
Special Milk Program for Children	10.556	066233-LLP4-2004	\$ 45,060	
<i>Total Nutrition Cluster</i>			<u>45,060</u>	<u>9,162</u>
Total U.S. Department of Agriculture			<u>45,060</u>	<u>9,162</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
<i><u>Special Education Cluster</u></i>				
Special Education Grants to States - Title VI-B	84.027	066233-6B-SF-2005 066233-6B-SF-2006	26,655 <u>12,225</u>	
Total Special Education Grants to States			<u>38,880</u>	
Preschool Disabilities	84.173	066233-6B-SF-2005 066233-6B-SF-2006	6,636 <u>3,070</u>	
Total Preschool Disabilities			<u>9,706</u>	
Total Special Education Cluster			<u>48,586</u>	
State Grants for Innovative Programs	84.298	066233-C2-SI-2005 066233-C2-SI-2006	243 <u>242</u>	
Total State Grants for Innovative Programs			<u>485</u>	
Total U.S. Department of Education			<u>49,071</u>	
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
<i>Passed Through Ohio Department of Development:</i>				
Community Development Block Grant	14.228	B-F-04-067-1 B-F-03-067-1 B-C-03-067-1	97,500 87,476 <u>79,654</u>	
Total Community Development Block Grant			<u>264,630</u>	
Community Housing Improvement Program	14.239	B-C-03-067-2	<u>42,120</u>	
Total U. S. Department of Housing and Urban Development			<u>306,750</u>	
<u>U.S. DEPARTMENT OF JUSTICE</u>				
<i>Passed Through Ohio Department of Criminal Justice:</i>				
Crime Victims Assistance	16.575	2006VAGENE251 2004VAGENE251T 2004VAGENE558T	8,601 19,557 <u>12,753</u>	
Total Crime Victims Assistance			<u>40,911</u>	
<i>Passed Through Ohio Department of Youth Services</i>				
Juvenile Justice and Delinquency Prevention Allocation to States	16.540	2004-JJ-DP2-0091	<u>20,000</u>	
Total U.S. Department of Justice			<u>60,911</u>	

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2005**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Number	Disbursements	Non-Cash Disbursements
<u>U. S. DEPARTMENT OF LABOR</u>				
<i>Passed Through Montgomery County-Area 7:</i>				
<i>Workforce Investment Act Cluster:</i>				
WIA - Adult Program			135,260	
WIA - Adult Administration			8,019	
WIA - Adult Total	17.258	N/A	143,279	
WIA - Youth Activities			230,507	
WIA - Youth Administration			13,746	
WIA - Youth Total	17.259	N/A	244,253	
WIA - Dislocated Worker			20,436	
WIA - Dislocated Worker Administration			1,146	
WIA - Dislocated Worker Total	17.260	N/A	21,582	
Total passed through Montgomery County - Area 7			409,114	
Total U.S. Department of Labor			409,114	
<u>US DEPARTMENT OF HOMELAND SECURITY</u>				
<i>Passed Through Ohio Emergency Management Agency:</i>				
State Domestic Preparedness Equipment Support Program	97.004	2003-MUP-30015 2004-GE-T4-0025	53,948 167,456	
Total State Domestic Preparedness Eq. Support Program			221,404	
<i>Homeland Security Cluster</i>				
Emergency Management Performance Grant	97.042	2005-EM-T5-0001	38,009	
State homeland Security Program	97.073	2005-GE-T5-0001	109,904	
Total Homeland Security Cluster			147,913	
Public Assistance Grants	97.036	EM-3198-OH	17,470	
Total U.S. Department of Homeland Security			386,787	
<u>General Services Administration</u>				
<i>Passed Through Ohio Secretary of State</i>				
Election Reform Payments	39.011	04-SOS-HAVA-72	10,942	
Total General Services Administration			10,942	
<u>U.S DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>				
Medical Assistance Program - Title XIX	93.778	7200013	306,801	
Professional Services - School			41,824	
Final Settlement			734,100	
Professional Services - Adults			5,691	
Target Case Management			132,268	
Total Medical Assistance Program			1,220,684	
State Children's Insurance Program	93.767	N/A	7,065	
<i>Passed Through Ohio Department of Alcohol and Drug Addiction</i>				
Block Grants for Preventive and Treatment of Substance Abuse	93.959	74-03007-TASC-T-05-9181 74-03007-TASC-T-06-9181	61,239 48,988	
Total Block Grants for Preventive and Treatment of Substance Abuse			110,227	
Social Services Block Grant	93.667	MR72	49,180	
Total U.S. Department of Health and Human Services			1,387,156	

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2005**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Number	Disbursements	Non-Cash Disbursements
<u>U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICES</u>				
<i>Passed through Ohio Department of Youth Services:</i>				
AmeriCorps	94.006	JJWC-014-04	<u>18,366</u>	<u> </u>
Total U.S. Corporation for National and Community Services			<u>18,366</u>	<u> </u>
<u>UNITED STATES DEPARTMENT OF TRANSPORTATION</u>				
<i>Passed through Ohio Department of Transportation:</i>				
Highway Planning and Construction	20.205	05N113	<u>346,390</u>	<u> </u>
Total U. S. Department of Transportation			<u>346,390</u>	<u> </u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u><u>\$3,020,547</u></u>	<u><u>\$9,162</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2005**

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 - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The County has established a revolving loan program to provide low-interest loans to business 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. 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 mortgage on the property. At December 31, 2005, the gross amount of loans outstanding under this program was \$82,887.

NOTE C - CHILD NUTRITION CLUSTER

Program regulations do not require the County to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

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.



**Auditor of State
Betty Montgomery**

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

Sandusky County
100 N. Park Avenue, Suite B
Fremont, Ohio 43420-2472

To the County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sandusky County, Ohio (the County) as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-002.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable condition 2005-002 listed above to be a material weakness. In a separate letter to the County's management dated December 21, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the County's management dated December 21, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, Board of Commissioners, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

December 21, 2006



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Sandusky County
100 N. Park Avenue, Suite B
Fremont, Ohio 43420-2472

To the County Commissioners:

Compliance

We have audited the compliance of Sandusky County, Ohio (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended December 31, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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, Sandusky County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2005.

Internal Control over Compliance

The County's management 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 directly and materially affect a major federal program 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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated December 21, 2006.

We intend this report solely for the information and use of the audit committee, management, County Commissioners, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

December 21, 2006

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005**

1. SUMMARY OF AUDITOR'S RESULTS
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(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):	Highway Planning and Construction/ CFDA # 20.205. 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?	No

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

FINDING NUMBER 2005-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D)(1) states that no orders or contracts involving the expenditure of money are 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 void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Board of Commissioners (the Board) can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the "then and now" certificate to approve payment by resolution.

Amounts of less than \$100 may be paid by the fiscal officer without a resolution upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Board.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Board may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Fifty percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred, and there was no evidence that the County followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2005-001
(Continued)**

Prior certification is not only required by Ohio law, but is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of County funds being over expended or exceeding budgetary spending limitations as set by the Board.

To improve controls over disbursements, we recommend all County disbursements receive prior certification of the Auditor and the Auditor periodically review the expenditures made to ensure they are within the appropriations adopted by the Board, certified by the Auditor, and recorded against appropriations.

Management's Response:

We did not receive a response from officials to the findings reported above.

FINDING NUMBER 2005-002

Material Weakness

Capital Assets

The County does not maintain a detailed capital asset list along with the use of coordinating inventory tags or other specific identifying means. A capital asset ledger should be maintained and regularly updated. At minimum, the records should contain the following data: a) department name and location; b) date of purchase; c) description; d) model/serial vehicle identification number, if applicable; e) inventory tag number; f) quantity; g) purchase cost; h) depreciation amount; i) disposition date; j) estimated value and k) fund ownership; estimated life of assets. In addition, infrastructure additions are not recorded based on actual cost. This lack of accountability for the County's capital assets could result in misappropriation of assets.

To improve accurate accounting over the capital assets process we recommend the County implement procedures to maintain and update the capital asset records.

Management's Response:

We did not receive a response from officials to the findings reported above.

3. FINDINGS FOR FEDERAL AWARDS

None.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2004-001	Ohio Revised Code § 5705.36 and 5705.39 failure to increase estimated resources to avoid appropriations exceeding estimated resources.	Yes	
2004-002	Ohio Revised Code § 5705.41(D)(1) Failure to certify expenditures.	No	Not corrected. Repeated as Finding # 2005-001
2004-003	Failure to maintain assets list	No	Not Corrected. Repeated as Finding # 2005-002.



**Auditor of State
Betty Montgomery**

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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
JANUARY 11, 2007**