



**Auditor of State
Betty Montgomery**

SANDUSKY COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Sandusky County
100 North Park Ave. 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, 2004, 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, 2004, 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 8, 2005, 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 8, 2005

SANDUSKY COUNTY, OHIO

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

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, 2004. 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 2004 are as follows:

- The total net assets of the County increased \$2,098,890. Net assets of governmental activities increased \$2,074,508 which represents a 4% increase over fiscal year 2003. Net assets of business-type activities increased \$24,382 or 0.4% from fiscal year 2003.
- General revenues accounted for \$17,371,171 or 37.35% of total governmental activities revenue. Program specific revenues accounted for \$28,127,903 or 60.48% of total governmental activities revenue. The County had an extraordinary item in the sale of capital assets for \$1,009,800 or 2.17% of total governmental activities revenue.
- The County had \$44,568,658 in expenses related to governmental activities; \$28,127,903 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily property and sales taxes) of \$17,371,171 were adequate to provide for these programs.
- The general fund, the County's largest major fund, had revenues and other financing sources of \$16,076,331 in 2004, an increase of \$1,021,249 from 2003 revenues. The general fund had expenditures and other financing uses of \$15,896,358 in 2004, an increase of \$1,360,021 from 2003. The general fund, fund balance increased \$179,973 from 2003 to 2004.
- The motor vehicle and gas tax fund, a County major fund, had revenues of \$5,066,467 in 2004. The motor vehicle and gas tax fund had expenditures of \$4,851,487 in 2004. The motor vehicle and gas tax fund, fund balance increased \$214,980 from 2003 to 2004.
- The human services fund, a County major fund, had revenues and other financing sources of \$8,230,987 in 2004. The human services fund had expenditures of \$7,750,970 in 2004. The human services fund, fund balance increased \$480,017 from 2003 to 2004.
- The County board of mental retardation and developmentally disabled (MR/DD) fund, a County major fund, had revenues of \$6,811,146 in 2004. The County board of MR/DD fund had expenditures and other financing uses of \$6,448,003 in 2004. The County board of MR/DD fund, fund balance increased \$363,143 from 2003 to 2004.
- Net assets for the Sanitary Sewer enterprise fund increased in 2004 by \$24,382 or 0.39%. The sanitary sewer enterprise fund transferred \$134,292 to the general fund in 2004.
- In the general fund, the actual revenues and other financing sources came in \$1,432,308 higher than they were originally budgeted and actual expenditures were \$305,442 less than the amount in the original budget. These positive variances are a result of the County's conservative budgeting process.

SANDUSKY COUNTY, OHIO

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

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 2004?" 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.

The County's statement of net assets and statement of activities can be found on pages 15-17 of this report.

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.

SANDUSKY COUNTY, OHIO

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

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

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. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental financial statements can be found on pages 15-33 of this report.

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. The basic proprietary fund financial statements can be found on pages 29-31 of this report.

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. The basic fiduciary fund financial statements can be found on pages 32-33 of this report.

SANDUSKY COUNTY, OHIO

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

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. These notes to the basic financial statements are on pages 35-70 of this report.

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. This is the first year for government-wide financial statements using the full accrual basis of accounting; therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

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

	Governmental Activities 2004	Business-type Activities 2004	Governmental Activities 2003	Business-type Activities 2003	2004 Total	2003 Total
<u>Assets</u>						
Current and other assets	\$ 37,668,308	\$ 736,090	\$ 33,665,245	\$ 590,996	\$ 38,404,398	\$ 34,256,241
Capital assets	42,134,838	5,788,734	42,951,071	6,079,492	47,923,572	49,030,563
Total assets	<u>79,803,146</u>	<u>6,524,824</u>	<u>76,616,316</u>	<u>6,670,488</u>	<u>86,327,970</u>	<u>83,286,804</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	9,751,166	250,500	10,183,795	312,288	10,001,666	10,496,083
Other liabilities	11,268,615	35,679	9,935,933	33,872	11,304,294	9,969,805
Total liabilities	<u>21,019,781</u>	<u>286,179</u>	<u>20,119,728</u>	<u>346,160</u>	<u>21,305,960</u>	<u>20,465,888</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	34,347,077	5,548,734	34,630,357	5,799,492	39,895,811	40,429,849
Restricted	17,396,257	-	15,354,029	-	17,396,257	15,354,029
Unrestricted	7,040,031	689,911	6,512,202	524,836	7,729,942	7,037,038
Total net assets	<u>\$ 58,783,365</u>	<u>\$ 6,238,645</u>	<u>\$ 56,496,588</u>	<u>\$ 6,324,328</u>	<u>\$ 65,022,010</u>	<u>\$ 62,820,916</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2004, the County's assets exceeded liabilities by \$65,022,010. This amounts to \$58,783,365 in governmental activities and \$6,238,645 in business-type activities. The County's finances remained strong during 2004, 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 55.80% 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, 2004, were \$39,895,811. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital

SANDUSKY COUNTY, OHIO

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

assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2004, the 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, \$17,396,257, represents resources that are subject to external restrictions on how they may be used. The remaining balance of government-wide unrestricted net assets of \$7,040,031 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 2004 and 2003.

			Change in Net Assets		2004 Total	2003 Total
	Governmental	Business-type	Governmental	Business-type		
	Activities 2004	Activities 2004	Activities 2003	Activities 2003		
Revenues						
Program revenues:						
Charges for services and sales	\$ 6,508,498	\$ 892,180	\$ 6,099,299	\$ 721,465	\$ 7,400,678	\$ 6,820,764
Operating grants and contributions	21,314,405	-	20,979,338	-	21,314,405	20,979,338
Capital grants and contributions	305,000	-	3,069,096	-	305,000	3,069,096
Total program revenues	<u>28,127,903</u>	<u>892,180</u>	<u>30,147,733</u>	<u>721,465</u>	<u>29,020,083</u>	<u>30,869,198</u>
General revenues:						
Property taxes	6,804,541	-	7,082,880	-	6,804,541	7,082,880
Sales tax	6,098,833	-	6,065,965	-	6,098,833	6,065,965
Unrestricted grants	2,056,686	-	2,049,956	-	2,056,686	2,049,956
Investment earnings	1,228,885	-	415,338	-	1,228,885	415,338
Increase in FMV of investment	109,480	-	-	-	109,480	-
Other	1,072,746	93,883	1,320,687	180,603	1,166,629	1,501,290
Total general revenues	<u>17,371,171</u>	<u>93,883</u>	<u>16,934,826</u>	<u>180,603</u>	<u>17,465,054</u>	<u>17,115,429</u>
Total revenues	<u>45,499,074</u>	<u>986,063</u>	<u>47,082,559</u>	<u>902,068</u>	<u>46,485,137</u>	<u>47,984,627</u>

SANDUSKY COUNTY, OHIO

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

Expenses

Program Expenses:

General government	\$ 7,768,339	\$ -	\$ 7,290,847	\$ -	\$ 7,768,339	\$ 7,290,847
Public safety	9,185,350	-	8,892,324	-	9,185,350	8,892,324
Public works	4,727,732	-	4,031,951	-	4,727,732	4,031,951
Health	448,360	-	377,564	-	448,360	377,564
Human services	19,470,971	-	18,587,641	-	19,470,971	18,587,641
Economic development and assistance	2,031,074	-	1,505,431	-	2,031,074	1,505,431
Intergovernmental	192,800	-	228,400	-	192,800	228,400
Other	432,746	-	391,470	-	432,746	391,470
Interest and fiscal charges	311,286	-	333,794	-	311,286	333,794
Sanitary sewer	-	827,389	-	781,298	827,389	781,298
Total expenses	<u>44,568,658</u>	<u>827,389</u>	<u>41,639,422</u>	<u>781,298</u>	<u>45,396,047</u>	<u>42,420,720</u>
Change in net assets before transfers and extraordinary items	930,416	158,674	5,443,137	120,770	1,089,090	5,563,907
Transfers	134,292	(134,292)	131,365	(131,365)	-	-
Special item:						
Gain on sale of senior center	<u>1,009,800</u>	-	-	-	<u>1,009,800</u>	-
Change in net assets	<u>\$ 2,074,508</u>	<u>\$ 24,382</u>	<u>\$ 5,574,502</u>	<u>\$ (10,595)</u>	<u>\$ 2,098,890</u>	<u>\$ 5,563,907</u>

Governmental Activities

Governmental assets increased by \$2,074,508 in 2004 over 2003. This increase is due to decreasing revenues still outpacing increased expenses in 2004 compared to 2003.

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 \$19,470,971 of expenses, or 43.69% of total governmental expenses of the County. These expenses were funded by \$14,117,273 from grants and contributions, and \$447,597 in charges to users of services in 2004. General government expenses which includes legislative and executive and judicial programs, totaled \$7,768,339 or 17.43% of total governmental expenses. General government expenses were covered by \$3,266,251 of direct charges to users in 2004.

The state and federal government contributed to the County revenues of \$21,314,405 in operating grants and contributions and \$305,000 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions \$14,117,273, or 66.23%, subsidized human services programs.

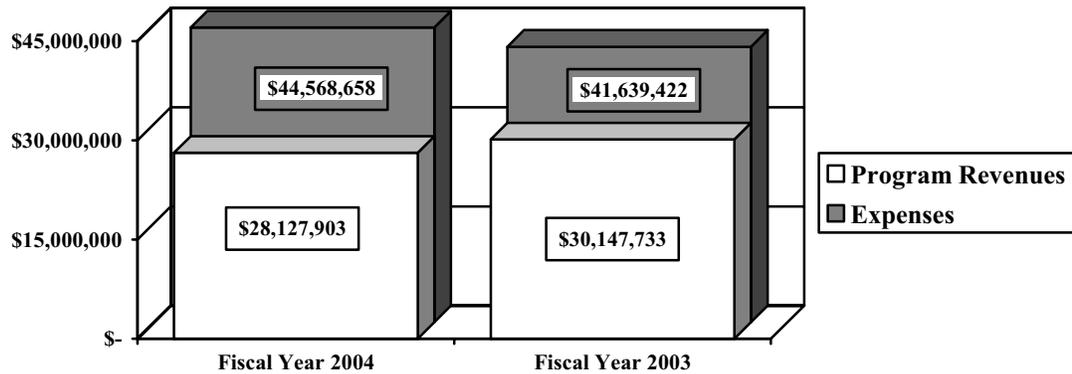
General revenues totaled \$17,371,171, and amounted to 37.35% of total revenues. These revenues primarily consist of property and sales tax revenue of \$12,903,374, or 74.28% of total general revenues in 2004. The other primary source of general revenues is grants and entitlements not restricted to specific programs, with local government and local government revenue assistance making up \$2,056,686, or 11.84% of the total.

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 2004 and 2003. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

SANDUSKY COUNTY, OHIO

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

Governmental Activities – Program Revenues vs. Total Expenses



Governmental Activities

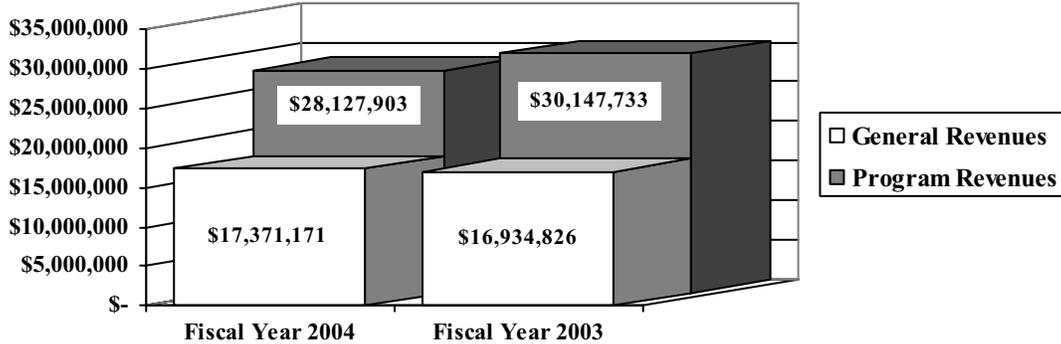
	Total Cost of Services 2004	Net Cost of Services 2004	Total Cost of Services 2003	Net Cost of Services 2003
Program Expenses:				
General government	\$ 7,768,339	\$ 4,352,066	\$ 7,290,847	\$ 3,670,688
Public safety	9,185,350	6,960,888	8,892,324	3,845,041
Public works	4,727,732	(835,458)	4,031,951	(129,042)
Health	448,360	224,141	377,564	154,762
Human services	19,470,971	4,906,101	18,587,641	3,147,292
Economic development and assistance	2,031,074	495,418	1,505,431	317,019
Intergovernmental	192,800	117,109	228,400	211,571
Other	432,746	432,346	391,470	387,720
Interest and fiscal charges	311,286	(211,856)	333,794	(113,362)
Total	\$ 44,568,658	\$ 16,440,755	\$ 41,639,422	\$ 11,491,689

The dependence upon general revenues for governmental activities is apparent, with 38.97% of expenses supported through taxes and other general revenues during 2004.

SANDUSKY COUNTY, OHIO

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

Governmental Activities - General and Program Revenues



Business-Type Activities

The Sanitary Sewer is the County's only enterprise fund. This program had revenues of \$986,063 and expenses of \$827,389 for fiscal year 2004. The Sanitary Sewer fund transferred out \$134,292 to the general fund. The Sanitary Sewer fund, fund balance increased \$24,382 in 2004.

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 (as presented on the balance sheet on pages 16-17) reported a combined fund balance of \$20,538,052, which is \$2,713,192 over last year's total of \$17,824,860. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2004 for all major and non-major governmental funds.

SANDUSKY COUNTY, OHIO

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

	<u>Fund Balance</u> <u>December 31, 2004</u>	<u>Fund Balance</u> <u>December 31, 2003</u>	<u>Increase</u> <u>(Decrease)</u>
Major Funds:			
General	\$ 4,968,272	\$ 4,788,299	\$ 179,973
Motor Vehicle and Gas Tax	1,607,657	1,392,677	214,980
Human Services	1,025,951	545,934	480,017
County Board of MRDD	4,480,867	4,117,724	363,143
Other Nonmajor Governmental Funds	<u>8,455,305</u>	<u>6,980,226</u>	<u>1,475,079</u>
Total	<u>\$ 20,538,052</u>	<u>\$ 17,824,860</u>	<u>\$ 2,713,192</u>

General Fund

The general fund is the operating fund of the County. The general fund, the County's largest major fund, had revenues of \$15,994,932 in 2004, an increase of \$1,167,875 or 7.31% from 2003 revenues. The general fund had expenditures of \$15,162,430 in 2004, an increase of \$1,166,703 or 8.34% from 2003. The general fund had transfers in of \$81,399 and transfers out of \$733,928 in 2004. The general fund, fund balance increased \$179,973 from 2003 to 2004.

Motor Vehicle and Gas Tax Fund

The motor vehicle and gas tax fund, a County major fund, had revenues of \$5,066,467 in 2004. The motor vehicle and gas tax fund had expenditures of \$4,851,487 in 2004. The motor vehicle and gas tax fund, fund balance increased \$214,980 from 2003 to 2004.

Human Services Fund

The human services fund, a County major fund, had revenues of \$7,948,760 in 2004. The human services fund had expenditures of \$7,750,970 in 2004. The human services fund had transfers in of \$282,227 in 2004. The human services fund, fund balance increased \$480,017 from 2003 to 2004.

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 \$6,811,146 in 2004. The County board of MR/DD fund had expenditures of \$6,433,003 in 2004. The County board of MR/DD fund had transfers out of \$15,000 in 2004. The County board of MR/DD fund, fund balance increased \$363,143 from 2003 to 2004.

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.

The original budgeted revenues and other financing sources were increased \$855,797 in the final budget. Actual revenues and other financing sources of \$16,628,732 exceeded final budgeted revenues and other financing sources by \$576,511. This significant increase is due to the County's conservative approach to

SANDUSKY COUNTY, OHIO

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

budgeting. Another difference between the final budgeted appropriations and other financing uses and actual expenditures and other financing uses was a \$590,653 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 2004, the County had \$47,923,572 (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, \$42,134,838 was reported in governmental activities and \$5,788,734 was reported in business-type activities. The 2003 capital assets were restated due to errors and omissions. The following table shows fiscal 2004 balances compared to 2003:

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

	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land	\$ 1,407,198	\$ 1,369,522	\$ 11,828	\$ 11,828	\$ 1,419,026	\$ 1,381,350
Land improvements	341,190	379,984	68,848	18,273	410,038	398,257
Building and improvements	14,591,323	15,148,880	242,563	262,235	14,833,886	15,411,115
Furniture and equipment	1,494,896	1,830,331	361,025	395,521	1,855,921	2,225,852
Vehicles	1,539,513	1,668,380	39,284	49,482	1,578,797	1,717,862
Infrastructure	22,760,718	22,560,968	-	-	22,760,718	22,560,968
Construction in progress	-	-	-	36,190	-	36,190
Sewer and water lines	-	-	5,065,186	5,195,898	5,065,186	5,195,898
Total	<u>\$ 42,134,838</u>	<u>\$ 42,958,065</u>	<u>\$ 5,788,734</u>	<u>\$ 5,969,427</u>	<u>\$ 47,923,572</u>	<u>\$ 48,927,492</u>

During 2004, the County's governmental activities had \$1,757,191 in additions, \$43,852 (net of accumulated depreciation) in deletions and \$2,536,566 in depreciation expense. The decrease in the County's governmental activities capital assets for 2004 was \$823,227. See Note 10 to the basic financial statements for detail on governmental activities and business-type activities capital assets.

Debt Administration

At December 31, 2004 the County's governmental activities had \$9,751,166 in general obligation bonds, special assessment bonds, OPWC loans and compensated absences outstanding. Of this total, \$1,178,836 is due within one year and \$8,572,330 is due within greater than one year. In addition, the County had \$450,000 in bond anticipation notes outstanding at December 31, 2004. At December 31, 2004 the County's business-type activities had \$250,500 in general obligation bonds and compensated absences outstanding. Of this total, \$47,639 is due within one year and \$202,861 is due within greater than one year. The following table summarizes the bonds, notes, loans and compensated absences outstanding.

SANDUSKY COUNTY, OHIO

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

Outstanding Debt, at Year End

	Governmental Activities <u>2004</u>	Business-Type Activities <u>2004</u>	Governmental Activities <u>2003</u>	Business-Type Activities <u>2003</u>
Long-Term Obligations:				
General obligation bonds	\$ 5,545,000	\$ 240,000	\$ 5,840,000	\$ 280,000
Special assessment bonds	51,033	-	34,386	-
OPWC/OWPC loans	1,741,728	-	1,821,328	-
Bond anticipation notes	450,000	-	625,000	-
Compensated absences	<u>2,413,405</u>	<u>10,500</u>	<u>2,488,081</u>	<u>32,288</u>
Total	<u>\$ 10,201,166</u>	<u>\$ 250,500</u>	<u>\$ 10,808,795</u>	<u>\$ 312,288</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 61,948.

The County's unemployment rate is currently 6.9%, compared to the 5.9% state average and the 5.4% national average.

These economic factors were considered in preparing the County's budget for fiscal year 2004. 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.

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SANDUSKY COUNTY, OHIO

STATEMENT OF NET ASSETS

DECEMBER 31, 2004

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
Assets:			
Equity in pooled cash and cash equivalents.	\$ 18,442,564	\$ 684,555	\$ 19,127,119
Investments in segregated accounts.	314,755	-	314,755
Receivables (net of allowances for uncollectibles):			
Sales taxes	1,006,982	-	1,006,982
Real estate and other taxes	8,322,128	-	8,322,128
Accounts	385,003	48,413	433,416
Special assessments	59,091	2,075	61,166
Accrued interest	30,652	-	30,652
Due from other governments.	6,226,935	-	6,226,935
Loans receivable	89,148	-	89,148
Prepayments	86,377	1,047	87,424
Materials and supplies inventory.	389,770	-	389,770
Investment in joint ventures	2,314,903	-	2,314,903
Capital assets:			
Land.	1,407,198	11,828	1,419,026
Depreciable capital assets, net.	40,727,640	5,776,906	46,504,546
Total capital assets, net.	42,134,838	5,788,734	47,923,572
Total assets.	79,803,146	6,524,824	86,327,970
Liabilities:			
Accounts payable.	1,035,567	20,902	1,056,469
Accrued wages and benefits	703,785	7,816	711,601
Due to other governments	357,946	5,186	363,132
Deferred revenue.	8,583,141	-	8,583,141
Accrued interest payable.	22,482	1,775	24,257
Amount to be repaid to claimants	115,694	-	115,694
Notes payable	450,000	-	450,000
Long-term liabilities:			
Due within one year.	1,178,836	47,639	1,226,475
Due in more than one year	8,572,330	202,861	8,775,191
Total liabilities	21,019,781	286,179	21,305,960
Net assets:			
Invested in capital assets, net of related debt.	34,347,077	5,548,734	39,895,811
Restricted for:			
Capital projects	2,795,185	-	2,795,185
Debt service	498,397	-	498,397
Public works projects	2,921,225	-	2,921,225
Public safety programs.	1,330,591	-	1,330,591
Human services programs	7,629,945	-	7,629,945
Other purposes	2,220,914	-	2,220,914
Unrestricted	7,040,031	689,911	7,729,942
Total net assets.	\$ 58,783,365	\$ 6,238,645	\$ 65,022,010

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SANDUSKY COUNTY, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

	Expenses	Program Revenues		
		Services and Sales	Grants and Contributions	Grants and Contributions
Governmental Activities:				
General government:				
Legislative and executive	\$ 4,769,216	\$ 2,339,267	\$ -	\$ -
Judicial	2,999,123	926,984	150,022	-
Public safety	9,185,350	1,815,524	991,061	-
Public works	4,727,732	151,591	4,524,476	305,000
Health	448,360	224,219	-	-
Human services	19,470,971	447,597	14,117,273	-
Economic development and assistance.	2,031,074	4,083	1,531,573	-
Intergovernmental	192,800	75,691	-	-
Other.	432,746	400	-	-
Interest and fiscal charges	311,286	523,142	-	-
Total governmental activities.	<u>44,568,658</u>	<u>6,508,498</u>	<u>21,314,405</u>	<u>305,000</u>
Business-Type Activities:				
Sanitary sewer.	<u>827,389</u>	<u>892,180</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>827,389</u>	<u>892,180</u>	<u>-</u>	<u>-</u>
Total primary government.	<u>\$ 45,396,047</u>	<u>\$ 7,400,678</u>	<u>\$ 21,314,405</u>	<u>\$ 305,000</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.	
Increase in FMV of investment.	
Miscellaneous.	
Total general revenues	
Transfers	
Special item - Gain on sale of senior center.	
Change in net assets	
Net assets at beginning of year (restated).	
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	Business-Type	
Activities	Activities	Total
\$ (2,429,949)	\$ -	\$ (2,429,949)
(1,922,117)	-	(1,922,117)
(6,378,765)	-	(6,378,765)
253,335	-	253,335
(224,141)	-	(224,141)
(4,906,101)	-	(4,906,101)
(495,418)	-	(495,418)
(117,109)	-	(117,109)
(432,346)	-	(432,346)
211,856	-	211,856
<u>(16,440,755)</u>	<u>-</u>	<u>(16,440,755)</u>
-	64,791	64,791
-	64,791	64,791
<u>(16,440,755)</u>	<u>64,791</u>	<u>(16,375,964)</u>
2,491,558	-	2,491,558
3,914,807	-	3,914,807
156,543	-	156,543
241,633	-	241,633
6,098,833	-	6,098,833
2,056,686	-	2,056,686
1,228,885	-	1,228,885
109,480	-	109,480
1,072,746	93,883	1,166,629
<u>17,371,171</u>	<u>93,883</u>	<u>17,465,054</u>
134,292	(134,292)	-
1,009,800	-	1,009,800
2,074,508	24,382	2,098,890
<u>56,708,857</u>	<u>6,214,263</u>	<u>62,923,120</u>
<u>\$ 58,783,365</u>	<u>\$ 6,238,645</u>	<u>\$ 65,022,010</u>

SANDUSKY COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004

	General	Motor Vehicle and Gas Tax	Human Services	County Board of MR/DD
Assets:				
Equity in pooled cash and cash equivalents	\$ 3,542,588	\$ 565,187	\$ 673,670	\$ 4,677,186
Investments in segregated accounts	314,755	-	-	-
Receivables (net of allowance for uncollectibles):				
Sales taxes	994,401	12,581	-	-
Real estate and other taxes	2,991,666	-	-	4,862,534
Accounts	212,755	60,667	23,531	2,503
Special assessments	-	-	-	-
Accrued interest	25,984	-	-	-
Interfund loan receivable	9,000	-	-	-
Loans to other funds	65,000	-	-	-
Loans receivable	-	-	-	-
Due from other funds	1,105	-	-	-
Due from other governments	1,054,125	2,499,227	1,852,783	273,062
Prepayments	85,418	959	-	-
Materials and supplies inventory	164,532	153,672	45,025	12,448
Total assets	\$ 9,461,329	\$ 3,292,293	\$ 2,595,009	\$ 9,827,733
Liabilities:				
Accounts payable	\$ 297,158	\$ 56,209	\$ 82,056	\$ 90,361
Accrued wages and benefits	348,714	56,596	104,502	120,060
Loans from other funds	-	-	-	-
Due to other funds	-	-	-	-
Due to other governments	80,073	10,373	227,229	28,418
Interfund loan payable	-	-	-	-
Amounts to be repaid to claimants	115,694	-	-	-
Deferred revenue	3,651,418	1,561,458	1,155,271	5,108,027
Total liabilities	4,493,057	1,684,636	1,569,058	5,346,866
Fund Balances:				
Reserved for encumbrances	82,678	55,627	-	135,042
Reserved for prepayments	85,418	959	-	-
Reserved for materials and supplies inventory	164,532	153,672	45,025	12,448
Reserved for loans receivable	-	-	-	-
Reserved for internal loans	65,000	-	-	-
Unreserved undesignated, reported in:				
General fund	4,570,644	-	-	-
Special revenue funds	-	1,397,399	980,926	4,333,377
Capital projects funds	-	-	-	-
Debt Service funds	-	-	-	-
Total fund balances	4,968,272	1,607,657	1,025,951	4,480,867
Total liabilities and fund balances	\$ 9,461,329	\$ 3,292,293	\$ 2,595,009	\$ 9,827,733

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Other Governmental Funds	Total Governmental Funds
\$ 8,803,403	\$ 18,262,034
-	314,755
-	1,006,982
467,928	8,322,128
85,547	385,003
59,091	59,091
4,668	30,652
-	9,000
33,160	98,160
89,148	89,148
-	1,105
547,738	6,226,935
-	86,377
14,093	389,770
<u>\$ 10,104,776</u>	<u>\$ 35,281,140</u>
\$ 509,783	\$ 1,035,567
73,913	703,785
98,160	98,160
1,105	1,105
11,853	357,946
9,000	9,000
-	115,694
945,657	12,421,831
<u>1,649,471</u>	<u>14,743,088</u>
338,230	611,577
-	86,377
14,093	389,770
89,148	89,148
33,160	98,160
-	4,570,644
4,883,749	11,595,451
2,585,616	2,585,616
511,309	511,309
<u>8,455,305</u>	<u>20,538,052</u>
<u>\$ 10,104,776</u>	<u>\$ 35,281,140</u>

SANDUSKY COUNTY, OHIO

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

Total governmental fund balances		\$	20,538,052
<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.			42,134,838
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.			
Property taxes	\$	172,719	
Special assessments		59,091	
Intergovernmental revenues		<u>3,606,880</u>	
Total			3,838,690
The investment in joint ventures by governmental activities are not financial resources and therefore are not reported in fund balance at year end.			2,314,903
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.			180,530
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		5,545,000	
Notes payable		450,000	
Special assessment bonds		51,033	
OWPC loans		1,423,671	
OPWC loans		318,057	
Compensated absences		2,413,405	
Accrued interest payable		<u>22,482</u>	
Total			<u>(10,223,648)</u>
Net assets of governmental activities		\$	<u>58,783,365</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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SANDUSKY COUNTY, OHIO

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

	<u>General</u>	<u>Motor Vehicle and Gas Tax</u>	<u>Human Services</u>
Revenues:			
Property taxes	\$ 2,484,982	\$ -	\$ -
Sales taxes	5,925,672	173,161	-
Charges for services	2,793,062	468	-
Licenses and permits	5,450	-	-
Fines and forfeitures	441,086	55,424	-
Intergovernmental	2,047,293	4,675,740	7,904,897
Special assessments	-	-	-
Investment income	1,212,247	2,559	-
Rental income	382,573	-	-
Increase in FMV of investment.	109,480	-	-
Other	593,087	159,115	43,863
Total revenues	<u>15,994,932</u>	<u>5,066,467</u>	<u>7,948,760</u>
Expenditures:			
Current:			
General government:			
Legislative and executive	3,808,099	-	-
Judicial	2,441,382	-	-
Public safety	6,849,015	-	-
Public works.	86,084	4,851,487	-
Health	119,733	-	-
Human services	1,323,828	-	7,750,970
Economic development and assistance	-	-	-
Intergovernmental	192,800	-	-
Other.	341,489	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>15,162,430</u>	<u>4,851,487</u>	<u>7,750,970</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>832,502</u>	<u>214,980</u>	<u>197,790</u>
Other financing sources (uses):			
Proceeds from sale of bond anticipation notes.	-	-	-
Proceeds from sale of special assessment bonds.	-	-	-
Transfers in	81,399	-	282,227
Transfers out	(733,928)	-	-
Total other financing sources (uses)	<u>(652,529)</u>	<u>-</u>	<u>282,227</u>
Special item:			
Gain on sale of senior center	-	-	-
Net change in fund balances.	179,973	214,980	480,017
Fund balances at beginning of year (restated)	4,788,299	1,392,677	545,934
Fund balances at end of year	<u>\$ 4,968,272</u>	<u>\$ 1,607,657</u>	<u>\$ 1,025,951</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

County Board of MR/DD	Other Governmental Funds	Total Governmental Funds
\$ 3,901,632	\$ 397,217	\$ 6,783,831
-	-	6,098,833
45,167	1,639,100	4,477,797
-	277,726	283,176
-	41,676	538,186
2,849,842	5,805,354	23,283,126
-	307,907	307,907
-	14,079	1,228,885
-	539,384	921,957
-	-	109,480
14,505	572,086	1,382,656
<u>6,811,146</u>	<u>9,594,529</u>	<u>45,415,834</u>
-	666,562	4,474,661
-	410,296	2,851,678
-	1,861,902	8,710,917
-	345,959	5,283,530
-	263,928	383,661
5,247,382	3,425,291	17,747,471
1,185,621	843,400	2,029,021
-	-	192,800
-	91,257	432,746
-	895,972	895,972
-	1,023,917	1,023,917
-	311,324	311,324
<u>6,433,003</u>	<u>10,139,808</u>	<u>44,337,698</u>
<u>378,143</u>	<u>(545,279)</u>	<u>1,078,136</u>
-	450,000	450,000
-	40,964	40,964
-	1,345,444	1,709,070
(15,000)	(825,850)	(1,574,778)
<u>(15,000)</u>	<u>1,010,558</u>	<u>625,256</u>
-	1,009,800	1,009,800
363,143	1,475,079	2,713,192
4,117,724	6,980,226	17,824,860
<u>\$ 4,480,867</u>	<u>\$ 8,455,305</u>	<u>\$ 20,538,052</u>

SANDUSKY COUNTY, OHIO

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

Net change in fund balances - total governmental funds	\$	2,713,192
<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. This is the amount by which depreciation expense (\$2,536,566) exceeded capital outlays (\$1,757,191) in the current period.		(779,375)
The effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		(43,852)
Proceeds of bonds and notes are other financing sources in the governmental funds, but increase liabilities in governmental activities.		(490,964)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(416,870)
Repayment of bonds and notes are expenditures in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		1,023,917
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		38
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.		74,676
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.		(6,254)
Change in net assets of governmental activities	\$	<u>2,074,508</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SANDUSKY COUNTY, OHIO

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 2,396,979	\$ 2,531,967	\$ 2,622,902	\$ 90,935
Sales taxes	5,350,500	5,651,816	5,854,800	202,984
Charges for services	2,561,099	2,705,329	2,802,490	97,161
Licenses and permits	4,981	5,261	5,450	189
Fines and forfeitures	409,810	432,889	448,436	15,547
Intergovernmental	1,862,794	1,967,699	2,038,368	70,669
Special assessments	-	-	-	-
Investment income	1,139,074	1,203,222	1,246,435	43,213
Rental income	349,195	368,860	382,108	13,248
Other	4,455	4,706	4,875	169
Total revenues	14,078,887	14,871,749	15,405,864	534,115
Expenditures:				
Current:				
General government:				
Legislative and executive	4,099,916	4,255,272	4,104,720	150,552
Judicial	2,424,035	2,459,893	2,397,356	62,537
Public safety	6,995,426	7,210,076	7,007,391	202,685
Public works	90,443	89,867	86,084	3,783
Health	119,536	121,326	119,733	1,593
Human services	1,461,189	1,461,189	1,441,853	19,336
Conservation and recreation	-	-	-	-
Economic development and assistance	-	-	-	-
Urban redevelopment and housing	-	-	-	-
Other	629,703	503,070	345,254	157,816
Capital outlay	-	-	-	-
Intergovernmental	233,400	193,400	193,400	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	16,053,648	16,294,093	15,695,791	598,302
Excess (deficiency) of revenues over (under) expenditures	(1,974,761)	(1,422,344)	(289,927)	1,132,417
Other financing uses:				
Proceeds from the sale of capital assets	-	-	-	-
Proceeds from sale of notes	-	-	-	-
Other financing sources	893,496	943,814	977,711	33,897
Other financing uses	-	-	-	-
Transfers in	224,041	236,658	245,157	8,499
Transfers out	(974,800)	(1,019,566)	(1,018,215)	1,351
Advances out	-	-	(9,000)	(9,000)
Total other financing sources	142,737	160,906	195,653	34,747
Net change in fund balance	(1,832,024)	(1,261,438)	(94,274)	1,167,164
Fund balance at beginning of year	2,924,625	2,924,625	2,924,625	-
Prior year encumbrances appropriated	390,672	390,672	390,672	-
Fund balance at end of year	\$ 1,483,273	\$ 2,053,859	\$ 3,221,023	\$ 1,167,164

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SANDUSKY COUNTY, OHIO

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, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive
				(Negative)
Revenues:				
Sales taxes.	\$ 168,462	\$ 171,574	\$ 171,574	\$ -
Charges for services.	435	443	460	17
Fines and forfeitures	50,021	50,945	53,543	2,598
Intergovernmental	3,568,971	3,634,905	4,222,925	588,020
Other	100,311	102,165	103,105	940
Total revenues	<u>3,888,200</u>	<u>3,960,032</u>	<u>4,551,607</u>	<u>591,575</u>
Expenditures:				
Current:				
Public works.	4,695,586	4,695,586	4,900,441	(204,855)
Total expenditures	<u>4,695,586</u>	<u>4,695,586</u>	<u>4,900,441</u>	<u>(204,855)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(807,386)</u>	<u>(735,554)</u>	<u>(348,834)</u>	<u>386,720</u>
Net change in fund balance.	(807,386)	(735,554)	(348,834)	386,720
Fund balance at beginning of year	438,599	438,599	438,599	-
Prior year encumbrances appropriated	<u>363,586</u>	<u>363,586</u>	<u>363,586</u>	<u>-</u>
Fund balance at end of year	<u>\$ (5,201)</u>	<u>\$ 66,631</u>	<u>\$ 453,351</u>	<u>\$ 386,720</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SANDUSKY COUNTY, OHIO

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 6,420,512	\$ 6,279,721	\$ 6,283,238	\$ 3,517
Other	21,737	21,260	21,272	12
Total revenues	<u>6,442,249</u>	<u>6,300,981</u>	<u>6,304,510</u>	<u>3,529</u>
Expenditures:				
Current:				
Human services	9,877,028	7,972,630	7,920,317	52,313
Total expenditures	<u>9,877,028</u>	<u>7,972,630</u>	<u>7,920,317</u>	<u>52,313</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,434,779)</u>	<u>(1,671,649)</u>	<u>(1,615,807)</u>	<u>55,842</u>
Other financing sources (uses):				
Other financing sources	1,235,562	1,208,468	1,209,145	677
Transfers in.	7,589	7,423	7,427	4
Total other financing sources (uses)	<u>1,243,151</u>	<u>1,215,891</u>	<u>1,216,572</u>	<u>681</u>
Net change in fund balance.	(2,191,628)	(455,758)	(399,235)	56,523
Fund balance at beginning of year	892,156	892,156	892,156	-
Prior year encumbrances appropriated	<u>6,958</u>	<u>6,958</u>	<u>6,958</u>	-
Fund balance at end of year	<u>\$ (1,292,514)</u>	<u>\$ 443,356</u>	<u>\$ 499,879</u>	<u>\$ 56,523</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SANDUSKY COUNTY, OHIO

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, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Property taxes	\$ 3,388,741	\$ 4,084,041	\$ 4,119,534	\$ 35,493
Charges for services	56,749	68,393	68,987	594
Intergovernmental	3,279,973	3,952,957	2,993,447	(959,510)
Other	11,714	14,117	14,240	123
Total revenues	<u>6,737,177</u>	<u>8,119,508</u>	<u>7,196,208</u>	<u>(923,300)</u>
Expenditures:				
Current:				
Human services	5,887,005	6,892,107	5,498,481	1,393,626
Economic development and assistance	1,110,265	1,235,265	1,210,522	24,743
Total expenditures	<u>6,997,270</u>	<u>8,127,372</u>	<u>6,709,003</u>	<u>1,418,369</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(260,093)</u>	<u>(7,864)</u>	<u>487,205</u>	<u>495,069</u>
Other financing uses:				
Other financing sources	42,823	51,609	52,058	449
Total other financing uses	<u>42,823</u>	<u>51,609</u>	<u>52,058</u>	<u>449</u>
Net change in fund balance.	(217,270)	43,745	539,263	495,518
Fund balance at beginning of year	3,826,895	3,826,895	3,826,895	-
Prior year encumbrances appropriated	85,625	85,625	85,625	-
Fund balance at end of year	<u>\$ 3,695,250</u>	<u>\$ 3,956,265</u>	<u>\$ 4,451,783</u>	<u>\$ 495,518</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SANDUSKY COUNTY, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2004

	Business-Type Activities - Sanitary Sewer	Governmental Activities - Internal Service Fund
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents.	\$ 684,555	\$ 180,530
Receivables (net of allowance for uncollectibles):		
Accounts	48,413	-
Special assessments.	2,075	-
Prepayments.	1,047	-
	736,090	180,530
Total current assets		
Noncurrent assets:		
Capital assets:		
Land.	11,828	-
Depreciable capital assets, net	5,776,906	-
	5,788,734	-
Total noncurrent assets		
Total assets		
	6,524,824	180,530
Liabilities:		
Current liabilities:		
Accounts payable.	20,902	-
Accrued wages and benefits	7,816	-
Compensated absences payable.	7,639	-
Due to other governments	5,186	-
Accrued interest payable.	1,775	-
Current portion of general obligation bonds payable	40,000	-
	83,318	-
Total current liabilities		
Long-term liabilities:		
General obligation bonds payable	200,000	-
Compensated absences	2,861	-
	202,861	-
Total long-term liabilities.		
Total liabilities		
	286,179	-
Net assets:		
Invested in capital assets, net of related debt.	5,548,734	-
Unrestricted	689,911	180,530
	6,238,645	180,530
Total net assets		
	\$ 6,238,645	\$ 180,530

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SANDUSKY COUNTY, OHIO

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

	Business-Type Activities - Sanitary Sewer	Governmental Activities - Internal Service Fund
Cash flows from operating activities:		
Cash received from sales/service charges	\$ 846,846	\$ 4,567
Cash received from other operating revenue	94,659	-
Cash payments for personal services	(239,625)	-
Cash payments for contract services	(77,527)	-
Cash payments for materials and supplies	(23,204)	-
Cash payments for claims	-	(10,821)
Cash payments for other expenses	(239,933)	-
	361,216	(6,254)
Net cash provided by (used in) operating activities		
Cash flows from noncapital financing activities:		
Transfers in from other funds	5,651	-
Transfers out to other funds	(139,943)	-
	(134,292)	-
Net cash provided by noncapital financing activities		
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(61,513)	-
Principal payments on bonds	(40,000)	-
Interest payments on bonds	(24,975)	-
	(126,488)	-
Net cash (used in) capital and related financing activities		
Net increase (decrease) in cash and cash equivalents	100,436	(6,254)
Cash and cash equivalents at beginning of year	584,119	186,784
Cash and cash equivalents at end of year	\$ 684,555	\$ 180,530
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 183,353	\$ (6,254)
Adjustments:		
Depreciation	242,206	-
Changes in assets and liabilities:		
(Increase) in accounts receivable	(46,582)	-
Decrease in special assessments receivable	2,024	-
(Increase) in prepayments	(100)	-
Increase in accounts payable	382	-
Increase in accrued wages and benefits	1,539	-
Increase in due to other governments	182	-
(Decrease) in compensated absences payable	(21,788)	-
	361,216	(6,254)
Net cash provided by (used in) operating activities	\$ 361,216	\$ (6,254)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SANDUSKY COUNTY, OHIO

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2004

	Investment Trust	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 1,237,294	\$ 6,268,248
Cash in segregated accounts	-	441,316
Receivables:		
Real estate and other taxes.	-	29,427,996
Accounts	-	70,520
Due from other governments	-	1,591,268
	1,237,294	37,799,348
Total assets	1,237,294	\$ 37,799,348
 Liabilities:		
Undistributed monies	\$ -	\$ 37,358,032
Deposits held and due to others.	-	441,316
	-	37,799,348
Total liabilities	-	\$ 37,799,348
 Net assets:		
Net assets available for pool participants	1,237,294	
Total net assets	\$ 1,237,294	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SANDUSKY COUNTY, OHIO

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

		<u>Investment Trust</u>
Net increase in net assets resulting from operations	\$	23,466
Share transactions:		
Purchase of units		1,360,170
Redemptions of units		<u>(2,048,711)</u>
Net decrease in net assets and shares resulting from share transactions		<u>(688,541)</u>
Change in net assets		(665,075)
Net assets at beginning of year.		<u>1,902,369</u>
Net assets at end of year	\$	<u><u>1,237,294</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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SANDUSKY COUNTY, OHIO

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

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:

SANDUSKY COUNTY, OHIO

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

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 activities of the following entities are 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 \$200,538 at December 31, 2004. Financial information can be obtained from the Sandusky County Auditor, 100 North Park Avenue, Fremont, Ohio 43420.

SANDUSKY COUNTY, OHIO

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

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 State 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 \$742,586 at December 31, 2004. 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, 2004 is \$1,371,779.

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

SANDUSKY COUNTY, OHIO

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

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 \$245,297 to CORSA during fiscal year 2004.

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.

SANDUSKY COUNTY, OHIO

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

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 and Measurement Focus

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 full accrual, 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 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.

SANDUSKY COUNTY, OHIO

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

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 total net 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 sales charges for 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.

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.

SANDUSKY COUNTY, OHIO

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

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

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.

COMPONENT UNITS

Component units are either legally separate organizations for which the elected officials of the County are not financially accountable, or legally separate organizations for which the nature and significance of its relationship with the County is such that exclusion would not cause the County's 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

SANDUSKY COUNTY, OHIO

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

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

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.

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of December 31, 2004, but which were levied to finance 2005 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.

SANDUSKY COUNTY, OHIO

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

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

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.

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 2004.

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

SANDUSKY COUNTY, OHIO

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

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

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 17 provides a reconciliation of the budgetary-basis and GAAP-basis of accounting for major governmental 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 reappropriated.

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 2004, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, certificates of deposits, common stock, and Small Business Association loans. 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 2004. 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, 2004.

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 2004 amounted to \$1,212,247 which includes \$1,043,680 assigned from other County funds.

SANDUSKY COUNTY, OHIO

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

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

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, "Equity In Pooled Cash and Investments".

SANDUSKY COUNTY, OHIO

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

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

Condensed financial information for the investment pool is as follows:

**Statement of Net Assets
December 31, 2004**

<u>Assets</u>	
Equity in pooled cash and cash equivalents	\$ 26,632,661
Accrued interest receivable	<u>30,652</u>
Total	<u>\$ 26,663,313</u>
<u>Net Assets Held in Trust for Pool Participants</u>	
Internal portion	\$ 25,426,019
External portion	<u>1,237,294</u>
Total	<u>\$ 26,663,313</u>

**Statement of Changes in Net Assets
For The Year Ended December 31, 2004**

<u>Revenues</u>	
Interest revenue	\$ 1,228,885
<u>Expenses</u>	
Operating expenses	<u>-</u>
Net increase in assets resulting from operations	1,228,885
Distribution to pool participants	(1,239,439)
<u>Capital Transactions</u>	
Proceeds of investments sold	(24,651,527)
Purchase of investments	<u>26,632,661</u>
Total increase in net assets	1,970,580
Net assets, beginning of year	<u>24,692,733</u>
Net assets, end of year	<u>\$ 26,663,313</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.

SANDUSKY COUNTY, OHIO

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

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 process. 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 2004, the net interest expense incurred on proprietary fund construction projects was not material.

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.

SANDUSKY COUNTY, OHIO

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

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at December 31, 2004, 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, 2004, 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, 2004, 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.

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

SANDUSKY COUNTY, OHIO

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

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

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.

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.

SANDUSKY COUNTY, OHIO

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

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

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. The County had one special item during 2004, which was the sale of the Ft. Stephenson senior center.

NOTE 3 - ACCOUNTABILITY AND CHANGE IN ACCOUNTING PRINCIPLES

A. Deficit Fund Balances

Fund balances at December 31, 2004 included the following individual fund deficits:

<u>Nonmajor Governmental Funds</u>	
Common Please Special Project	\$ 11,129
TASC Donation	7,055
TRIPS Grant	134
County Courts 1 and 2 Renovation	62,809

These 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. These deficit fund balances are the result of adjustments for accrued liabilities.

SANDUSKY COUNTY, OHIO

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

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

B. 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>Deficit</u>
<u>Nonmajor governmental fund</u>	
TASC Donation	\$ 1,105

During the year ended December 31, 2004, the County did not certify the availability of funds prior to a commitment being incurred. The County did not increase its certificates of estimated resources which resulted in appropriations exceeding estimated resources for the County Court Improvement Bond and the Motor Vehicle Gasoline Tax funds.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

Monies held by the County are classified by State statute into two categories. Active monies are public monies determined to be necessary to meet current demand upon the County treasury. Active 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.

Protection of the 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 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.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;

SANDUSKY COUNTY, OHIO

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

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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

Cash on Hand: At year-end, the County had \$4,559 in undeposited cash on hand. This amount is included as part of "Equity in Pooled Cash and Cash Equivalents" on the financial statements, but is not considered part of the county's carrying amount of deposits, reported below.

Cash in Segregated Accounts: At year-end, \$665,031 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 \$441,316 at December 31, 2004.

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

Deposits: At year-end, the carrying amount of the County's deposits, including nonnegotiable certificates of deposit and cash in segregated accounts, was \$12,159,241 and the bank balance, including nonnegotiable certificates of deposit and cash in segregated accounts, was \$13,559,778. Of the bank balance:

SANDUSKY COUNTY, OHIO

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

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

1. \$1,020,455 was covered by federal depository insurance; and
2. \$12,539,323 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the County. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

Investments: The County's investments are required to be categorized to give an indication of the level of custodial credit risk assumed by the County at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the County's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category <u>1</u>	Category <u>2</u>	Category <u>3</u>	Carrying Value	Fair Value
Common Stock	\$ 314,755	\$ -	\$ -	\$ 314,755	\$ 314,755
Federal agency securities	-	11,545,346	-	11,545,346	11,545,346
Small business association (SBA) loan	-	-	15,073	15,073	15,073
Investment in STAR Ohio	-	-	-	3,349,758	3,349,758
Total investments	<u>\$ 314,755</u>	<u>\$ 11,545,346</u>	<u>\$ 15,073</u>	<u>\$15,224,932</u>	<u>\$15,224,932</u>

The Federal Agency securities have maturity dates ranging from September 2005 to December 2009. The SBA Loan matures in November, 2011.

The County received common stocks in 2002 due to the demutualization of insurance companies.

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

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

SANDUSKY COUNTY, OHIO

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

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$ 27,073,977	\$ 314,755
Investments of the cash management pool:		
Federal agency securities	(11,545,346)	11,545,346
SBA loan	(15,073)	15,073
Investment in STAR Ohio	(3,349,758)	3,349,758
Cash on hand	(4,559)	-
GASB Statement No. 3	\$ 12,159,241	\$ 15,224,932

NOTE 5 - INTERFUND TRANSACTIONS

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

Transfer From	Transfer To				
	General	Human Services	Nonmajor Governmental	Sewer	Total
General	\$ -	\$ 282,227	\$ 446,050	\$ 5,651	\$ 733,928
County Board of MR/DD	-	-	15,000	-	15,000
Nonmajor governmental	81,399	-	744,451	-	825,850
Sewer	-	-	139,943	-	139,943
Total	\$ 81,399	\$ 282,227	\$ 1,345,444	\$ 5,651	\$ 1,714,721

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, 2004:

General Nonmajor governmental fund \$ 98,160

This loan will be repaid in the next fiscal year as resources become available.

SANDUSKY COUNTY, OHIO

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

NOTE 5 - INTERFUND TRANSACTIONS (Continued)

Due to/from other funds consisted of the following at December 31, 2004:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental fund	\$1,105

The purpose of this interfund transaction was to cover a deficit cash balance at December 31, 2004. This amount will be repaid in the next fiscal year.

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 2004 taxes were collected was \$1,120,698,881. The full tax rate for all County operations applied to real property for fiscal year ended December 31, 2004, was \$7.10 per \$1,000 of assessed valuation.

The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

<u>Real Property</u>		
Agricultural	\$	85,046,970
Residential		659,378,340
Commercial/Industrial/Mineral		168,976,720
Tangible Personal Property		158,183,001
<u>Public Utility</u>		
Real		362,460
Personal		48,751,390
Total Assessed Value	\$	<u>1,120,698,881</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

SANDUSKY COUNTY, OHIO

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

NOTE 6 - PROPERTY TAXES - (Continued)

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.

"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 2004 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 2005 are shown as 2004 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 \$6,098,883 in 2004.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2004, 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.

SANDUSKY COUNTY, OHIO

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

NOTE 8 - RECEIVABLES - (Continued)

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

<u>Governmental Activities:</u>	
Sales taxes	\$ 1,006,982
Real estate and other taxes	8,322,128
Accounts	385,003
Due from other governments	6,226,935
Special assessments	59,091
Loans	89,148
Accrued interest	30,652
<u>Business-Type Activities:</u>	
Accounts	48,413
Special assessments	2,075

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 2004.

Balance of loans receivable, 12/31/03	\$ 95,196
Principal payments received in 2004	(6,048)
Loans issued in 2004	-
Net loans receivable, 12/31/04	<u>\$ 89,148</u>

NOTE 10 - CAPITAL ASSETS

The capital asset balances of the governmental activities have been restated due to errors and omissions reported in prior years. Capital asset activity for the fiscal year ended December 31, 2004 was as follows:

SANDUSKY COUNTY, OHIO

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

NOTE 10 - CAPITAL ASSETS – (Continued)

Governmental Activities:	Balance 12/31/03	Restatement	Restated Balance 1/1/2004	Additions	Deductions	Balance 12/31/2004
<i>Capital assets, not being depreciated:</i>						
Land	\$ 1,369,885	\$ (363)	\$ 1,369,522	\$ 37,676	-	\$ 1,407,198
Total capital assets, not being depreciated	<u>1,369,885</u>	<u>(363)</u>	<u>1,369,522</u>	<u>37,676</u>	<u>-</u>	<u>1,407,198</u>
<i>Capital assets, being depreciated:</i>						
Land improvements	1,864,841	(808,592)	1,056,249	-	\$ (16,551)	1,039,698
Buildings and improvements	23,216,926	-	23,216,926	-	(890,697)	22,326,229
Furniture and equipment	3,753,984	98,241	3,852,225	-	(59,240)	3,792,985
Vehicles	4,721,185	(432,896)	4,288,289	308,248	(143,013)	4,453,524
Infrastructure	36,163,622	(1,672,924)	34,490,698	1,411,267	-	35,901,965
Total capital assets, being depreciated	<u>69,720,558</u>	<u>(2,816,171)</u>	<u>66,904,387</u>	<u>1,719,515</u>	<u>(1,109,501)</u>	<u>67,514,401</u>
<i>Less: accumulated depreciation:</i>						
Land improvements	(1,484,857)	808,592	(676,265)	(38,242)	15,999	698,508
Buildings and improvements	(8,068,046)	-	(8,068,046)	(557,557)	890,697	7,734,906
Furniture and equipment	(2,027,099)	5,205	(2,021,894)	(320,472)	44,277	2,298,089
Vehicles	(3,067,151)	447,242	(2,619,909)	(408,778)	114,676	2,914,011
Infrastructure	(13,492,219)	1,562,489	(11,929,730)	(1,211,517)	-	13,141,247
Total accumulated depreciation	<u>(28,139,372)</u>	<u>2,823,528</u>	<u>(25,315,844)</u>	<u>(2,536,566)</u>	<u>1,065,649</u>	<u>(26,786,761)</u>
Total capital assets, being depreciated net net	<u>41,581,186</u>	<u>7,357</u>	<u>41,588,543</u>	<u>(817,051)</u>	<u>(43,852)</u>	<u>40,727,640</u>
Governmental activities capital assets, net net	<u>\$ 42,951,071</u>	<u>\$ 6,994</u>	<u>\$ 42,958,065</u>	<u>\$ (779,375)</u>	<u>\$ (43,852)</u>	<u>\$ 42,134,838</u>

SANDUSKY COUNTY, OHIO

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

NOTE 10 - CAPITAL ASSETS - (Continued)

	Balance	Restatement	Restated Balance	Additions	Deductions	Balance
	<u>12/31/2003</u>	<u> </u>	<u>1/1/2004</u>	<u> </u>	<u> </u>	<u>12/31/2004</u>
<u>Business-Type Activities:</u>						
<i>Capital assets, not being depreciated:</i>						
Land	\$ 11,465	\$ 363	\$ 11,828	\$ -	\$ -	\$ 11,828
Construction in progress	<u>36,190</u>	<u>-</u>	<u>36,190</u>	<u>17,513</u>	<u>(53,703)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>47,655</u>	<u>363</u>	<u>48,018</u>	<u>17,513</u>	<u>(53,703)</u>	<u>11,828</u>
 <i>Capital assets, being depreciated:</i>						
Land improvements	51,681	-	51,681	53,703	-	105,384
Buildings and improvements	667,123	-	667,123	-	-	667,123
Machinery and equipment	654,508	-	654,508	-	-	654,508
Vehicles	61,517	53,761	115,278	-	-	115,278
Infrastructure	<u>8,353,696</u>	<u>359,871</u>	<u>8,713,567</u>	<u>44,000</u>	<u>-</u>	<u>8,757,567</u>
Total capital assets, being depreciated	<u>9,788,525</u>	<u>413,632</u>	<u>10,202,157</u>	<u>97,703</u>	<u>-</u>	<u>10,299,860</u>
 <i>Less: accumulated depreciation:</i>						
Land improvements	(33,408)	-	(33,408)	(3,128)	-	(36,536)
Buildings and improvements	(404,888)	-	(404,888)	(19,672)	-	(424,560)
Machinery and equipment	(258,987)	-	(258,987)	(34,496)	-	(293,483)
Vehicles	(12,035)	(53,761)	(65,796)	(10,198)	-	(75,994)
Infrastructure	<u>(3,047,370)</u>	<u>(470,299)</u>	<u>(3,517,669)</u>	<u>(174,712)</u>	<u>-</u>	<u>(3,692,381)</u>
Total accumulated depreciation	<u>(3,756,688)</u>	<u>(524,060)</u>	<u>(4,280,748)</u>	<u>(242,206)</u>	<u>-</u>	<u>(4,522,954)</u>
Total capital assets, being depreciated net	<u>6,031,837</u>	<u>(110,428)</u>	<u>5,921,409</u>	<u>(144,503)</u>	<u>-</u>	<u>5,776,906</u>
Business-type activities capital assets, net	<u>\$ 6,079,492</u>	<u>\$ (110,065)</u>	<u>\$ 5,969,427</u>	<u>\$ (126,990)</u>	<u>\$ (53,703)</u>	<u>\$ 5,788,734</u>

SANDUSKY COUNTY, OHIO

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

NOTE 10 - CAPITAL ASSETS - (Continued)

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

Governmental activities:	
Legislative and executive	\$ 259,705
Judicial	103,690
Public safety	441,660
Public works	1,379,698
Health	80,181
Human services	<u>271,632</u>
Total depreciation expense - governmental activities	<u>\$2,536,566</u>

NOTE 11 - 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, 2004, the total liability for unpaid compensated absences was \$2,423,905 (both governmental and business-type activities).

SANDUSKY COUNTY, OHIO

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

NOTE 12 - LONG-TERM OBLIGATIONS

A. Long-term obligation activity for the fiscal year ended December 31, 2004 was as follows:

<u>Governmental Activities:</u>	<u>Interest Rate</u>	<u>Balance 12/31/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/04</u>	<u>Amount Due in One Year</u>
<u>General Obligation Bonds:</u>						
Various Purpose/Improvement and Refunding - 2002	2.25-5%	\$ 5,840,000	\$ -	\$ (295,000)	\$ 5,545,000	\$ 300,000
Total general obligation bonds		<u>5,840,000</u>	<u>-</u>	<u>(295,000)</u>	<u>5,545,000</u>	<u>300,000</u>
<u>Special Assessment Bonds:</u>						
Lewis Saam Joint County Ditch	6.00%	3,579	-	(3,579)	-	-
Township Road 55 Ditch	5.00%	2,108	-	(2,108)	-	-
C.E. Wolfe Ditch	5.00%	245	-	(245)	-	-
Lewis Saam Joint County Ditch	6.00%	11,375	-	(11,375)	-	-
Devries Ditch	5.00%	14,631	-	(2,927)	11,704	2,926
Dibert Ditch	5.00%	61	203	(88)	176	88
Wahl Ditch	5.30%	2,387	-	(2,387)	-	-
Walter Cramer Ditch	5.00%	-	8,038	(1,608)	6,430	1,608
Loy Ditch	3.50%	-	20,301	-	20,301	2,900
Nighswander Ditch	3.00%	-	6,020	-	6,020	860
Carroll Russell Ditch	3.50%	-	4,758	-	4,758	680
Bierly Ditch	3.00%	-	1,644	-	1,644	235
Total Special Assessment Bonds		<u>34,386</u>	<u>40,964</u>	<u>(24,317)</u>	<u>51,033</u>	<u>9,297</u>
<u>Ohio Public Works Commission Loans:</u>						
Sunny Acres Sewer Improvements	N/A	42,367	-	(2,492)	39,875	2,492
Rice Township Sewer Improvements - Phase II	N/A	115,301	-	(6,406)	108,895	6,404
Rice/Sandusky Sewer Improvements	N/A	178,691	-	(9,404)	169,287	9,404
Total OPWC Loans		<u>336,359</u>	<u>-</u>	<u>(18,302)</u>	<u>318,057</u>	<u>18,300</u>
<u>Ohio Water Pollution Control Loans:</u>						
Sandusky/Rice Joint Sewer Improvement	4.16%	1,028,514	-	(42,649)	985,865	21,992
Sunny Acres Sewer Improvements	4.16%	300,686	-	(12,469)	288,217	6,429
Rice Township/Shorewood Sewer Improvement	3.64%	49,949	-	(2,085)	47,864	1,071
Route 53 Area Sewers	3.64%	105,820	-	(4,095)	101,725	-
Total OWPC Loans		<u>1,484,969</u>	<u>-</u>	<u>(61,298)</u>	<u>1,423,671</u>	<u>29,492</u>

SANDUSKY COUNTY, OHIO

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

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

	<u>Interest Rate</u>	<u>Balance 12/31/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/04</u>	<u>Amount Due in One Year</u>
Other long-term obligations:						
Compensated absences payable		\$ 2,488,081	\$ -	\$ (74,676)	\$ 2,413,405	\$ 821,747
Total other long-term obligations		<u>2,488,081</u>	<u>-</u>	<u>(74,676)</u>	<u>2,413,405</u>	<u>821,747</u>
Total long-term obligations		<u>\$ 10,183,795</u>	<u>\$ 40,964</u>	<u>\$ (473,593)</u>	<u>\$ 9,751,166</u>	<u>\$ 1,178,836</u>
Business-Type Activities:						
General Obligation Bonds:						
Sewer District #1 - 1980	9.00%	280,000	-	(40,000)	240,000	40,000
Compensated absences payable		<u>32,288</u>	<u>-</u>	<u>(21,788)</u>	<u>10,500</u>	<u>7,639</u>
Total long-term obligations		<u>\$ 312,288</u>	<u>\$ -</u>	<u>\$ (61,788)</u>	<u>\$ 250,500</u>	<u>\$ 47,639</u>

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 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, 2004, the County has outstanding borrowings of \$318,057. The loan agreements require semi-annual payments based on the actual amount loaned. The OPWC loans are interest free.

The County entered into four 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, 2004, the County has outstanding borrowings of \$1,423,671. The loan agreements require semi-annual payments based on the actual amount loaned.

SANDUSKY COUNTY, OHIO

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

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

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.

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, 2004 are an overall debt margin of \$21,483,781 and an unvoted debt margin of \$6,173,298 both of which include available funds of \$511,309.

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

<u>Year Ended</u>	<u>General Obligation Bonds</u>			<u>Special Assessment Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 300,000	\$ 239,023	\$ 539,023	\$ 9,297	\$ 2,723	\$ 12,020
2006	295,000	229,123	524,123	9,296	1,633	10,929
2007	305,000	218,798	523,798	9,208	1,244	10,452
2008	305,000	207,360	512,360	9,208	859	10,067
2009	315,000	195,465	510,465	4,675	474	5,149
2010 - 2014	1,640,000	780,783	2,420,783	9,349	474	9,823
2015 - 2019	1,840,000	402,148	2,242,148	-	-	-
2020 - 2022	545,000	55,250	600,250	-	-	-
Total	\$ 5,545,000	\$ 2,327,950	\$ 7,872,950	\$ 51,033	\$ 7,407	\$ 58,440

SANDUSKY COUNTY, OHIO

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

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Year Ended	OPWCLF Loans			OPWC Loans		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 63,841	\$ 57,799	\$ 121,640	\$ 18,303	\$ -	\$ 18,303
2006	66,492	55,149	121,641	18,301	-	18,301
2007	69,250	52,390	121,640	18,303	-	18,303
2008	72,127	49,514	121,641	18,303	-	18,303
2009	75,120	46,522	121,642	18,303	-	18,303
2010 - 2014	425,043	183,153	608,196	91,513	-	91,513
2015 - 2019	520,927	87,283	608,210	91,513	-	91,513
2020 - 2023	130,871	4,577	135,448	43,518	-	43,518
Total	\$ 1,423,671	\$ 536,387	\$ 1,960,058	\$ 318,057	\$ -	\$ 318,057

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

Year Ended	General Obligation Bonds		
	Principal	Interest	Total
2005	\$ 40,000	\$ 21,600	\$ 61,600
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	\$ 240,000	\$ 75,600	\$ 315,600

NOTE 13 - NOTES PAYABLE

The County had the following general obligation bond anticipation notes outstanding at December 31, 2004:

	Issue Date	Balance at 12/31/2003	Issued	Reductions	Balance at 12/31/2004
Nonmajor Capital Projects Funds					
County Court Facilities - 1.2%	12/04/03	\$ 545,000	\$ -	\$ (545,000)	\$ -
Hazmat - 1.2%	12/04/03	80,000	-	(80,000)	-
County Court Facilities - 2.2%	12/04/04	-	405,000	-	405,000
Hazmat - 2.2%	12/04/04	-	45,000	-	45,000
Total		\$ 625,000	\$ 450,000	\$ (625,000)	\$ 450,000

In 2004, the County repaid \$625,000 in bond anticipation notes that were outstanding at December 31, 2003. The County also issued \$450,000 in bond anticipation notes on December 4, 2004. The notes mature on December 2, 2005. These notes are rolled over and the new maturity date is November 30,

SANDUSKY COUNTY, OHIO

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

NOTE 13 - NOTES PAYABLE - (Continued)

2005. 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.

NOTE 14 - 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 2004, 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 Medical Mutual 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>Coverage</u>	<u>Coverage</u>
SuperMed Plus	\$ 771.75	\$ 315.37
Select One Plan	1,174.17	462.68

SANDUSKY COUNTY, OHIO

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

NOTE 13 - NOTES PAYABLE – (Continued)

C. Insurance Purchasing Pool

For 2004, 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>Current Year</u> <u>Claims and Changes</u> <u>in Estimates</u>	<u>Claims</u> <u>Payments</u>	<u>Ending</u> <u>Balance</u>
2004	\$ -	\$ 10,821	\$ 10,821	\$ -
2003	-	6,007	6,007	-

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.

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.

SANDUSKY COUNTY, OHIO

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

NOTE 13 - NOTES PAYABLE – (Continued)

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 administered by the Ohio Schools Council.

NOTE 15 - 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) 222-6705.

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5% of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1% of their annual covered salary; members in public safety contributed 9%. The County's contribution rate for pension benefits for 2004 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.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$2,424,326, \$2,331,875, and \$2,325,407, respectively; 100% has been contributed for 2004, 2003 and 2002. The County and plan members did not make any contributions to the member-directed plan for 2004.

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.

SANDUSKY COUNTY, OHIO

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

NOTE 15 - DEFINED BENEFIT PENSION PLANS – (Continued)

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 2003 was 9.5%. 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, 2004, 2003, and 2002 were \$47,377, \$47,884, and \$41,608, respectively; equal to their required contributions for each year.

NOTE 16 - 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 2004 local government employer contribution rate was 13.55% of covered payroll (16.70% for public safety and law enforcement); 4.00% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPER's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00%, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years health care costs were assumed to increase 4.00% annually.

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

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$177,732. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003 (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

SANDUSKY COUNTY, OHIO

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

NOTE 16 - POSTEMPLOYMENT BENEFITS – (Continued)

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

B. 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.

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, 2004. For the County, this amount equaled \$3,384 during calendar year 2004. As of June 30, 2004, the balance in the Health Care Stabilization Fund was \$3.1 billion and eligible benefit recipients totaled 111,853 for STRS Ohio as a whole. For the fiscal year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739 million.

NOTE 17 - 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).
- (d) 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:

SANDUSKY COUNTY, OHIO

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

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

Net Change in Fund Balances

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Motor Vehicle and Gas Tax</u>	<u>Human Services</u>	<u>County Board of MR/DD</u>
Budget basis	\$ (94,274)	\$ (348,834)	\$ (399,235)	\$ 539,263
Net adjustment for revenue accruals	589,068	514,860	1,644,250	(385,062)
Net adjustment for expenditure accruals	151,125	(62,882)	(4,444)	50,597
Net adjustment for other financing sources/(uses) accruals	(848,182)	-	(934,345)	(67,058)
Encumbrances (budget basis)	<u>382,236</u>	<u>111,836</u>	<u>173,791</u>	<u>225,403</u>
GAAP basis	<u>\$ 179,973</u>	<u>\$ 214,980</u>	<u>\$ 480,017</u>	<u>\$ 363,143</u>

NOTE 18 - 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 19 - 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, 2004, there are four series of Industrial Revenue Bonds outstanding, aggregate principal \$7,554,316; and three series of Health Care Facility Bonds outstanding, aggregate principal \$19,215,000.

SANDUSKY COUNTY, OHIO

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

NOTE 20 – PRIOR PERIOD ADJUSTMENTS

Government Type Activities – Restatement of Fund Balance - The County received common stocks in 2002 due to the demutualization of insurance companies which were not included in the county's investment balances. The capital assets of the government -type activities have been restated at December 31, 2003 due to errors and omissions.

The restatement of investments had the following effect on the General fund balance:

Fund Balance December 31, 2003	\$ 4,583,024
Adjustment for Investments	<u>205,275</u>
Adjusted fund balance December 31, 2003	<u>\$ 4,788,299</u>

The restatement of investments and the adjustment to capital assets had the following effect on the net assets are as previously reported:

Adjusted fund balance, as previously reported	\$ 56,496,588
Adjustment for Capital Assets	6,994
Adjustment for Investments	<u>205,275</u>
Governmental activities net assets, December 31, 2003	<u>\$ 56,708,857</u>

Business-Type Activities – Restatement of Fund Equity –The capital assets of the business-type activities have been restated at December 31, 2003 due to errors and omissions.

The capital assets adjustment had the following effect on fund equity as previously reported:

Fund Equity as previously reported:	\$ 6,324,328
Adjustment for Capital Assets	<u>(110,065)</u>
Restated Fund Equity at December 31, 2003	<u>\$ 6,214,263</u>

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SANDUSKY COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004

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		\$10,023
Special Milk Program for Children	10.556	066233-LLP4-2004	\$ 48,079	
<i>Total Nutrition Cluster</i>			<u>48,079</u>	<u>10,023</u>
Total U.S. Department of Agriculture			<u>48,079</u>	<u>10,023</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-04P	21,336	
		066233-6B-SF-2005	11,850	
Total Special Education Grants to States			<u>33,186</u>	
Preschool Disabilities	84.173	066233-PG-D7-2004P	3,600	
		066233-6B-SF-04P	4,847	
		066233-PG-SI-2005	2,807	
Total Preschool Disabilities			<u>11,254</u>	
Total Special Education Cluster			<u>44,440</u>	
State Grants for Innovative Programs	84.298	066233-C2-SI-2004	570	
Total U.S. Department of Education			<u>45,010</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	105,430	
		B-F-02-067-1	140,963	
		B-C-03-067-1	125,035	
Total Community Development Block Grant			<u>371,428</u>	
Community Housing Improvement Program	14.239	B-C-01-067-01	5,625	
		B-C-98-067-1	17,392	
		B-C-01-067-02	34,484	
		B-C-98-067-2	37,976	
		B-C-03-067-2	181,413	
Total Community Housing Improvement			<u>276,890</u>	
Total U. S. Department of Housing and Urban Development			<u>648,318</u>	
<u>U.S. DEPARTMENT OF JUSTICE</u>				
<i>Passed Through Ohio Department of Criminal Justice:</i>				
Crime Victims Assistance	16.575	2002-VAGE-710	1,077	
		03-VAGENE-251-T	15,237	
		04-VAGENE-558T	4,032	
		04-VAGENE-558-T	2,574	
		03-VAGENE-558-T	9,286	
Total Crime Victims Assistance			<u>32,206</u>	
Juvenile Accountability Incentive Block Grant	16.523	JB-002-B-003	4,120	
		JB-0130-A-058	13,986	
Total Juvenile Accountability Incentive Block Grant			<u>18,106</u>	
Total U.S. Department of Justice			<u>50,312</u>	

SANDUSKY COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004

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 Ohio Department of Jobs and Family Services:</i>				
<i>Workforce Investment Act Cluster:</i>				
WIA - Adult Program			79,677	
WIA - Adult Administration			33,300	
WIA - Adult Total	17.258	N/A	112,977	
WIA - Youth Activities			109,473	
WIA - Youth Administration			45,325	
WIA - Youth Total	17.259	N/A	154,798	
WIA - Dislocated Worker			34,591	
WIA - Dislocated Worker Administration			13,875	
WIA - Dislocated Worker Total	17.260	N/A	48,466	
Total passed through Ohio Dept.of Jobs and Family Services			316,241	
<i>Passed Through Montgomery County- Area 7:</i>				
WIA - Adult Program			25,821	
WIA - Adult Administration			948	
WIA - Adult Total	17.258	N/A	26,769	
WIA - Youth Activities			33,945	
WIA - Youth Administration			1,273	
WIA - Youth Total	17.259	N/A	35,218	
WIA - Dislocated Worker			13,390	
WIA - Dislocated Worker Administration			487	
WIA - Dislocated Worker Total	17.260	N/A	13,877	
Total passed through Montgomery County - Area 7			75,864	
Workforce Investment Act Cluster Total			392,105	
Work Investment Act Incentive	17.266	N/A	415	
Total U.S. Department of Labor			392,520	
<u>US DEPARTMENT OF HOMELAND SECURITY</u>				
<i>Passed Through Ohio Emergency Management Agency.</i>				
State Domestic Preparedness Equipment Support Program	97.004	2002-TE-CX-0106	1,332	
		2003-TE-TX-0199	109,036	
		2003-MUP-30015	130,603	
		2004-GE-T4-0025	79,050	
Total State Domestic Preparedness Eq. Support Program			320,021	
Public Assistance Grants	97.036	3198-EM-143-07CB8	3,099	
Total Public Assistance Grants			18,169	
			21,268	
Emergency Management State and Local	97.051	EMC-2003-GR-7026	24,504	
Pre-Disaster Mitigation	97.047	EMC-2002-GR-7037	6,249	
Emergency Management Performance Grant	97.042	EMC-2004-GR-7007	36,566	
Total Federal Emergency Management Agency			408,608	

SANDUSKY COUNTY

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Number	Disbursements	Non-Cash Disbursements
<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	364,785	
Professional Services - School EFMAP			37,987	
Professional Services - Adults			115,789	
Target Case Management			54,224	
Total Medical Assistance Program			<u>259,766</u>	
State Children's Insurance Program	93.767		128	
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services:</i>				
Block Grants for Preventive and Treatment of Substance Abuse	93.959	74-03007-TASC-T-05-9181 99-03007-TASC-T-04-9181	50,681	
			64,634	
Total Block Grants for Preventive and Treatment of Substance Abuse			<u>115,315</u>	
Social Services Block Grant	93.667	MR72	49,660	
Total U.S. Department of Health and Human Services			<u>997,654</u>	
<u>U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICES</u>				
<i>Passed through Ohio Department of Youth Services:</i>				
AmeriCorps	94.006	YCP-014-01	1,632	
Total U.S. Corporation for National and Community Services			<u>1,632</u>	
<u>UNITED STATES DEPARTMENT OF TRANSPORTATION</u>				
<i>Passed through Ohio Department of Transportation.</i>				
Highway Planning and Construction	20.205	04N125 04N063	453,934	
			39,820	
Total U. S. Department of Transportation			<u>493,754</u>	
TOTAL FEDERAL AWARDS EXPENDITURES			<u><u>\$3,085,887</u></u>	<u><u>\$10,023</u></u>

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

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SANDUSKY COUNTY

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 2004

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, 2004, the gross amount of loans outstanding under this program was \$89,148.

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.

NOTE E - WORKFORCE INVESTMENT ACT (WIA)

The Ohio Department of Job and Family Services (ODJFS) restructured the administration of WIA program. The ODJFS named Montgomery County the fiscal agent of the Sandusky County Job and Family Services WIA program. As a result, the process to account for the WIA activity changed. Starting July 1, 2004, the WIA funds flow to the Sandusky County through Montgomery County. The allocation of administrative costs process also changed.

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**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 North Park Ave. 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 (the County) as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 8, 2005. 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 2004-003.

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. However, we consider reportable condition 2004-003 listed above to be a material weakness. In a separate letter to the County's management dated December 8, 2005, 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 instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 and 2004-002. In a separate letter to the County's management dated December 8, 2005, 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.

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 8, 2005



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 North Park Ave. Suite B
Fremont, Ohio 43420-2472

To the County Commissioners:

Compliance

We have audited the compliance of Sandusky County (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, 2004. 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, 2004. In a separate letter to the County's management dated December 8, 2005, we reported other matters related to federal noncompliance not requiring inclusion in this report.

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

**Internal Control over Compliance
(Continued)**

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.

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 8, 2005

SANDUSKY COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2004

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	State Domestic Partnership Equipment Support Program / CFDA # 97.004 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 2004-001

Ohio Revised Code § 5705.36(A)(2) allows the County to request increased amended certificates of estimated resources and reduce amended certifications upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. According to **Ohio Revised Code § 5705.36(A)(3)**, an increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. According to **Ohio Revised Code § 5705.36(A)(4)**, a reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriations.

Additionally, **Ohio Revised Code § 5705.39** states in part that the total appropriations from each fund shall not exceed the total of the estimated resources available for expenditures therefrom, as certified by the budget commission or in case of appeal, by the board of tax appeals.

As of December 31, 2004 the County should have received an increased amended certificate for the following funds, since appropriations exceeded existing certified resources:

<u>Fund</u>	<u>Estimated Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
County Court Improvement Bond	\$400,000	\$564,167	\$164,167
Motor Vehicle and Gas Tax	\$3,960,032	\$4,551,607	\$591,575

Several other funds also had such variances in smaller relative amounts. These variances caused appropriations to exceed estimated resources in the following funds which are contrary to **Ohio Revised Code § 5705.39**:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
County Court Improvement Bond	\$378,664	\$560,000	(\$181,336)
Motor Vehicle and Gas Tax	\$4,398,631	\$4,695,586	(\$296,955)

To avoid over appropriating, we recommend the County monitor appropriations and estimated resources to ensure that appropriations do not exceed the amount of estimated resources.

FINDING NUMBER 2004-002

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.

Seventy-five 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. Thirty eight percent of the transactions are from the Job and Family Services department. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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.

FINDING NUMBER 2004-003

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. 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.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.

SANDUSKY COUNTY

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	Ohio Revised Code § 5705.14 Failure to approve transfers.	No	Partially Corrected. Reported in management letter.
2003-002	Ohio Revised Code § 5705.36 failure to increase estimated resources to avoid appropriations exceeding estimated resources.	No	Not corrected. Repeated as Finding #2004-001.
2003-003	Ohio Revised Code § 5705.41(B) Expenditures exceeded appropriations.	No	Partially corrected. Reported in management letter.
2003-004	Ohio Revised Code § 5705.41(D)(1) Failure to certify expenditures.	No	Not corrected. Repeated as Finding #2004-002.
2003-005	Ohio Revised Code § 9.38 Failure to deposit public money once every twenty-four hours.	Yes	Corrected.
2003-006	Failure to maintain asset list	No	Not Corrected. Repeated as Finding #2004-003.



**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
DECEMBER 30, 2005**