



**Auditor of State
Betty Montgomery**

**CITY OF SANDUSKY
ERIE COUNTY**

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**CITY OF SANDUSKY
ERIE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT <i>Passed Through Ohio Department of Development</i>			
Community Development Block Grant - Small Cities Program	A-F-02-172	14.228	\$ 233,444
	A-T-02-172		<u>14,348</u>
Total Department of Housing and Urban Development			<u>247,792</u>
UNITED STATES DEPARTMENT OF TRANSPORTATION <i>Passed Through Ohio Department of Transportation</i>			
Rural Transit Operating Grant	RPT-4022-022-031	20.509	261,902
Rural Transit Capital Grant	RPT-0022-022-032		9,579
Total Rural Transit Grants			<u>271,481</u>
Highway Planning and Construction Grant	TE21-G020-(075)	20.205	<u>161,683</u>
Total Department of Transportation			<u>433,164</u>
UNITED STATES DEPARTMENT OF JUSTICE <i>Direct</i>			
Local Law Enforcement Block Grant	2001-LB-BX-2159	16.592	29,095
<i>Passed Through Ohio Department of Criminal Justice Services</i>			
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grant	2001-DG-H01-7629	16.580	<u>33,248</u>
Total Department of Justice			<u>62,343</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u><u>\$ 743,299</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE

**CITY OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the City'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 City administers loan programs with funds provided by the U.S. Department of Housing and Urban Development (HUD) through the Ohio Department of Development. The loans are provided through the Community Development Block Grant Program (CFDA 14.228) for the purposes of rental housing rehabilitation and economic development. The City has also established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and to eligible persons and to rehabilitate homes. The initial loans of these monies are 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. Loan agreements provide for equipment or other assets to be used as collateral for the loans. As of December 31, 2003, the total amount of loans outstanding, before allowances for uncollectible accounts of \$48,373, was \$1,704,068.

NOTE C - MATCHING REQUIREMENTS

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



**Auditor of State
Betty Montgomery**

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

City of Sandusky
Erie County
222 Meigs Street
Sandusky, Ohio 44870-2837

To the City Commission

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Sandusky (the City) as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 30, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants, 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 such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to the City's management in a separate letter dated June 30, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the City's management in a separate letter dated June 30, 2004.

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



Betty Montgomery
Auditor of State

June 30, 2004



**Auditor of State
Betty Montgomery**

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

City of Sandusky
Erie County
222 Meigs Street
Sandusky, Ohio 44870-2837

To the City Commission

Compliance

We have audited the compliance of City of Sandusky with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2003. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003.

Internal Control Over Compliance

The management of the City 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 City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of City in a separate letter dated June 30, 2004.

Schedule of Federal Awards Expenditures

We have audited the basic financial statements of City of Sandusky as of and for the year ended December 31, 2003, and have issued our report thereon dated June 30, 2004. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by *OMB Circular A-133* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

City of Sandusky
Erie County
Independent Accountants' Report on Compliance with Requirements
Applicable to Major Federal Programs and Internal Control Over
Compliance in Accordance with *OMB Circular A-133*
Page 3

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

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

Betty Montgomery
Auditor of State

June 30, 2004

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**CITY OF SANDUSKY
ERIE COUNTY**

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2003

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Community Development Block Grant (Entitlement Grants) CFDA#14.228
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

CITY OF SANDUSKY, OHIO

COMPREHENSIVE

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2003

Introductory

CITY OF SANDUSKY, OHIO

COMPREHENSIVE

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2003

Prepared By:

Department of Finance

Edward A. Widman
Finance Director

Carolyn S. Meyer
Office Manager

Carol A. Roth
Secretary

Cathy Bales
Senior Accounting Clerk II

Mary Lauber
Senior Accounting Clerk II

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CITY OF SANDUSKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2003

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DEPARTMENT OF FINANCE
DIVISION OF FINANCE & AUDITS
EDWARD A. WIDMAN, Finance Director

222 MEIGS STREET
SANDUSKY, OHIO 44870
Phone (419) 627-5888
FAX (419) 627-5892 or
(419) 609-1142

June 30, 2004

To the City Commission and Citizens of Sandusky,

The Comprehensive Annual Financial Report of the City of Sandusky for the year ended December 31, 2003, is herewith submitted. This report is prepared according to generally accepted accounting principles (GAAP). The responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by its financial activity, and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activity have been included.

This report is divided into three sections: The Introductory Section contains the table of contents, the letter of transmittal, the Certificate of Achievement for Excellence in Financial Reporting awarded for the 2002 City of Sandusky Comprehensive Annual Financial Report, the City's functional chart, and a list of elected and appointed officials. The Financial Section includes Management's Discussion and Analysis (MD&A), basic financial statements and notes, and relevant supplemental information for the year ended December 31, 2003. The Statistical Section includes tables of unaudited data depicting the financial history of the City and other pertinent facts, generally presented on a multi-year basis.

GAAP require Management's Discussion Analysis (MD&A), a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

CITY BACKGROUND

The City of Sandusky is ideally located. Sandusky Bay on Lake Erie is larger than any of Ohio's inland lakes and in conjunction with Lake Erie provides a wide spectrum of recreational activities to the citizens as well as to travelers. Sandusky is the largest city in Erie County and is the county seat. Major east-west transportation arteries are available to vehicles and trains, north-south highways are excellent for vehicular traffic, and a local airport provides access to small commercial planes.

The City of Sandusky is a home rule municipal corporation under the laws of the State of Ohio and, as such, operates under its own Charter adopted in 1914. The City operates under the City Commission - City Manager form of government. The seven City Commissioners are elected at-large and serve four-year terms. The president of the City Commission serves as the Ex-Officio Mayor. The City Manager, Finance Director, Law Director, and Clerk of Commission are appointed by, and serve at the pleasure of, the City Commission.

REPORTING ENTITY

The 2003 Comprehensive Annual Financial Report (CAFR) includes all funds, departments, boards, and agencies that compose the City's reporting entity. The primary government consists of all funds and departments which provide various services including police and fire protection, planning, zoning, street maintenance, public transit, floral parks, recreation, forestry, cemetery, water filtration treatment plant and distribution systems, water pollution control treatment plant and sewer collector systems, and general government services.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. There were no component units of the City of Sandusky in 2003.

The City of Sandusky is a member of the Buckeye Ohio Risk Management Agency (BORMA), a public entity shared risk pool for health insurance coverage and property, crime, and liability insurance coverage. The BORMA pool consists of thirteen cities for health insurance and six cities for property, crime, and liability insurance.

INTERNAL CONTROL AND FINANCIAL REPORTING

In developing and evaluating the City's accounting system, consideration is given to the accuracy of internal accounting controls. Internal accounting controls are designed to provide reasonable assurance regarding:

1. The safeguarding of assets against loss from unauthorized use or disposition; and
2. The reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes that:

1. Cost of controls should not exceed the benefits likely to be derived from their implementation; and
2. The evaluation of costs and benefits requires estimates and judgements by management.

All internal control evaluations occur within the above framework. We believe the City's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Consistent with the above-mentioned safeguarding of assets, all employees of the City of Sandusky are covered by a blanket bond, in the amount of \$1 million.

Budgetary control is maintained by City ordinance. Internal control provides for audit at the levels of personal services, travel and transportation, contractual services, materials and supplies, and capital outlay. Each department is responsible for requisitioning materials. The budget is audited by the City Manager prior to issuing the purchase order. The Finance Director audits the purchase order, via computer control, prior to signing the purchase order.

MANAGEMENT/EMPLOYEE RELATIONS

The City negotiates with three bargaining units: American Federation of State, County, and Municipal Employees Local No. 1519, the Fraternal Order of Police - Lodge No. 17, and the International Association of Fire Fighters - Local No. 327. In December 2003, the respective unions and the City Commission approved new contracts with all three bargaining units providing 2 percent base wage increases for three years. These agreements expire December 31, 2006.

CASH MANAGEMENT

During the year ended December 31, 2003, the City's cash resources, temporarily idle during the year, were invested in certificates of deposit with local depositories, U.S. government securities, and Star Ohio. Long-term investments include bonds of the City of Sandusky and range from one year to fifteen years and carry interest rates from 2.5 percent to 9.5 percent.

As of December 31, 2003, the City's total available cash resources were divided between deposits and investments (bank balances of the deposits and the fair value of investments) as follows:

Cash	\$2,841	0.01%
Deposits	2,824,377	9.67
U.S. Government Securities	12,374,868	42.36
City of Sandusky Bonds	167,555	0.57
Star Ohio	13,845,860	47.39
Total	<u>\$29,215,501</u>	<u>100.00%</u>

RISK MANAGEMENT

The City participates in the Buckeye Ohio Risk Management Agency (BORMA), a public entity shared risk pool. The City insures all risk through BORMA and maintains several types of coverage. Some of the principal coverage includes property, crime, and liability insurance. A more detailed description of the City's risk management may be found in Note 11 to the combined financial statements.

The City pays the State Workers' Compensation system a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

ACCOUNTING AND AUDIT

The Auditor of State of Ohio audits all operations of the City of Sandusky. Technical assistance in the preparation of this report has been provided by the Local Government Services Section, Auditor of State's Office.

ECONOMIC CONDITION AND OUTLOOK

The City has a unique position as a tourist center due to the City's location on Sandusky Bay, with over twenty-two miles of shoreline within the City limits, and the location of Cedar Point Amusement Park within the City. Several years ago, the City enhanced its shoreline by entering into a development agreement with a private developer in order to implement improvements to the City's Battery Park Marina and adjacent park. These improvements included not only the marina and park, but also a restaurant and a break wall. Battery Park is now a successful commercial operation, which has further enhanced the use of the City's waterfront. Further improvements to the City's waterfront include Shoreline Park, which consists of shore protection, bridges, sidewalks, parking, a gazebo, playground equipment, landscaping, and lighting as well as the 1.7 mile Bay-Front Corridor, a linear park linking major attractions located on the City's central waterfront with a continuous walkway. In 1998, the City received a very generous donation (over \$1 million), from a long time Sandusky benefactor, to develop a plaza at the foot of Columbus Avenue as part of the Bay-Front Corridor development; that project was completed in 2000. All of these waterfront improvements are part of the Port Development Plan adopted by the City Commission in 1991 and updated in 1996.

Besides Battery Park Marina, there are other marinas which have developed over the last decade, including a \$5 million, 700 slip marina created from idle industrial space and a 210 slip marina complex completed by a local legal firm, which also erected a waterfront office center on that site. The Lyman Harbor Marina project rehabilitated an abandoned industrial site into a transient marina and entertainment complex and received a tax abatement for its \$2.94 million project. There are over 8,000 slips available in the Sandusky Bay area.

The City is served by a number of boat lines that transport passengers and automobiles to certain islands in Lake Erie as well as offering daylong cruises to those islands for tourists. The City is served by a Canadian ferryboat line that provides ferry services to Canada. The City is a significant port of entry to Canada.

Cedar Point, a 364-acre amusement and theme park, is located on a peninsula extending into Lake Erie from the City. Developed as a resort area in 1870, Cedar Point is open daily from early May to early October, attracting in excess of 3 million visitors each season to its numerous rides and attractions. Cedar Point also includes a recreational vehicle area, marina, restaurants, one of which is open year-round, and two hotels with a combined capacity of almost 1,100 beds which are open during Cedar Point's season. A water park attraction, with a separate entrance, is included at the park as well as "Challenge Park", with miniature golf, bungee jumping, and grand prix racing. Cedar Point employs 3,700 seasonal employees, primarily college students, and approximately 400 year-round employees.

Significant capital expenditures on new attractions are made every year at Cedar Point. These expenditures were over \$85,000,000 during the last few years. Cedar Point opened "Breakers Express" hotel in 2001. The admission and the hotel/motel taxes generated from Cedar Point provide a significant amount of revenue for the City's General Fund. In 2003, they opened another new roller coaster, their 16th. It is called the "Top Thrill Dragster" and they tout it as the tallest and fastest in the world. In 2004, they will be completing their first year-round attraction, Castaway Bay indoor water park resort.

The City continues to aggressively pursue economic growth through a number of initiatives. One of the City's most important economic development functions is supporting the retention and expansion of existing businesses. In the past several years, the City has provided support to local businesses by selling over twenty acres of business park land to local growing companies. Companies were able to expand because of tax abatements that the City and schools provided, and many companies used revolving loan funds to purchase new equipment.

The Streetscape Project in the City's Central Business District has been completed. This project, coupled with the completion of the City's Downtown Revitalization Program, has resulted in major improvements to the infrastructure of the Central Business District and to several private buildings located in that area. In 2002, the Main Street Program received a Downtown Revitalization grant for over \$400,000 to renovate buildings. In 2003, we established a Community Reinvestment Area to reduce the cost of improving downtown buildings.

In 1999, the City purchased the Chesapeake Building and started plans to revitalize about forty acres of the waterfront, including the Chesapeake property. In 2002, the Bay-Front Corridor Committee was established to act as an advisory committee on the selection of a developer. They received proposals from six developers and selected Mid-States Development Corporation to develop the properties. Mid-States plans to invest over \$130 million to revitalize the area. In December 2003, the City received a grant for this project.

The City has established many programs to encourage economic development, including the Sandusky Enterprise Zone Program and the Sandusky Revolving Loan Program. The City has successfully negotiated with new and existing businesses to help them locate or expand within the City, using these and State of Ohio development tools. In 1998, the City established the Economic Development Incentives Review Committee to provide a strong structure for dealing with City incentives. The City also continues to develop neighborhood improvement projects that add to the quality of life for residents and also provide economic development benefits by visually improving areas within the community. The City has maintained its Labor Surplus Area Designation and its Impacted City Certification by the State Department of Development. These designations help the City provide additional economic development tools for use with manufacturing and commercial development projects.

MAJOR INITIATIVES

The City is skilled in raising funds through various grant opportunities. In the last year alone, the City was able to receive nearly \$2 million in grant and revolving loan payments. These funds help programs for fair housing, economic development, public transit, and downtown revitalization efforts.

With Sandusky being located on Sandusky Bay and Lake Erie, the waterfront provides a unique advantage for our downtown. The City is in the process of working with Mid-States Development Corporation (Paper District) to develop properties within the downtown. Revitalization activity should begin within a matter of months in downtown Sandusky.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded for the twelfth time a Certificate of Achievement for Excellence in Financial Reporting to the City of Sandusky, Ohio, for its Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2002. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

ACKNOWLEDGMENTS

In 2004, the City has seen the departure of two very important members of City Government. In February 2004, the City's Fire Chief of nearly nine years resigned. Chief Ken Gilliam was known for the high level of professionalism that he brought to his position. During his tenure as Chief, the City successfully built a new Central Fire Station. This state of the art facility will serve Sandusky residents for a long time with special thanks to Chief Ken Gilliam.

On June 1, 2004, the City began its new guidance under City Manager Michael Will. Mike succeeds long-time (almost thirty-nine years) city employee Gerald Lechner. Jerry started his career with the City in the police department and climbed the ladder to become Chief in 1982. After a successful tenure as Police Chief, Jerry accepted the responsibility of becoming City Manager in 1998. Jerry was able to move the City forward during difficult economic times and is now ready to enjoy a well-deserved retirement. The City wishes Jerry and his wife Sue a long and enjoyable retirement.

The employees of the City are dedicated to serving the citizens of Sandusky within the best of their capabilities. We wish to take this opportunity to thank the City Commission for its continuing support and to thank our department heads and staff for their diligent efforts to keep Sandusky financially sound and a special place in which people want to live and work.

Special thanks to the staff of the Department of Finance who have spent so many hours on the preparation of this report. Without their efforts, this report would not have been possible.



Edward A. Widman,
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Sandusky,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2002

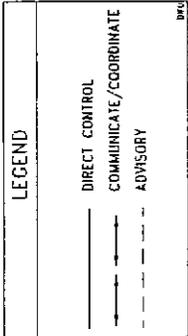
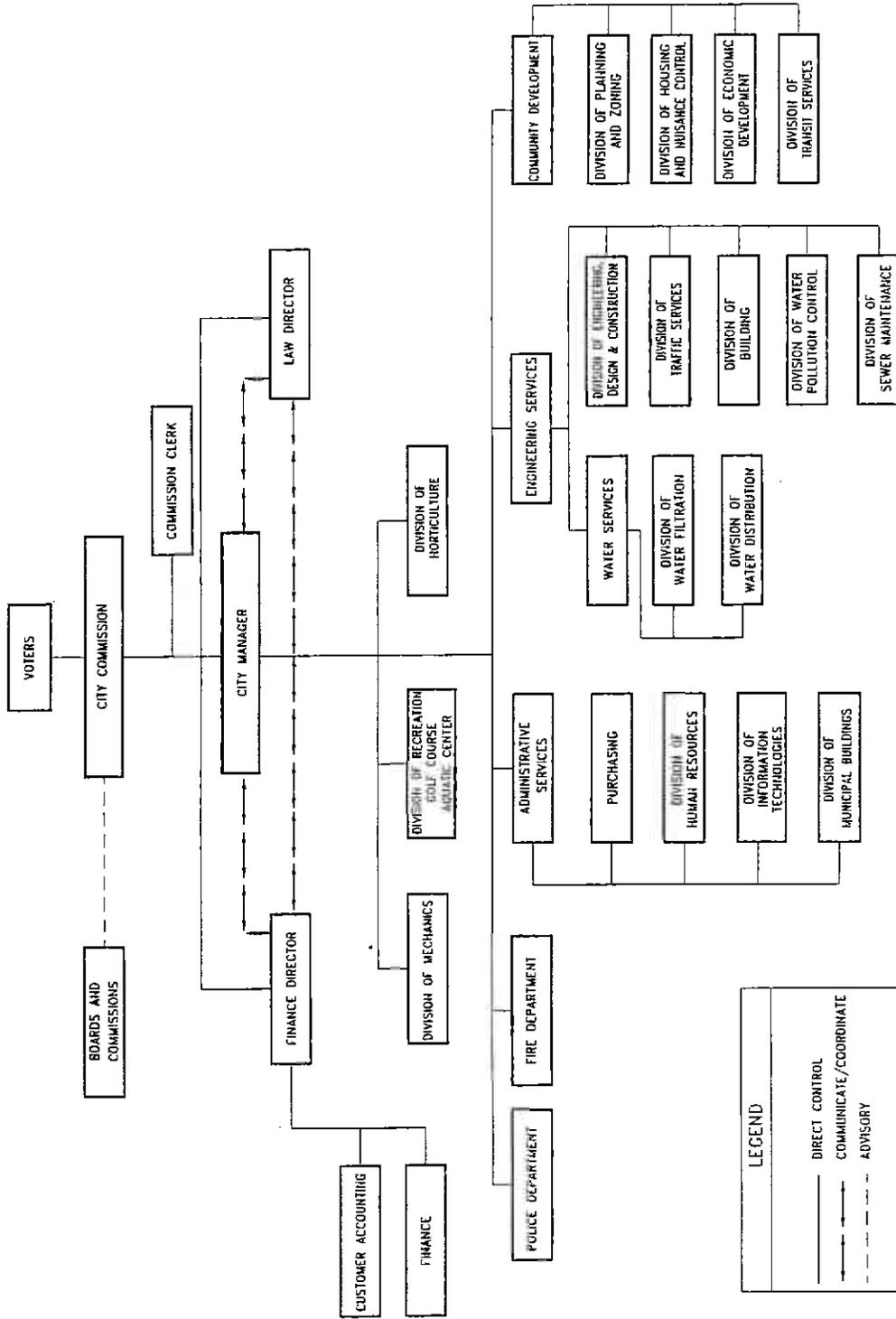
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President

Executive Director

FUNCTIONAL CHART City of Sandusky



Revised 10/10/2002
dhw/hw502.4-9

CITY OF SANDUSKY, OHIO

ELECTED PUBLIC OFFICIALS

December 31, 2003

CITY COMMISSION

Frank Valli
President/Ex-Officio Mayor
Term Expires 12-31-03
First took office 01-01-96

Leroy Sizemore
Vice-President
Term Expires 12-31-05
First took office 01-01-88
Re-elected 01-01-02

Suanne N. Brown
Term Expires 12-31-05
First took office 01-01-98

Frank M. Fosco
Term Expires 12-31-03
First took office 01-01-00

John G. Ginty
Term Expires 12-31-03
First took office 01-01-00

Michael J. Kresser
Term Expires 12-31-05
First took office 01-01-86
Re-elected 01-01-98

Al Mason
Term Expires 12-31-03
First took office 01-01-96

APPOINTED OFFICIALS

December 31, 2003

ACTING CITY MANAGER

Gerald A. Lechner

FINANCE DIRECTOR

Edward A. Widman

LAW DIRECTOR

Donald C. Icsman

CLERK OF COMMISSION

B. Joyce Brown

Financial



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANT'S REPORT

City of Sandusky
Erie County
222 Meigs Street
Sandusky, Ohio 44870-2835

To the City Commission

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 City of Sandusky, Erie County, (the City), as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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 City of Sandusky, Erie County, Ohio, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2004, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

We conducted our audit to form opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining nonmajor fund statements and schedules and statistical tables are presented for additional analysis and are not a required part of the basic financial statements. We subjected the combining nonmajor fund statements and schedules 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. We did not subject the introductory section and statistical tables to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.



Betty Montgomery
Auditor of State

June 30, 2004

CITY OF SANDUSKY
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

The discussion and analysis of the City of Sandusky's financial performance provides an overview of the City's financial activities for the year ended December 31, 2003. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

HIGHLIGHTS

Key highlights for 2003 are as follows:

In total, the City's net assets increased \$824,046. Governmental activities decreased by \$1,849,410, or 4 percent, which is generally not significant. Business-type activities increased by \$2,673,456, or 17 percent. Business-type activities consist of the City's Water and Sewer funds. These activities are supported by utility rates. The increase in net assets during 2003 can primarily be attributed to a 25 percent increase in these rates in 2003.

Contracts for improvements to the City's water and sewer treatment facilities were awarded in 2002. While no additional major projects were awarded in 2003, construction continued and change orders were approved on these projects. Both projects were funded with resources borrowed from the Ohio Water Development Authority (OWDA) and utility rates.

Both of the City's enterprise funds had an operating income in 2003 indicating operating revenues are currently sufficient to cover operating expenses of the respective funds. As needed, rate increases in the Water and Sewer enterprise funds have kept these funds with positive operating balances; however, 2003 was the last year of a three-year rate increase period. As of this date, there are no further rate increases scheduled.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the City of Sandusky's financial position.

The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole, presenting both an aggregate and a longer-term view of the City.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. Fund financial statements report the City's most significant funds individually and the City's nonmajor funds in a single column. The City's major funds are the General, Special Assessment Bond Retirement, Capital Projects, Various Improvement, Water, and Sewer funds.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities reflect how the City did financially during 2003. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

CITY OF SANDUSKY
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

These statements report the City's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the City as a whole has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors can include changes in the City's property tax base and the condition of the City's capital assets (buildings, streets, bridges, and water and sewer lines). These factors must be considered when assessing the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two types of activities:

- **Governmental Activities** - Most of the City's programs and services are reported here, including security of persons and property, public health, leisure time activities, community environment, transportation, and general government (which includes the municipal court). These services are primarily funded by property and income taxes and from intergovernmental revenues, including federal and state grants and other shared revenues.
- **Business-Type Activities** - These services are provided on a charge for services basis and are intended to recover all or most of the costs of the services provided. The City's water and sewer services are reported here.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund financial statements provide detailed information about the City's major funds; the General, Special Assessment Bond Retirement, Capital Projects, Various Improvement, Water, and Sewer funds. While the City uses many funds to account for its financial transactions, these are the most significant.

Governmental Funds - The City's governmental funds are used to account for essentially the same programs reported as governmental activities on the government-wide financial statements. Most of the City's basic services are reported in these funds and focus on how money flows into and out of the funds, as well as the balances available for spending at year end. These funds are reported on the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services being provided.

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 on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to help make this comparison between governmental funds and governmental activities.

Enterprise Funds - The City's enterprise funds use the accrual basis of accounting, the same as that used for the business-type activities on the government-wide financial statements.

CITY OF SANDUSKY
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the City's programs. These funds also use the accrual basis of accounting.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the City's net assets for 2003 compared to 2002.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
<u>Assets</u>						
Current and Other Assets	\$27,846,081	\$26,211,711	\$15,003,446	\$9,492,903	\$42,849,527	\$35,704,614
Capital Assets, Net	51,682,149	48,939,158	39,715,418	27,201,844	91,397,567	76,141,002
Total Assets	<u>79,528,230</u>	<u>75,150,869</u>	<u>54,718,864</u>	<u>36,694,747</u>	<u>134,247,094</u>	<u>111,845,616</u>
<u>Liabilities</u>						
Current and Other Liabilities	12,645,535	5,835,587	5,776,001	3,156,589	18,421,536	8,992,176
Long-Term Liabilities	23,306,418	23,889,595	30,511,192	17,779,943	53,817,610	41,669,538
Total Liabilities	<u>35,951,953</u>	<u>29,725,182</u>	<u>36,287,193</u>	<u>20,936,532</u>	<u>72,239,146</u>	<u>50,661,714</u>
<u>Net Assets</u>						
Invested in Capital Assets, Net of Related Debt	31,552,987	29,920,305	5,742,817	7,775,513	37,295,804	37,695,818
Restricted	6,423,890	9,390,694	0	0	6,423,890	9,390,694
Unrestricted	5,599,400	6,114,688	12,688,854	7,982,702	18,288,254	14,097,390
Total Net Assets	<u>\$43,576,277</u>	<u>\$45,425,687</u>	<u>\$18,431,671</u>	<u>\$15,758,215</u>	<u>\$62,007,948</u>	<u>\$61,183,902</u>

Total net assets for governmental activities decreased \$1,849,410, or 4 percent, which overall is a fairly insignificant change. Total assets increased just under 6 percent, with capital assets making up a sizable amount of this increase. The majority of the City's increase in capital assets is reflected in construction in progress for library improvements. The City's current liabilities more than doubled in 2003. Increases in payables for both contracts and retainage were substantial due to ongoing construction activities. Also, during 2003, the City issued new bond anticipation notes which were used to fund the Cold Creek Crossing residential subdivision project. The notes issued for this project were approximately \$2.6 million. With this project, the City has assumed some risk by financing the infrastructure for this subdivision, which will then be assessed to property owners upon sale of the lots by the developer. However, the collection of the assessments is, of course, contingent on the lots being sold. Late in 2003, the City again issued notes approximating \$2.6 million for the Cold Creek Crossing project. At year end, both of these issues were still outstanding.

Restricted net assets was the net asset category which had the greatest change from the prior year, a 32 percent decrease. The sizable increase in liabilities related to construction is the cause for the decrease. It should be noted, however, that the unspent portion of note proceeds, while issued for construction purposes, are recorded as part of unrestricted net assets.

CITY OF SANDUSKY
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

Total net assets for business-type activities increased \$2,673,456, or 17 percent. The City experienced an almost 9 percent increase in charges for services during 2003, in part, the result of a 25 percent increase in utility rates. The City has undergone rate increases over the past three years; however, 2003 was the last year of the increase period and no further rate increases are currently scheduled. This increase in revenue, certainly contributed to the City's sizable increase in its cash balance at the end of the year, almost 70 percent higher than that of the prior year. The City has realized substantial increases in its cash balances over the past three years, approximately 41 percent in 2001 and 53 percent in 2002. The City's capital assets also increased greatly in 2003. The City added over \$13 million in new construction in its water and sewer funds. These projects were generally related to improvements at the City's water and sewer treatment facilities and were primarily funded with resources borrowed from OWDA. This is also reflected in a corresponding increase in the City's long-term liabilities. The City's current liabilities also increased somewhat in 2003 with contracts and retainage again being the primary accounts affected as a result of construction.

The substantial increase in charges for services coupled with decreased operating expenses in 2003 for both water and sewer utilities has resulted in the considerable increase in the City's unrestricted net assets at year end.

Table 2 reflects the changes in net assets from the prior year.

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$3,823,555	\$4,148,022	\$12,215,219	\$11,208,395	\$16,319,794	\$15,356,417
Operating Grants, Contributions, and Interest	2,085,948	1,577,529	0	0	1,329,114	1,577,529
Capital Grants and Contributions	558,798	129,520	0	0	588,798	129,520
Total Program Revenues	<u>6,468,301</u>	<u>5,855,071</u>	<u>12,215,219</u>	<u>11,208,395</u>	<u>18,207,706</u>	<u>17,063,466</u>
General Revenues						
Property Taxes	2,213,507	2,257,085	0	0	2,213,507	2,257,085
Payment in Lieu of Taxes	20,949	19,286	0	0	20,949	19,286
Municipal Income Taxes	7,109,826	7,343,607	0	0	7,109,826	7,343,607
Other Local Taxes	3,918,022	4,000,787	0	0	4,393,836	4,000,787
Franchise Fees	233,695	229,621	0	0	233,695	229,621
Grants and Entitlements not Restricted to Specific Programs	1,415,311	1,430,527	0	0	1,415,311	1,430,527
Interest	268,808	479,135	475	302	269,283	479,437
Other Revenues	400,167	842,572	58,704	72,073	458,871	914,645
Total General Revenues	<u>15,580,285</u>	<u>16,602,620</u>	<u>59,179</u>	<u>72,375</u>	<u>16,115,278</u>	<u>16,674,995</u>
Total Revenues	<u>22,048,586</u>	<u>22,457,691</u>	<u>12,274,398</u>	<u>11,280,770</u>	<u>34,322,984</u>	<u>33,738,461</u>
Transfers	41,935	51,396	(41,935)	(51,396)	0	0
Total Revenues and Transfers	<u>22,090,521</u>	<u>22,509,087</u>	<u>12,232,463</u>	<u>11,229,374</u>	<u>34,322,984</u>	<u>33,738,461</u>

(continued)

CITY OF SANDUSKY
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

Table 2
Change in Net Assets
(continued)

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
<u>Program Expenses</u>						
Security of Persons and Property						
Police	\$5,392,091	\$5,087,828	\$0	\$0	\$5,392,091	\$5,087,828
Fire	4,944,712	5,058,422	0	0	4,944,712	5,058,422
Other	104,619	111,257	0	0	104,619	111,257
Public Health	355,557	348,886	0	0	355,557	348,886
Leisure Time Activities	863,510	681,746	0	0	863,510	681,746
Community Environment	2,517,823	2,845,508	0	0	2,517,823	2,845,508
Transportation	3,418,979	3,582,466	0	0	3,418,979	3,582,466
General Government						
Municipal Court	840,986	826,586	0	0	840,986	826,586
Other	4,321,420	4,151,714	0	0	4,321,420	4,151,714
Interest and Fiscal Charges	1,180,234	1,186,757	0	0	1,180,234	1,186,757
Water	0	0	4,147,608	3,506,290	4,147,608	3,506,290
Sewer	0	0	5,411,399	5,106,863	5,411,399	5,106,863
Total Expenses	<u>23,939,931</u>	<u>23,881,170</u>	<u>9,559,007</u>	<u>8,613,153</u>	<u>33,498,938</u>	<u>32,494,323</u>
Increase (Decrease) in Net Assets	<u>(\$1,849,410)</u>	<u>(\$1,372,083)</u>	<u>\$2,673,456</u>	<u>\$2,616,221</u>	<u>\$824,046</u>	<u>\$1,244,138</u>

For governmental activities, both property taxes and municipal income taxes were fairly consistent with the prior year but interest revenues continued to fall. In April 2003, the City Commission enacted an 8 percent parking tax. In March 2004, the City Commission decided to repeal this tax. The tax generated \$373,813 in 2003 and helped offset decreases in governmental resources. Proceeds of the tax were to be used for infrastructure improvements. The repeal of the tax will cause the City to be more selective in the projects it chooses to undertake or scale down original plans. Until there are improvements with the economy, it is not anticipated that there will be increases of any significance in governmental activities revenues unless new revenue sources are developed. The above table reflects that both program revenues and general revenues have remained stagnant.

The major program expenses for governmental activities are for the police and fire departments, which account for 43 percent of all governmental expenses, unchanged from the prior year. The daily cost of running the City (General Government - Other) is 18 percent, again basically unchanged. This program includes staffing for Engineering and Information Systems/Technology Services besides the cost of Management, Financial, Legal, and Legislative Services. Community Environment (Planning, Zoning, and Horticulture) and Transportation combine for 25 percent of overall expenses, a slight decrease of 2 percent. With fewer overall revenues, services provided by the City must also remain constant.

As stated previously, the City experienced an almost 9 percent increase in charges for services for business-type activities during 2003, largely the result of the utility rate increase. The City's water and sewer operations account for the expenses of the City's business-type activities and are funded almost entirely from charges for services.

CITY OF SANDUSKY
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2003	2002	2003	2002
Security of Persons and Property				
Police	\$5,392,091	\$5,087,828	\$5,019,710	\$4,639,489
Fire	4,944,712	5,058,422	4,412,865	4,598,659
Other	104,619	111,257	104,619	111,257
Public Health	355,557	348,886	248,709	223,538
Leisure Time Activities	863,510	681,746	398,860	325,971
Community Environment	2,517,823	2,845,508	1,605,519	1,293,592
Transportation	3,418,979	3,582,466	657,308	1,714,994
General Government				
Municipal Court	840,986	826,586	(325,993)	(340,367)
Other	4,321,420	4,151,714	4,169,799	4,042,588
Interest and Fiscal Charges	1,180,234	1,186,757	1,180,234	1,186,757
Total Expenses	<u>\$23,939,931</u>	<u>\$23,881,170</u>	<u>\$17,471,630</u>	<u>\$17,796,478</u>

It should be noted that for all governmental activities, over 75 percent of the revenues to provide these services are derived from the City's general revenues, that being primarily property taxes, municipal income taxes, tourism taxes, and State shared revenues. This is unchanged from the prior year.

The negative net cost of services for General Government-Municipal Court indicates that program revenues are sufficient to cover the costs of this program, which includes fines and other revenues to offset the cost of running the court. Under Ohio Law, judges can establish restricted accounts to offset programs of the court. As such, there are various court related special revenue funds that provide for certain court activities. The combined operations of the court resulted in the \$325,993 negative net cost of services. At the same time, over \$300 thousand of court generated revenues were generated in special revenue funds. These funds are not available to offset the day to day cost of running the court paid from the General Fund.

CITY OF SANDUSKY
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The City's major governmental funds are the General Fund, the Special Assessment Bond Retirement debt service fund, and the Capital Projects and Various Improvement capital projects funds. A review of these funds indicates generally insignificant changes in activity in the General Fund and Special Assessment Bond Retirement fund. The decrease in fund balance in the Capital Projects fund of \$2,150,112 is due to continued construction activity at the Sandusky Library. Bond proceeds for this construction were received in prior years. Cold Creek Crossing residential subdivision project started in 2003 and, at present, is largely funded through bond anticipation note financing in the Various Improvement fund. Construction activity related to this project was the primary cause of the decrease in fund balance for 2003. This project is expected to be completed in 2004.

BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

The City's enterprise funds are the Water and Sewer funds. As can be seen on the statement of activities, program revenues, primarily charges for services, have been sufficient to cover the expenses of the respective funds.

Currently, the Water and Sewer Funds are generating adequate revenues to cover the cost of operations and debt service. These funds continue to accumulate a significant amount of debt with the Ohio Water Development Authority for major renovations in progress at the water and sewer treatment plants. The improvements are required to keep the City in compliance with EPA standards. There will be additional improvements within both utilities. The City did increase water and sewer rates by 25 percent in January 2003 as part of a three-year rate program to provide additional funds for operations and future debt retirement; however, 2003 was the last year of the rate increase period. As of this date, there are no further rate increases scheduled.

BUDGETARY HIGHLIGHTS

The City prepares an annual budget of revenues and expenditures/expenses for all funds of the City for use by City officials and department heads and such other budgetary documents as are required by State statute. The annual appropriations ordinance cannot be adopted prior to the second Monday in January of each year per City Charter. The City approves a temporary appropriation until the annual appropriations are approved. The City's most significant budgeted fund is the General Fund. Modifications from the original to the final budget have been minimal; however, due to economic factors, the City did revise original budget revenue estimates downward. City department heads continue to demonstrate a willingness to work with the administration and elected officials to stay within their budgets and keep cost increases minimal. In spite of struggling general operating revenue resources, the City's General Fund balance has remained fairly stable, decreasing only 2.8 percent.

CITY OF SANDUSKY
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets for governmental and business-type activities as of December 31, 2003, was \$31,552,987 and \$5,742,817, respectively (net of accumulated depreciation and related debt). The investment in capital assets includes land; construction in progress; buildings; improvements other than buildings; streets; bridges; equipment; utility plant; and water and sewer lines. The additions for governmental activities were primarily due to construction in progress related to the library improvements. The additions for business-type activities were also primarily related to construction in progress for improvements at the water and sewer treatment facilities. Note 10 to the basic financial statements provides details on the capital assets activity during 2003.

Debt - At December 31, 2003, the City had \$7,330,000 in bond anticipation notes payable from governmental activities and \$4,110,000 in bond anticipation notes payable from business-type activities.

The City also had a number of long-term obligations outstanding. These obligations included \$18,757,467 in general obligation bonds, \$2,587,100 in special assessment bonds, \$1,400,000 in general obligation revenue bonds, and \$28,495,412 in Ohio Water Development Authority loans. Of the total long-term obligations, \$29,895,412 will be repaid from business-type activities.

In addition to the debt outlined above, the City's long-term debt also includes compensated absences. Notes 16 and 17 to the basic financial statements provide further details on the City's debt activity.

CURRENT ISSUES

The City of Sandusky has been designated as an Entitlement Community, which allows the City to access \$967,000 in federal funds directly from the Department of Housing and Urban Development. Along with existing City grant programs, which includes the Clean Ohio Program, the City of Sandusky will have available several million dollars in 2004 for public programs.

In May 2004, the City Commission authorized the issuance of \$2.8 million in notes to revitalize the Bayfront Urban Revitalization Area by acquiring and clearing various properties, undertaking environmental cleanup and remediation, and exercising options on certain properties within the area. This funding will provide the start for downtown redevelopment that has been anticipated for many years.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those interested in our City's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Edward A. Widman, Finance Director, 222 Meigs Street, Sandusky, Ohio 44870.

City of Sandusky
Statement of Net Assets
December 31, 2003

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$15,418,834	\$13,235,696	\$28,654,530
Cash and Cash Equivalents with Escrow Agent	267,505	56,290	323,795
Accounts Receivable	436,197	956,357	1,392,554
Accrued Interest Receivable	45,801	0	45,801
Due from Other Governments	1,502,959	271,741	1,774,700
Municipal Income Taxes Receivable	2,786,757	0	2,786,757
Other Local Taxes Receivable	245,945	0	245,945
Prepaid Items	8,550	18,946	27,496
Materials and Supplies Inventory	202,596	431,605	634,201
Property Taxes Receivable	2,607,939	0	2,607,939
Notes Receivable	1,655,695	0	1,655,695
Special Assessments Receivable	2,661,603	0	2,661,603
Unamortized Bond Issuance Costs	5,700	32,811	38,511
Nondepreciable Capital Assets	12,852,613	21,068,149	33,920,762
Depreciable Capital Assets, Net	38,829,536	18,647,269	57,476,805
Total Assets	79,528,230	54,718,864	134,247,094
<u>Liabilities</u>			
Accrued Wages Payable	435,280	128,717	563,997
Accounts Payable	277,887	300,634	578,521
Contracts Payable	909,257	210,764	1,120,021
Due to Other Governments	768,680	188,793	957,473
Accrued Interest Payable	102,929	742,146	845,075
Notes Payable	7,030,000	4,110,000	11,140,000
Retainage Payable	669,047	94,947	763,994
Deferred Revenue	2,452,455	0	2,452,455
Long-Term Liabilities			
Due Within One Year	981,436	406,262	1,387,698
Due in More Than One Year	22,324,982	30,104,930	52,429,912
Total Liabilities	35,951,953	36,287,193	72,239,146
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	31,552,987	5,742,817	37,295,804
Restricted for			
Capital Projects	30,739	0	30,739
Debt Service	876,119	0	876,119
Other Purposes	5,517,032	0	5,517,032
Unrestricted	5,599,400	12,688,854	18,288,254
Total Net Assets	\$43,576,277	\$18,431,671	\$62,007,948

See Accompanying Notes to the Basic Financial Statements

City of Sandusky
Statement of Activities
For the Year Ended December 31, 2003

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	
<u>Governmental Activities</u>				
Security of Persons and Property				
Police	\$5,392,091	\$154,638	\$217,743	\$0
Fire	4,944,712	516,005	15,842	0
Other	104,619	0	0	0
Public Health	355,557	106,848	0	0
Leisure Time Activities	863,510	308,474	156,176	0
Community Environment	2,517,823	261,498	530,806	120,000
Transportation	3,418,979	1,157,492	1,165,381	438,798
General Government				
Municipal Court	840,986	1,166,979	0	0
Other	4,321,420	151,621	0	0
Interest and Fiscal Charges	1,180,234	0	0	0
Total Governmental Activities	23,939,931	3,823,555	2,085,948	558,798
<u>Business-Type Activities</u>				
Water	4,147,608	5,924,982	0	0
Sewer	5,411,399	6,290,237	0	0
Total Business-Type Activities	9,559,007	12,215,219	0	0
Total	\$33,498,938	\$16,038,774	\$2,085,948	\$558,798

General Revenues

Property Taxes Levied for General Purposes
Property Taxes Levied for Police and Fire Pension
Property Taxes Levied for Debt Service
Payment in Lieu of Taxes
Municipal Income Taxes
Other Local Taxes
Franchise Fees
Grants and Entitlements not Restricted to Specific Programs
Interest
Other

Total General Revenues

Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$5,019,710)	\$0	(\$5,019,710)
(4,412,865)	0	(4,412,865)
(104,619)	0	(104,619)
(248,709)	0	(248,709)
(398,860)	0	(398,860)
(1,605,519)	0	(1,605,519)
(657,308)	0	(657,308)
325,993	0	325,993
(4,169,799)	0	(4,169,799)
(1,180,234)	0	(1,180,234)
<u>(17,471,630)</u>	<u>0</u>	<u>(17,471,630)</u>
0	1,777,374	1,777,374
0	878,838	878,838
<u>0</u>	<u>2,656,212</u>	<u>2,656,212</u>
<u>(17,471,630)</u>	<u>2,656,212</u>	<u>(14,815,418)</u>
1,482,917	0	1,482,917
243,641	0	243,641
486,949	0	486,949
20,949	0	20,949
7,109,826	0	7,109,826
3,918,022	0	3,918,022
233,695	0	233,695
1,415,311	0	1,415,311
268,808	475	269,283
400,167	58,704	458,871
<u>15,580,285</u>	<u>59,179</u>	<u>15,639,464</u>
41,935	(41,935)	0
(1,849,410)	2,673,456	824,046
45,425,687	15,758,215	61,183,902
<u>\$43,576,277</u>	<u>\$18,431,671</u>	<u>\$62,007,948</u>

City of Sandusky
Balance Sheet
Governmental Funds
December 31, 2003

	General	Special Assessment Bond Retirement	Capital Projects	Various Improvement	Other Governmental	Total Governmental Funds
<u>Assets</u>						
Equity in Pooled Cash and Cash Equivalents	\$3,128,083	\$181,597	\$1,456,228	\$5,125,575	\$5,471,263	\$15,362,746
Accounts Receivable	161,073	0	0	275,124	0	436,197
Accrued Interest Receivable	34,294	0	0	0	11,507	45,801
Due from Other Governments	804,852	0	162,165	0	535,942	1,502,959
Municipal Income Taxes Receivable	2,584,718	0	0	0	202,039	2,786,757
Other Local Taxes Receivable	6,685	0	0	0	239,260	245,945
Prepaid Items	5,632	0	49	0	2,869	8,550
Materials and Supplies Inventory	85,602	0	0	0	116,994	202,596
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	56,088	0	0	0	0	56,088
Cash and Cash Equivalents with Escrow Agent	0	0	267,505	0	0	267,505
Property Taxes Receivable	1,781,806	0	0	0	826,133	2,607,939
Notes Receivable	0	0	0	0	1,655,695	1,655,695
Special Assessments Receivable	0	2,661,603	0	0	0	2,661,603
Total Assets	\$8,648,833	\$2,843,200	\$1,885,947	\$5,400,699	\$9,061,702	\$27,840,381
<u>Liabilities and Fund Balance</u>						
<u>Liabilities</u>						
Accrued Wages Payable	\$404,963	\$0	\$0	\$1,606	\$28,711	\$435,280
Accounts Payable	127,004	875	68,717	0	81,291	277,887
Contracts Payable	0	0	40,813	868,444	0	909,257
Due to Other Governments	200,555	0	411	858	19,536	221,360
Accrued Interest Payable	0	0	5,311	22,278	0	27,589
Notes Payable	0	0	1,455,000	5,575,000	0	7,030,000
Retainage Payable	0	0	298,783	102,759	0	401,542
Deferred Revenue	5,017,561	2,661,603	0	275,124	1,631,945	9,586,233
Liabilities Payable from Restricted Assets:						
Retainage Payable	0	0	267,505	0	0	267,505
Total Liabilities	5,750,083	2,662,478	2,136,540	6,846,069	1,761,483	19,156,653
<u>Fund Balance</u>						
Reserved for Encumbrances	41,364	0	1,052,015	1,303,983	55,190	2,452,552
Reserved for Unclaimed Monies	56,088	0	0	0	0	56,088
Reserved for Notes Receivable	0	0	0	0	1,490,894	1,490,894
Unreserved, Reported in						
General Fund	2,801,298	0	0	0	0	2,801,298
Special Revenue Funds	0	0	0	0	4,999,559	4,999,559
Debt Service Funds	0	180,722	0	0	751,261	931,983
Capital Projects Funds (Deficit)	0	0	(1,302,608)	(2,749,353)	3,315	(4,048,646)
Total Fund Balance (Deficit)	2,898,750	180,722	(250,593)	(1,445,370)	7,300,219	8,683,728
Total Liabilities and Fund Balance	\$8,648,833	\$2,843,200	\$1,885,947	\$5,400,699	\$9,061,702	\$27,840,381

See Accompanying Notes to the Basic Financial Statements

City of Sandusky
Reconciliation of Total Governmental Fund Balance
to Net Assets of Governmental Activities
December 31, 2003

Total Governmental Fund Balance		\$8,683,728
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		51,682,149
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accounts Receivable	387,635	
Accrued Interest Receivable	40,676	
Due from Other Governments	938,495	
Municipal Income Taxes Receivable	2,742,476	
Other Local Taxes Receivable	207,409	
Property Taxes Receivable	155,484	
Special Assessments Receivable	<u>2,661,603</u>	
		7,133,778
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.		5,700
Due to other governments includes contractually required pension contributions not expected to be paid with available expendable financial resources and, therefore, not reported in the funds.		(547,320)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued Interest Payable	(75,340)	
General Obligation Bonds Payable	(18,757,467)	
Special Assessment Bonds Payable	(2,592,800)	
Compensated Absences Payable	<u>(1,956,151)</u>	
		<u>(23,381,758)</u>
Net Assets of Governmental Activities		<u><u>\$43,576,277</u></u>

See Accompanying Notes to the Basic Financial Statements

City of Sandusky
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2003

	General	Special Assessment Bond Retirement	Capital Projects	Various Improvement	Other Governmental	Total Governmental Funds
<u>Revenues</u>						
Property Taxes	\$1,476,896	\$0	\$0	\$0	\$745,111	\$2,222,007
Payment in Lieu of Taxes	0	0	0	0	20,949	20,949
Municipal Income Taxes	6,763,779	0	0	0	487,797	7,251,576
Other Local Taxes	3,918,022	0	0	0	478,751	4,396,773
Special Assessments	0	427,724	0	0	0	427,724
Charges for Services	308,908	0	411,916	108,683	898,047	1,727,554
Fees, Licenses, and Permits	535,317	0	195,307	0	39,329	769,953
Fines and Forfeitures	895,371	0	0	0	68,596	963,967
Intergovernmental	1,450,245	0	438,798	0	1,929,952	3,818,995
Interest	272,303	0	21,963	1,287	110,560	406,113
Other	327,370	0	257,876	26,092	250,119	861,457
Total Revenues	15,948,211	427,724	1,325,860	136,062	5,029,211	22,867,068
<u>Expenditures</u>						
Current:						
Security of Persons and Property						
Police	4,504,160	0	0	0	626,980	5,131,140
Fire	3,720,376	0	0	0	695,910	4,416,286
Other	104,619	0	0	0	0	104,619
Public Health	273,886	0	0	0	45,465	319,351
Leisure Time Activities	0	0	0	0	796,209	796,209
Community Environment	1,893,214	0	0	0	803,688	2,696,902
Transportation	0	0	0	0	2,096,953	2,096,953
General Government						
Municipal Court	815,583	0	0	0	0	815,583
Other	3,688,127	0	0	0	0	3,688,127
Other	0	0	0	0	65,600	65,600
Capital Outlay	0	0	3,975,985	1,584,291	0	5,560,276
Debt Service:						
Principal Retirement	0	341,471	0	0	454,866	796,337
Interest and Fiscal Charges	0	164,821	30,150	28,721	959,381	1,183,073
Total Expenditures	14,999,965	506,292	4,006,135	1,613,012	6,545,052	27,670,456
Excess of Revenues Over (Under) Expenditures	948,246	(78,568)	(2,680,275)	(1,476,950)	(1,515,841)	(4,803,388)
<u>Other Financing Sources (Uses)</u>						
Special Assessment Bonds Issued	0	0	0	89,900	0	89,900
Transfers In	30,000	41,935	542,657	92,122	1,524,003	2,230,717
Transfers Out	(1,393,538)	0	(12,494)	0	(782,750)	(2,188,782)
Total Other Financing Sources (Uses)	(1,363,538)	41,935	530,163	182,022	741,253	131,835
Change in Fund Balance	(415,292)	(36,633)	(2,150,112)	(1,294,928)	(774,588)	(4,671,553)
Fund Balance (Deficit) Beginning of Year	3,314,042	217,355	1,899,519	(150,442)	8,074,807	13,355,281
Fund Balance (Deficit) End of Year	\$2,898,750	\$180,722	(\$250,593)	(\$1,445,370)	\$7,300,219	\$8,683,728

See Accompanying Notes to the Basic Financial Statements

City of Sandusky
 Reconciliation of Statement of Revenues, Expenditures,
 and Changes in Fund Balance
 of Governmental Funds to Statement of Activities
 For the Year Ended December 31, 2003

Change in Fund Balance - Total Governmental Funds (\$4,671,553)

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.

Capital Outlay - Depreciable Capital Assets	5,014,114	
Depreciation	<u>(2,271,123)</u>	2,742,991

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.

Property Taxes	(8,500)	
Municipal Income Taxes	(141,750)	
Other Local Taxes	(2,937)	
Special Assessments	(290,018)	
Charges for Services	(14,368)	
Fees, Licenses, and Permits	(2,055)	
Fine and Forfeitures	(20,074)	
Intergovernmental	43,565	
Interest	<u>(41,055)</u>	(477,192)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.

General Obligation Bonds Payable	454,866	
Special Assessment Bonds Payable	284,285	
OWDA Loans Payable	<u>57,186</u>	796,337

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net assets. 2,839

Bond proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of net assets.

Special Assessment Bonds Issued		(89,900)
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Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Due to Other Governments	(29,252)	
Compensated Absences Payable	<u>(123,680)</u>	<u>(152,932)</u>

Change in Net Assets of Governmental Activities (\$1,849,410)

See Accompanying Notes to the Basic Financial Statements

City of Sandusky
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Property Taxes	\$1,645,182	\$1,645,182	\$1,476,896	(\$168,286)
Municipal Income Taxes	7,979,000	7,265,418	6,815,721	(449,697)
Other Local Taxes	3,791,405	3,684,533	3,929,591	245,058
Charges for Services	290,108	315,115	288,524	(26,591)
Fees, Licenses, and Permits	795,564	524,388	535,317	10,929
Fines and Forfeitures	818,398	931,523	872,274	(59,249)
Intergovernmental	1,203,817	1,310,557	1,386,158	75,601
Interest	600,000	378,985	302,650	(76,335)
Other	191,919	209,276	299,399	90,123
Total Revenues	17,315,393	16,264,977	15,906,530	(358,447)
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	4,527,948	4,528,058	4,428,842	99,216
Fire	3,812,785	3,764,785	3,686,004	78,781
Other	111,000	111,000	110,453	547
Public Health	268,921	273,987	271,765	2,222
Community Environment	1,917,539	1,921,884	1,882,387	39,497
General Government				
Municipal Court	825,701	830,933	809,891	21,042
Other	3,429,109	3,761,094	3,671,016	90,078
Total Expenditures	14,893,003	15,191,741	14,860,358	331,383
Excess of Revenues Over Expenditures	2,422,390	1,073,236	1,046,172	(27,064)
<u>Other Financing Sources (Uses)</u>				
Other Financing Sources	143,384	215,518	154,165	(61,353)
Transfers In	0	30,000	30,000	0
Transfers Out	(1,491,972)	(1,480,902)	(1,393,538)	87,364
Total Other Financing Sources (Uses)	(1,348,588)	(1,235,384)	(1,209,373)	26,011
Change in Fund Balance	1,073,802	(162,148)	(163,201)	(1,053)
Fund Balance Beginning of Year	3,163,307	3,163,307	3,163,307	0
Prior Year Encumbrances Appropriated	75,686	75,686	75,686	0
Fund Balance End of Year	\$4,312,795	\$3,076,845	\$3,075,792	(\$1,053)

See Accompanying Notes to the Basic Financial Statements

City of Sandusky
Statement of Fund Net Assets
Enterprise Funds
December 31, 2003

	Water	Sewer	Total
<u>Assets</u>			
<u>Current Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$7,613,617	\$5,622,079	\$13,235,696
Accounts Receivable	309,508	646,849	956,357
Due from Other Governments	218,990	52,751	271,741
Prepaid Items	16,983	1,963	18,946
Materials and Supplies Inventory	321,389	110,216	431,605
Restricted Assets:			
Cash and Cash Equivalents with Escrow Agent	0	56,290	56,290
Total Current Assets	<u>8,480,487</u>	<u>6,490,148</u>	<u>14,970,635</u>
<u>Non-Current Assets</u>			
Unamortized Bond Issuance Costs	32,811	0	32,811
Nondepreciable Capital Assets	7,392,333	13,675,816	21,068,149
Depreciable Capital Assets, Net	4,436,247	14,211,022	18,647,269
Total Non-Current Assets	<u>11,861,391</u>	<u>27,886,838</u>	<u>39,748,229</u>
Total Assets	<u>20,341,878</u>	<u>34,376,986</u>	<u>54,718,864</u>
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accrued Wages Payable	62,388	66,329	128,717
Accounts Payable	150,298	150,336	300,634
Contracts Payable	156,215	54,549	210,764
Due to Other Governments	84,023	104,770	188,793
Accrued Interest Payable	189,953	552,193	742,146
Notes Payable	390,000	3,720,000	4,110,000
Retainage Payable	18,633	20,024	38,657
Liabilities Payable from Restricted Assets:			
Retainage Payable	0	56,290	56,290
General Obligation Revenue Bonds Payable	200,000	47,000	247,000
OWDA Loans Payable	0	72,808	72,808
Compensated Absences Payable	48,868	37,586	86,454
Total Current Liabilities	<u>1,300,378</u>	<u>4,881,885</u>	<u>6,182,263</u>
<u>Non-Current Liabilities</u>			
General Obligation Revenue Bonds Payable	832,811	353,000	1,185,811
OWDA Loans Payable	7,068,039	21,354,565	28,422,604
Compensated Absences Payable	274,826	221,689	496,515
Total Non-Current Liabilities	<u>8,175,676</u>	<u>21,929,254</u>	<u>30,104,930</u>
Total Liabilities	<u>9,476,054</u>	<u>26,811,139</u>	<u>36,287,193</u>
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	3,403,352	2,339,465	5,742,817
Unrestricted	7,462,472	5,226,382	12,688,854
Total Net Assets	<u>\$10,865,824</u>	<u>\$7,565,847</u>	<u>\$18,431,671</u>

See Accompanying Notes to the Basic Financial Statements

City of Sandusky
Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Enterprise Funds
For the Year Ended December 31, 2003

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<u>Operating Revenues</u>			
Charges for Services	\$5,924,982	\$6,290,237	\$12,215,219
Other	7,754	50,950	58,704
Total Operating Revenues	<u>5,932,736</u>	<u>6,341,187</u>	<u>12,273,923</u>
<u>Operating Expenses</u>			
Personal Services	2,157,907	2,320,759	4,478,666
Travel and Transportation	10,183	17,720	27,903
Contractual Services	536,820	1,077,878	1,614,698
Materials and Supplies	719,037	208,549	927,586
Depreciation	248,782	553,485	802,267
Other	1,981	545	2,526
Total Operating Expenses	<u>3,674,710</u>	<u>4,178,936</u>	<u>7,853,646</u>
Operating Income	<u>2,258,026</u>	<u>2,162,251</u>	<u>4,420,277</u>
<u>Non-Operating Revenues (Expenses)</u>			
Interest Revenue	150	325	475
Interest Expense	<u>(472,898)</u>	<u>(1,232,463)</u>	<u>(1,705,361)</u>
Total Non-Operating Revenues (Expenses)	<u>(472,748)</u>	<u>(1,232,138)</u>	<u>(1,704,886)</u>
Income before Transfers	1,785,278	930,113	2,715,391
Transfers Out	<u>0</u>	<u>(41,935)</u>	<u>(41,935)</u>
Change in Net Assets	1,785,278	888,178	2,673,456
Net Assets Beginning of Year	<u>9,080,546</u>	<u>6,677,669</u>	<u>15,758,215</u>
Net Assets End of Year	<u>\$10,865,824</u>	<u>\$7,565,847</u>	<u>\$18,431,671</u>

See Accompanying Notes to the Basic Financial Statements

City of Sandusky
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2003

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Increases (Decreases) in Cash and Cash Equivalents			
<u>Cash Flows from Operating Activities</u>			
Cash Received from Customers	\$5,940,631	\$6,326,070	\$12,266,701
Cash Payments for Personal Services	(2,118,150)	(2,294,946)	(4,413,096)
Cash Payments for Contractual Services	(527,832)	(1,099,719)	(1,627,551)
Cash Payments to Vendors	(523,849)	(49,824)	(573,673)
Cash Received from Other Revenues	7,754	50,950	58,704
Cash Payments for Other Expenses	(1,866)	(545)	(2,411)
Net Cash Provided by Operating Activities	<u>2,776,688</u>	<u>2,931,986</u>	<u>5,708,674</u>
<u>Cash Flows from Noncapital Financing Activities</u>			
Transfers Out	<u>0</u>	<u>(41,935)</u>	<u>(41,935)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Principal Paid on Bond Anticipation Notes	(211,000)	(2,031,360)	(2,242,360)
Principal Paid on General Obligation Revenue Bonds	(200,000)	(47,000)	(247,000)
Principal Paid on OWDA Loans	(57,186)	(271,836)	(329,022)
Interest Paid on Bond Anticipation Notes	(5,275)	(50,784)	(56,059)
Interest Paid on General Obligation Revenue Bonds	(76,926)	(24,887)	(101,813)
Interest Paid on OWDA Loans	(249,307)	(993,892)	(1,243,199)
Notes Issued	390,000	3,720,000	4,110,000
OWDA Loans Issued	5,639,637	7,647,826	13,287,463
Acquisition of Capital Assets	(5,422,946)	(7,892,895)	(13,315,841)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(193,003)</u>	<u>55,172</u>	<u>(137,831)</u>
<u>Cash Flows from Investing Activities</u>			
Interest	<u>150</u>	<u>325</u>	<u>475</u>
Net Increase in Cash and Cash Equivalents	2,583,835	2,945,548	5,529,383
Cash and Cash Equivalents Beginning of Year	<u>5,029,782</u>	<u>2,732,821</u>	<u>7,762,603</u>
Cash and Cash Equivalents End of Year	<u>\$7,613,617</u>	<u>\$5,678,369</u>	<u>\$13,291,986</u>

(continued)

City of Sandusky
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2003
(continued)

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<u>Reconciliation of Operating Income to Net</u>			
<u>Cash Provided by Operating Activities</u>			
Operating Income	\$2,258,026	\$2,162,251	\$4,420,277
<u>Adjustments to Reconcile Operating Income to Net</u>			
<u>Cash Provided by Operating Activities</u>			
Depreciation	248,782	553,485	802,267
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	2,156	35,805	37,961
Decrease in Due from Other Governments	13,493	28	13,521
(Increase) Decrease in Prepaid Items	3,166	(373)	2,793
(Increase) Decrease in Materials and Supplies Inventory	5,834	(45,370)	(39,536)
Increase in Accrued Wages Payable	8,083	9,307	17,390
Increase in Accounts Payable	126,470	119,976	246,446
Increase (Decrease) in Contracts Payable	59,965	(10,536)	49,429
Increase in Due to Other Governments	11,556	28,754	40,310
Increase in Retainage Payable	18,633	75,274	93,907
Increase in Compensated Absences Payable	20,524	3,385	23,909
Net Cash Provided by Operating Activities	<u>\$2,776,688</u>	<u>\$2,931,986</u>	<u>\$5,708,674</u>

See Accompanying Notes to the Basic Financial Statements

City of Sandusky
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2003

<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$237,176</u></u>
 <u>Liabilities</u>	
Due to Other Governments	\$42,169
Undistributed Assets	<u>195,007</u>
 Total Liabilities	 <u><u>\$237,176</u></u>

See Accompanying Notes to the Basic Financial Statements

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 1 - DESCRIPTION OF THE CITY OF SANDUSKY AND THE REPORTING ENTITY

A. The City

The City of Sandusky is a charter municipal corporation founded in 1818, with the charter adopted by the electors on July 28, 1914. The City may exercise all powers of home rule granted under Article XVIII, Section 3, of the Ohio Constitution not in conflict with applicable general laws of Ohio.

The City operates under a part-time seven member commission and full-time city manager form of government. Services provided include police, fire, ambulance, municipal court, engineering, planning and zoning, street maintenance and repair, public transit, parks and recreation programs (including the first wave action pool in Ohio and a municipal golf course), cemetery, water filtration, wastewater treatment, and general administrative services. Except for water and sewer, major utilities are provided by private entities.

B. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City. For the City of Sandusky, this includes the Sandusky Municipal Court and all departments and activities that are directly operated by the elected City officials.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. There were no component units of the City of Sandusky in 2003.

The City of Sandusky is associated with the Buckeye Ohio Risk Management Agency (BORMA), a public entity shared risk pool. This organization is presented in Note 20 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Sandusky have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise funds provided they do not conflict with or contradict GASB pronouncements. The City does not apply Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the City's accounting policies.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements

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

B. Fund Accounting

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

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Funds

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

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

Special Assessment Bond Retirement Fund - This fund accounts for special assessment monies received for the payment of principal, interest, and fiscal charges on special assessment debt.

Capital Projects Fund - This fund accounts for monies received from construction grants, proceeds of bonds and notes, donations, and transfers used for capital projects.

Various Improvement Fund - This fund accounts for the construction of improvements or provision of services which are to be paid for, wholly or in part, from special assessments levied against the benefited property owners.

The other governmental funds of the City account for grants and other resources whose use is restricted for a particular purpose.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

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

Water Fund - This fund accounts for operations of the water distribution system within the City and for the sale of water to Erie County.

Sewer Fund - This fund accounts for operations of the sewer collection system within the City and for the sale of sewer service to Erie County.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City's own programs. The City did not have any trust funds in 2003. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for various funds held for final disposition to the Erie County Law Library, contractors, municipal courts (excluding the City of Sandusky), and employee payroll deductions.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

Fund Financial Statements

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

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

D. Basis of Accounting

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

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues - Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within thirty-one days after year end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from income taxes is recognized in the year in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: income taxes, charges for services, fines and forfeitures, state-levied locally shared taxes (including gasoline tax and motor vehicle license tax), grants, and interest.

Deferred Revenues

Deferred revenues arise when assets are recognized before the revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim at December 31, 2003, but were levied to finance 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue.

On governmental fund financial statements, receivables that were not collected within the available period are recorded as deferred revenue.

Expenses/Expenditures

On the accrual basis, 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.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgetary Process

All funds, except agency funds, are required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations resolution, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the City Commission may appropriate. The appropriations resolution is the City Commission's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the City Commission. The legal level of control has been established by the City Commission at the fund and department level in the General Fund and at the fund level for all other funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the City Commission.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the City Commission during the year.

F. Cash and Investments

To improve cash management, cash received by the City is pooled and invested. Individual fund integrity is maintained through City records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During 2003, the City's investments included federal agency securities, bonds of the City, and Star Ohio. Investments are reported at fair value, which is based on quoted market prices. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2003.

Interest earnings are allocated to City funds according to State statutes, City Charter, grant requirements, or debt related restrictions. Interest revenue credited to the General Fund during 2003 was \$272,303, which includes \$142,012 assigned from other City funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2003, 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.

H. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of expendable supplies held for consumption.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Resources set aside in separate escrow accounts whose use is limited to the payment of retainage to contractors upon project completion are reported as restricted. Unclaimed monies that have a legal restriction are also reported as restricted.

J. Unamortized Issuance Costs/Bond Premium

Issuance costs and bond premiums are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges. Bond premiums are presented as an addition to the face amount of bonds payable.

K. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column on 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 reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The City maintains a capitalization threshold of five thousand dollars. 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 enterprise fund capital assets is also capitalized.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

<u>Asset Category</u>	<u>Estimated Lives</u>
Buildings	15-45 years
Improvements Other Than Buildings	7-50 years
Streets	10-50 years
Bridges	50 years
Utility Plant	15-45 years
Water and Sewer Lines	50 years
Equipment	5-20 years

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the City's union contracts or administrative ordinance. The City records a liability for accumulated unused sick leave for all employees with ten or more years of service with the City or any employee who is age fifty or older.

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise funds are reported on the enterprise 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, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Unamortized Gain/Loss on Refunding

For refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

The Water enterprise fund's general obligation revenue bonds refunded outstanding general obligation revenue bonds in a prior year. These bonds are presented net of an unamortized loss, in the amount of \$6,400. The loss is being amortized over the remaining eight year life of the refunded bonds.

O. 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 balance 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 constitutional provisions or enabling legislation adopted or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include activities for construction, repair, and maintenance of streets and State highways, the public transit system, recreation, loans to local businesses, and other revenues restricted for use by the municipal court and police department. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

P. Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances, unclaimed monies, and notes receivable.

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the City, these revenues are charges for services for water and sewer services. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating.

R. Interfund Transactions

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

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

S. 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 management and are either unusual in nature or infrequent in occurrence.

T. Estimates

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

NOTE 3 - ACCOUNTABILITY

At December 31, 2003, the Capital Projects and Various Improvement capital projects funds had deficit fund balances, in the amount of \$250,593 and \$1,445,370, respectively, caused by the requirement to report the bond anticipation note liability in the fund receiving the note proceeds. The deficit will be alleviated when the notes are paid.

NOTE 4 - 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, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(continued)

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

Adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the General Fund are as follows:

Net Change in Fund Balance	
GAAP Basis	(\$415,292)
<u>Increases (Decreases) Due To</u>	
Revenue Accruals:	
Accrued 2002, Received in Cash 2003	441,686
Accrued 2003, Not Yet Received in Cash	(354,782)
Expenditure Accruals:	
Accrued 2002, Paid in Cash 2003	(530,667)
Accrued 2003, Not Yet Paid in Cash	731,437
Cash Adjustments:	
Unrecorded Activity 2002	62,765
Unrecorded Activity 2003	(37,105)
Prepaid Items	3,702
Materials and Supplies Inventory	6,329
Encumbrances Outstanding at Year End (Budget Basis)	(71,274)
Budget Basis	(\$163,201)

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(continued)

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

6. The State Treasurer's investment pool (STAR Ohio), and
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25 percent of interim monies available for investment at any one time. Bankers' acceptances must mature in two hundred seventy days or less and must be eligible for purchase by the federal reserve system. Commercial paper must be issued by a corporation incorporated under the laws of the United States or any state and must be rated in the highest category by two nationally recognized rating agencies.

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State as to which there is no default of principal, interest, or coupons; and
3. Obligations of the City.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Finance Director or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the City had \$2,841 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

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".

At year end, the carrying amount of the City's deposits was \$2,824,377 and the bank balance was \$3,208,131. Of the bank balance, \$760,860 was covered by the federal depository insurance and \$2,447,271 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

	Category 1	Fair Value
Federal National Mortgage Association Notes	\$7,977,832	\$7,977,832
Federal Home Loan Bank Bonds	1,411,094	1,411,094
Federal Home Loan Mortgage Corporation Notes	2,985,942	2,985,942
City of Sandusky Bonds	167,555	167,555
	<u>\$12,542,423</u>	<u>12,542,423</u>
STAR Ohio		13,845,860
Total Investments		<u>\$26,388,283</u>

The classification of cash and cash equivalents and investments on the financial statements is based on the 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 classification of cash and cash equivalents and investments on the financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$29,215,501	\$0
Cash on Hand	(2,841)	0
Investments:		
Federal National Mortgage Association Notes	(7,977,832)	7,977,832
Federal Home Loan Bank Bonds	(1,411,094)	1,411,094
Federal Home Loan Mortgage Corporation Notes	(2,985,942)	2,985,942
City of Sandusky Bonds	(167,555)	167,555
STAR Ohio	(13,845,860)	13,845,860
GASB Statement No. 3	<u>\$2,824,377</u>	<u>\$26,388,283</u>

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(continued)

NOTE 6 - RECEIVABLES

Receivables at December 31, 2003, consisted of accounts (billings for user charged services, including unbilled utility services); accrued interest; intergovernmental receivables arising from grants, entitlements, and shared revenues; municipal income taxes; other local taxes; property taxes; notes; and special assessments. All receivables are considered fully collectible within one year, except for notes receivable and special assessments. Notes receivable, in the amount of \$1,490,894, will not be received within one year. Special assessments, in the amount of \$1,955,984, will not be received within one year. At December 31, 2003, the amount of delinquent special assessments was \$554,250.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Major Funds	
General Fund	
Homestead and Rollback	\$96,429
Local Government	400,177
Local Government Revenue Assistance	54,697
Beer and Liquor Permits	27,280
Estate Tax	151,874
Erie County	39,347
Safety Belt Grant	135
Fines and Forfeitures	34,913
Total General Fund	804,852
Capital Projects Fund	
Fees, Licenses, and Permits	25,394
Erie County	136,771
Total Capital Projects Fund	162,165
Total Major Funds	967,017
Nonmajor Funds	
Street Maintenance	
Gasoline Tax	263,046
Motor Vehicle License Tax	101,620
Permissive Motor Vehicle License Tax	239
Total Street Maintenance	364,905

(continued)

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(continued)

NOTE 6 - RECEIVABLES (continued)

Governmental Activities (continued)	Amount
Nonmajor Funds (continued)	
State Highway	
Gasoline Tax	\$21,328
Motor Vehicle License Tax	6,057
Permissive Motor Vehicle License Tax	12
Total State Highway	<u>27,397</u>
Public Transit	
ODOT	6,567
Erie County	48,501
Total Public Transit	<u>55,068</u>
Fire Pension	
Homestead and Rollback	<u>7,926</u>
Police Pension	
Homestead and Rollback	<u>7,926</u>
State Grants	
Housing Grants	23,853
Local Law Enforcement Block Grant	25,164
Total State Grants	<u>49,017</u>
Indigent Drivers Alcohol	
Fees, Licenses, and Permits	772
Enforcement and Education	
Fines and Forfeitures	797
Court Computerization	
Fees, Licenses, and Permits	1,016
Indigent Telephone	
Fees, Licenses, and Permits	76
Municipal Probation	
Fees, Licenses, and Permits	2,549
General Bond Retirement	
Homestead and Rollback	<u>18,493</u>
Total Nonmajor Funds	<u>535,942</u>
Total Governmental Activities	<u><u>\$1,502,959</u></u>

(continued)

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(continued)

NOTE 6 - RECEIVABLES (continued)

	Amount
Business-Type Activities	
Water	
Erie County	\$218,990
Sewer	
Erie County	52,751
Total Business-Type Activities	\$271,741

NOTE 7 - NOTES RECEIVABLE

A summary of the changes in notes receivable during 2003 follows:

	Balance January 1, 2003	New Loans	Repayments	Balance December 31, 2003
Special Revenue Fund				
State Grants				
CDBG	\$540,094	\$0	\$243,284	\$296,810
Revolving Loans	436,584	208,629	82,408	562,805
MICRO - Enterprise Loans	12,041	0	120	11,921
Rehabilitation Revolving Loans	853,696	0	21,164	832,532
	\$1,842,415	\$208,629	\$346,976	1,704,068
Less Allowance for Uncollectible Accounts				48,373
				\$1,655,695

Notes receivable are reduced each year by the amount of loans which have been determined to be uncollectible.

NOTE 8 - MUNICIPAL INCOME TAXES

The City levies and collects an income tax of 1 percent based on all income earned within the City as well as on incomes of residents earned outside the City. Residents of the City are granted a credit of ½ percent for taxes paid to other Ohio municipalities. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(continued)

NOTE 8 - MUNICIPAL INCOME TAXES (continued)

For 2003, income taxes were allocated as follows: 92.75 percent to the General Fund for general operations of the City; 6.25 percent to the General Bond Retirement debt service fund to be used for the retirement of general obligation debt; and 1 percent to the Capital Improvement capital projects fund to be used for the capital improvement program.

NOTE 9 - PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the City. Real property tax revenues received in 2003 represent the collection of 2002 taxes. Real property taxes received in 2003 were levied after October 1, 2002, on the assessed values as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2003 represent the collection of 2002 taxes. Public utility real and tangible personal property taxes received in 2003 became a lien on December 31, 2001, were levied after October 1, 2002, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in 2003 (other than public utility property) represent the collection of 2003 taxes. Tangible personal property taxes received in 2003 were levied after October 1, 2002, on the true value as of December 31, 2002. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2003, and for which there was an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2003 operations.

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

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(continued)

NOTE 9 - PROPERTY TAXES (continued)

The full tax rate for all City operations for the year ended December 31, 2003, was \$5.51 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2003 property tax receipts were based are as follows:

Category	Amount
Real Property	\$361,711,830
Public Utility Personal Property	17,798,430
Tangible Personal Property	70,518,286
Total Assessed Value	<u>\$450,028,546</u>

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2003, was as follows:

	Balance January 1, 2003	Additions	Reductions	Balance December 31, 2003
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$3,453,284	\$1,597	\$0	\$3,454,881
Construction in Progress	4,932,957	4,464,775	0	9,397,732
Total Nondepreciable Capital Assets	<u>8,386,241</u>	<u>4,466,372</u>	<u>0</u>	<u>12,852,613</u>
Depreciable Capital Assets				
Buildings	18,102,052	0	0	18,102,052
Improvements Other Than Buildings	8,367,674	39,751	0	8,407,425
Streets	39,155,578	301,785	0	39,457,363
Bridges	229,802	0	0	229,802
Equipment	7,644,434	206,206	59,705	7,790,935
Total Depreciable Capital Assets	<u>73,499,540</u>	<u>547,742</u>	<u>59,705</u>	<u>73,987,577</u>
Less Accumulated Depreciation for				
Buildings	(4,513,990)	(609,509)	0	(5,123,499)
Improvements Other Than Buildings	(4,264,975)	(185,340)	0	(4,450,315)
Streets	(19,740,399)	(988,106)	0	(20,728,505)
Bridges	(45,960)	(4,596)	0	(50,556)
Equipment	(4,381,299)	(483,572)	(59,705)	(4,805,166)
Total Accumulated Depreciation	<u>(32,946,623)</u>	<u>(2,271,123)</u>	<u>(59,705)</u>	<u>(35,158,041)</u>
Total Depreciable Capital Assets, Net	<u>40,552,917</u>	<u>(1,723,381)</u>	<u>0</u>	<u>38,829,536</u>
Governmental Activities Capital Assets, Net	<u>\$48,939,158</u>	<u>\$2,742,991</u>	<u>\$0</u>	<u>\$51,682,149</u>

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(continued)

NOTE 10 - CAPITAL ASSETS (continued)

	Balance January 1, 2003	Additions	Reductions	Balance December 31, 2003
Business-Type Activities:				
Nondepreciable Capital Assets				
Land	\$432,785	\$90,261	\$0	\$523,046
Construction in Progress	7,710,094	13,122,492	(287,483)	20,545,103
Total Nondepreciable Capital Assets	<u>8,142,879</u>	<u>13,212,753</u>	<u>(287,483)</u>	<u>21,068,149</u>
Depreciable Capital Assets				
Buildings	18,942,613	9,892	0	18,952,505
Improvements Other Than Buildings	3,474,787	0	0	3,474,787
Utility Plant	4,847,721	320,967	0	5,168,688
Water and Sewer Lines	14,151,648	0	0	14,151,648
Equipment	2,023,355	59,712	0	2,083,067
Total Depreciable Capital Assets	<u>43,440,124</u>	<u>390,571</u>	<u>0</u>	<u>43,830,695</u>
Less Accumulated Depreciation for				
Buildings	(12,725,607)	(214,958)	0	(12,940,565)
Improvements Other Than Buildings	(1,743,690)	(90,921)	0	(1,834,611)
Utility Plant	(1,370,300)	(192,181)	0	(1,562,481)
Water and Sewer Lines	(7,336,102)	(183,452)	0	(7,519,554)
Equipment	(1,205,460)	(120,755)	0	(1,326,215)
Total Accumulated Depreciation	<u>(24,381,159)</u>	<u>(802,267)</u>	<u>0</u>	<u>(25,183,426)</u>
Total Depreciable Capital Assets, Net	<u>19,058,965</u>	<u>(411,696)</u>	<u>0</u>	<u>18,647,269</u>
Business-Type Activities Capital Assets, Net	<u>\$27,201,844</u>	<u>\$12,801,057</u>	<u>(\$287,483)</u>	<u>\$39,715,418</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Security of Persons and Property - Police	\$181,779
Security of Persons and Property - Fire	289,186
Public Health	32,675
Leisure Time Activities	130,319
Community Environment	114,994
Transportation	1,246,461
General Government - Municipal Court	9,043
General Government - Other	266,666
Total Depreciation Expense - Governmental Activities	<u>\$2,271,123</u>

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(continued)

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Buckeye Ohio Risk Management Agency (BORMA), a public entity shared risk pool among several cities in Northern Ohio. The City pays monthly premiums for health care coverage for its employees and for property, crime, and liability insurance. BORMA is responsible for the management and operation of the programs. Member cities agree to share in the coverage of losses and pay all premiums necessary for the specified insurance coverage provided under the respective programs. Member cities are subject to supplemental assessments of up to 25 percent of the premiums paid for health insurance during that year and in an amount equal to the annual premiums for property, crime, and liability insurance in the event of deficiencies. Upon withdrawal from BORMA, a participant is responsible for the payment of all liabilities accruing as a result of withdrawal from the respective programs. During 2003, the City contracted with BORMA for the following coverage and deductibles:

Type of Coverage	Coverage	Deductible
Property (building and contents)	\$331,064,810	\$1,000
Extra Expense	1,530,000 occurrence	1,000
Earthquake	21,000,000	1,000
Flood	21,000,000	1,000
Mobile Equipment, Valuable Papers	Various	1,000
General Liability	1,000,000 occurrence 1,000,000 aggregate	0
Employee Benefit Liability	1,000,000	0
Ohio Stop Gap	1,000,000	0
Law Enforcement Professional Liability	1,000,000	0
Employee Dishonesty	1,000,000	1,000
Computer Fraud	500,000	1,000
Money and Securities	1,000,000	1,000
Depositors Forgery	1,000,000	1,000
Auto Fleet Liability	1,000,000	1,000
Auto Uninsured-Underinsured	1,000,000	1,000
Boiler and Machinery	50,000,000	1,000 to 15,000
Public Official Liability	1,000,000 occurrence 1,000,000 aggregate	0 0
Umbrella Liability	9,000,000 occurrence 9,000,000 aggregate	0

There has been no significant reduction in insurance coverage from 2002, and no insurance settlement has exceeded insurance coverage during the last three years.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(continued)

NOTE 11 - RISK MANAGEMENT (continued)

Workers' compensation coverage is provided by the State of Ohio. The City pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

NOTE 12 - SIGNIFICANT CONTRACTUAL COMMITMENTS

The City has outstanding contracts for professional services. The following amounts remain on these contracts as of December 31, 2003:

<u>Contract</u>	<u>Remaining Commitment</u>
All-Phase Power and Light	\$6,320
Bay Mechanical	78,023
Blaze Building	267,970
Bowser Morner	8,475
Ed Burdue	228,981
Bertsch Burns	10,000
Cedar Bay Construction	2,070,767
Cody Computer	22,000
Contractors Design	37,911
Education Training	3,115
Environmental Design	16,678
Erie Blacktop	123,094
Fertility Builders	48,288
Finkbeiner Pettis	15,038
Firelands Electric	76,667
Horton Emergency	142,770
Huffman Equipment	45,358
Ideal Electric	3,000
Intellution	5,827
Kinzelman Kline	4,388
Lake Erie Diving	5,049
Leighty and Snyder	3,000
Malcolm Pirnie	295,053
Metcalf and Eddy	9,000

(continued)

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(continued)

NOTE 12 - SIGNIFICANT CONTRACTUAL COMMITMENTS (continued)

<u>Contract</u>	<u>Remaining Commitment</u>
Montgomery Watson	\$500,500
Mosser Construction	2,279,439
Nutting HC Inc.	43,585
Ohio Department of Development	9,315
Regent Electric	413,076
Seven Limers	16,643
Gregory Sherman	4,156
Smith Paving	296,792
South Shore Electric	291,465
Suburban Process Piping	35,113
Transystems Corp	300,997
Underground Utilities	1,842,094
United Survey	412,943
Vulcan Fire Protection	15,079
Wilkes and Co.	103,269
Total	<u>\$10,091,238</u>

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent 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 OPERS 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.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(continued)

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

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 publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

For the year ended December 31, 2003, members of all three plans were required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The City's contribution rate for pension benefits for 2003 was 8.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002, and 2001 were \$646,510, \$655,065, and \$734,333, respectively; 67 percent has been contributed for 2003 and 100 percent has been contributed for 2002 and 2001. The unpaid contribution for 2003, in the amount of \$215,621, is recorded as a liability. The City did not have any contributions to the member-directed plan for 2003.

B. Ohio Police and Fire Pension Fund

The City participates in the Ohio Police and Fire Pension Fund (OPF), a cost-sharing multiple-employer defined benefit pension plan. OPF provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OPF for the years ended December 31, 2003, 2002, and 2001 were \$885,141, \$845,885, and \$778,971, respectively; 69 percent has been contributed for 2003 and 100 percent has been contributed for 2002 and 2001. The unpaid contribution for 2003, in the amount of \$270,995, is recorded as a liability.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(continued)

NOTE 14 - 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 OPERS is considered an Other Postemployment Benefit (OPB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental 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 2003 employer contribution rate was 13.55 percent of covered payroll; 5.00 percent was the portion used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4 percent annually.

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

The number of active contributing participants in the traditional and combined plans was 364,881. Actual employer contributions for 2003 which were used to fund postemployment benefits was \$378,076. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for the payment of benefits at December 31, 2002 (the latest information available), was \$10 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

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

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

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(continued)

NOTE 14 - POSTEMPLOYMENT BENEFITS (continued)

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OPF) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check, or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of eighteen, whether or not the child is attending school, or under the age of twenty-two if attending school full-time or on a two-thirds basis.

The health care coverage provided by OPF is considered an Other Postemployment Benefit (OPB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the OPF's board of trustees to provide health care coverage and states that health care costs paid from OPF shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total employer contribution rate for police is 19.5 percent of covered payroll and for firefighters is 24 percent of covered payroll; 7.75 percent was applied to the postemployment health care program during 2003. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2003 that were used to fund postemployment benefits were \$267,132 for police and \$288,987 for firefighters. The OPF's total health care expense for the year ended December 31, 2002 (the latest information available), was \$141,028,006, which was net of member contributions of \$12,623,875. The number of OPF participants eligible to receive health care benefits as of December 31, 2002, was 13,527 for police and 10,396 for firefighters.

NOTE 15 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws.

City employees earn and accumulate vacation at varying rates depending on length of service. Current policy credits vacation leave on the employee's anniversary date. Employees are paid for 100 percent of earned unused vacation leave upon termination.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(continued)

NOTE 15 - COMPENSATED ABSENCES (continued)

Sick leave is earned at various rates as defined by City policy and union contracts. Any employee with ten years of service with the City who elects to retire is entitled to receive their accumulated unused sick leave as follows:

	<u>AFCSME</u>	<u>IFA</u>	<u>FOP</u>	<u>Administration</u>
40 hours/week				
Sick hours less than 999	25 %	25 %	25 %	25 %
Sick hours 1,000 - 1,499	30 %	30 %	30 %	30 %
Sick hours 1,500 - 2,199	35 %	35 %	35 %	35 %
Sick hours over 2,200	40 %	40 %	40 %	40 %
52 hours/week				
Sick hours less than 1,299	n/a	25 %	n/a	n/a
Sick hours 1,300 - 1,949	n/a	30 %	n/a	n/a
Sick hours 1,950 - 2,859	n/a	35 %	n/a	n/a
Sick hours over 2,860	n/a	40 %	n/a	n/a

The City also provides for a provision of sick leave payoff in case of death.

NOTE 16 - NOTES PAYABLE

The City's note transactions for the year ended December 31, 2003, were as follows:

	<u>Interest Rate</u>	<u>Balance January 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2003</u>
<u>Governmental Activities</u>					
<u>Bond Anticipation Notes</u>					
Capital Projects Funds					
1998 Fire Apparatus	4.55%	\$60,000	\$0	\$60,000	\$0
2002 Various Improvement	1.90	1,165,000	0	1,165,000	0
2002 Various Improvement	2.50	152,640	0	152,640	0
2003 Various Improvement	2.00	0	4,285,000	0	4,285,000
2003 Various Improvement	1.00	0	2,745,000	0	2,745,000
Total Capital Projects Funds		<u>\$1,377,640</u>	<u>\$7,030,000</u>	<u>\$1,377,640</u>	<u>\$7,030,000</u>

(continued)

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(continued)

NOTE 16 - NOTES PAYABLE (continued)

	Interest Rate	Balance December 31, 2002	Additions	Reductions	Balance December 31, 2003
<u>Governmental Activities</u> (continued)					
<u>Special Assessment Notes</u>					
Capital Projects Fund					
2002 Various Improvement	3.50%	\$252,000	\$0	\$252,000	\$0
Total Governmental Activities		<u>\$1,629,640</u>	<u>\$7,030,000</u>	<u>\$1,629,640</u>	<u>\$7,030,000</u>
<u>Business-Type Activities</u>					
<u>Bond Anticipation Notes</u>					
Enterprise Funds					
Water					
2002 Various Improvement	2.50	\$211,000	\$0	\$211,000	\$0
2003 Various Improvement	2.00	0	195,000	0	195,000
2003 Various Improvement	1.00	0	195,000	0	195,000
Total Water		<u>211,000</u>	<u>390,000</u>	<u>211,000</u>	<u>390,000</u>
Sewer					
2002 Various Improvement	2.50	2,031,360	0	2,031,360	0
2003 Various Improvement	2.00	0	1,860,000	0	1,860,000
2003 Various Improvement	1.00	0	1,860,000	0	1,860,000
Total Sewer		<u>2,031,360</u>	<u>3,720,000</u>	<u>2,031,360</u>	<u>3,720,000</u>
Total Business-Type Activities		<u>\$2,242,360</u>	<u>\$4,110,000</u>	<u>\$2,242,360</u>	<u>\$4,110,000</u>

According to Ohio law, notes may be issued in anticipation of bond proceeds, or for up to 50 percent of anticipated revenue collections.

The City has issued bond anticipation notes with a maturity of one year which will be reissued until paid in full or until bonds are issued. The special assessment notes are backed by the full faith and credit of the City of Sandusky. In the event that an assessed property owner fails to make payments, the City will be required to pay the related debt. The liability for all notes is presented in the fund receiving the proceeds.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(continued)

NOTE 16 - NOTES PAYABLE (continued)

For governmental activities, the 1998 fire apparatus notes were issued to acquire an aerial ladder fire truck. The 2002 various improvement notes were issued to replace the air conditioning unit at the Municipal Building, street improvements, improving the boat launch ramp, and acquiring a fire pumper truck. The 2003 various improvement notes were issued to replace the air conditioning unit at the Municipal Building, street improvements, improving the boat launch ramp, acquiring a fire pumper truck, roof repairs, and sidewalk, curb, and gutter improvements. The 2002 special assessment notes were issued for sidewalk, curb, and gutter improvements.

At December 31, 2003, the total amount of various improvement notes outstanding was \$7,030,000, of which \$2,882,395 has been expended for construction.

For business-type activities, the 2002 various improvement notes were issued for various improvements at the water and sewer treatment facilities. The 2003 various improvement notes were issued for various improvements at the water and sewer treatment facilities and to acquire a sewer cleaner.

NOTE 17 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2003, was as follows:

	Interest Rate	Balance January 1, 2003	Additions	Reductions	Balance December 31, 2003	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds						
1992 Judgement	5.39%	\$300,000	\$0	\$30,000	\$270,000	\$30,000
2000 City Complex	4.35-6.25	5,985,000	0	15,000	5,970,000	15,000
2001 Library	3.00	5,785,000	0	210,000	5,575,000	215,000
2001 Police Pension	3.00	539,308	0	12,790	526,518	12,790
2001 Fire Pension	3.00	725,692	0	17,210	708,482	17,210
2001 Various Purpose	3.00	5,877,333	0	169,866	5,707,467	179,867
Total General Obligation Bonds		19,212,333	0	454,866	18,757,467	469,867
Special Assessment Bonds						
Special Assessment Bonds Payable	5.23-9.50	2,781,485	89,900	284,285	2,587,100	282,588
Bond Premium		6,120	0	420	5,700	0
Total Special Assessment Bonds		2,787,605	89,900	284,705	2,592,800	282,588
Other Long-Term Obligations						
OWDA Loans Payable	12.00%	57,186	0	57,186	0	0
Compensated Absences Payable		1,832,471	158,333	34,653	1,956,151	228,981
Total Other Long-Term Obligations		1,889,657	158,333	91,839	1,956,151	228,981
Total Governmental Activities		\$23,889,595	\$248,233	\$831,410	\$23,306,418	\$981,436

(continued)

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(continued)

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

	Interest Rate	Balance January 1, 2003	Additions	Reductions	Balance December 31, 2003	Due Within One Year
<u>Business-Type Activities</u>						
General Obligation Revenue Bonds						
1986 Waterworks Improvement	7.38%	\$480,000	\$0	\$120,000	\$360,000	\$120,000
1992 Water Pollution Control	5.39	447,000	0	47,000	400,000	47,000
		927,000	0	167,000	760,000	167,000
2002 Waterworks Improvement Refunding	4.50	720,000	0	80,000	640,000	80,000
Bond Premium		44,112	0	4,901	39,211	0
Accounting Loss		(7,200)	800	0	(6,400)	0
Total 2002 Waterworks Improvement Refunding		756,912	800	84,901	672,811	80,000
Total General Obligation Revenue Bonds		1,683,912	800	251,901	1,432,811	247,000
OWDA Loans						
Water	12.00	1,485,588	5,639,637	57,186	7,068,039	0
Sewer	3.20	14,051,383	7,647,826	271,836	21,427,373	72,808
Total OWDA Loans		15,536,971	13,287,463	329,022	28,495,412	72,808
Other Long-Term Obligations						
Compensated Absences Payable		559,060	56,983	33,074	582,969	86,454
Total Business-Type Activities		\$17,779,943	\$13,345,246	\$613,997	\$30,511,192	\$406,262

1992 Judgement General Obligation Bonds

In 1992, the City issued \$600,000 in unvoted general obligation bonds for judgements against the City. The bonds were issued for a twenty year period with maturity beginning August 1, 1992. The bonds will be paid from the General Bond Retirement debt service fund.

2000 City Complex General Obligation Bonds

In 2000, the City issued \$6,000,000 in unvoted general obligation bonds for the construction of a city service complex. The bonds were issued for a twenty year period with maturity beginning April 12, 2000. The bonds will be paid from the General Bond Retirement debt service fund.

2001 Library Improvement General Obligation Bonds

In 2001, the City issued \$6,340,000 in unvoted general obligation bonds for renovating and improving the City library. The bonds were issued for a twenty year period with maturity beginning May 1, 2001. The bonds will be paid from the General Bond Retirement debt service fund.

The City of Sandusky and the Sandusky Library Association, and Ohio not-for-profit corporation, have entered into a contractual agreement whereby the City issued these bonds for library construction and renovations. As part of the agreement, the City will lease (for zero rent charges or lease payments) the library (real property, including building and improvements) for a period of twenty-five years, or until the bonds are paid off. Upon full payment of the debt, all of the new construction and improvements will become the property of the Sandusky Library Association.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(continued)

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

2001 Police Pension General Obligation Bonds

In 2001, the City issued \$552,098 in unvoted general obligation bonds for pension purposes. The bonds were issued for a twenty-five year period with maturity beginning June 1, 2001. The bonds will be paid from the General Bond Retirement debt service fund.

2001 Fire Pension General Obligation Bonds

In 2001, the City issued \$742,902 in unvoted general obligation bonds for pension purposes. The bonds were issued for a twenty-five year period with maturity beginning June 1, 2001. The bonds will be paid from the General Bond Retirement debt service fund.

2001 Various Purpose General Obligation Bonds

In 2001, the City issued \$6,037,200 in unvoted general obligation bonds for the Downtown Streetscape project, the Lane Street project, the Butler Street capacity project, the Columbus Avenue underpass, the City building project, the Transit building project, the Plaza project, the Fire Station project, and the Remington Avenue project. The bonds were issued for a twenty-five year period with maturity beginning June 1, 2001. The bonds will be paid from the General Bond Retirement debt service fund.

Special Assessment Bonds

The special assessment bonds are backed by the full faith and credit of the City of Sandusky. In the event that an assessed property owner fails to make payments or insufficient amounts are assessed to fund the debt, the City will be required to pay the related debt.

OWDA Loans Payable

The City entered into agreements with the Ohio Water Development Authority for loans for the construction of the Cedar Point Chaussee water line, improvements and replacement of the Cedar Point lift station, construction of a disinfection facility, the preliminary and rehabilitation phases of the combined sewer overflow improvements, flow monitors, sludge digestion system improvements, wastewater planning, sewer rehabilitation, wastewater system modeling, settling tank improvements, wastewater treatment plant expansion, and water plant improvement. OWDA loans will be paid from special assessments and from resources of the water and sewer enterprise funds.

Compensated Absences Payable

The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund and the Water and Sewer enterprise funds.

General Obligation Revenue Bonds

The general obligation revenue bonds are liabilities of the Water and Sewer enterprise funds and pledge their respective revenues for repayment. The bonds also pledge the full faith and credit and taxing ability of the City in the event the enterprise funds' revenues are not sufficient to meet the principal and interest requirements.

1986 Waterworks Improvement Bonds

In 1986, the City issued \$2,400,000 in unvoted general obligation revenue bonds for the installment of a service pump, sedimentary basin, and filter modifications. The bonds were issued for a twenty year period with maturity beginning July 1, 1986. The bonds will be retired from the Water enterprise fund.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(continued)

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

1992 Water Pollution Control Bonds

In 1992, the City issued \$885,000 in unvoted general obligation revenue bonds for building and lab improvements at the waste water treatment plant. The bonds were issued for a twenty year period with maturity beginning August 1, 1992. The bonds will be paid from the Sewer enterprise fund.

2002 Waterworks Improvement Refunding Bonds

On September 1, 2002, the City issued \$720,000 in waterworks improvement refunding bonds to refund \$800,000 in waterworks improvement bonds previously issued. The bonds were issued for a nine year period with maturity beginning December 1, 2003. The bonds will be paid from the Water enterprise fund.

The proceeds from the bonds fully extinguished the old debt on December 1, 2002.

The City's legal debt margin was \$23,451,791 at December 31, 2003.

The Clearwell improvements design, the Wastewater Treatment Plant expansion, the Sludge Digestion System improvements, the Cedar Point lift station, the final Settling Tank improvements, and the rehabilitation phases of the combined sewer overflow improvement project funded by OWDA loans have not been completed. An amortization schedule for the repayment of the loans will not be available until the projects are completed and, therefore, are not included in the following schedule.

Principal and interest requirements to retire general long-term obligations outstanding at December 31, 2003, were as follows:

Year	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2004	\$469,867	\$930,872	\$282,588	\$141,691
2005	494,866	913,901	282,689	124,677
2006	509,867	895,284	277,570	108,532
2007	524,866	875,284	251,571	92,642
2008	419,867	989,143	234,448	78,333
2009-2013	3,679,332	4,258,972	783,238	217,323
2014-2018	6,254,335	2,781,205	429,465	55,582
2019-2023	5,414,467	981,539	45,531	3,694
2024-2026	990,000	103,013	0	0
	<u>\$18,757,467</u>	<u>\$12,729,213</u>	<u>\$2,587,100</u>	<u>\$822,474</u>

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(continued)

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2003, from the enterprise funds were as follows:

Year	1986 Waterworks Improvement		1992 Water Pollution Control		2002 Waterworks Improvement Refunding	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$120,000	\$26,550	\$47,000	\$22,444	\$80,000	\$29,600
2005	120,000	17,700	47,000	19,952	80,000	26,000
2006	120,000	8,850	47,000	17,415	80,000	22,400
2007	0	0	42,000	14,830	80,000	18,800
2008	0	0	42,000	12,477	80,000	15,200
2009-2011	0	0	175,000	25,760	240,000	22,800
	<u>\$360,000</u>	<u>\$53,100</u>	<u>\$400,000</u>	<u>\$112,878</u>	<u>\$640,000</u>	<u>\$134,800</u>

Long-term obligations at December 31, 2003, consisted of the following issues:

Long Term Obligations	Term	Percent	Original Issue	Outstanding 12/31/03
General Obligation Bonds				
1992 Judgement	1993-2012	5.39%	\$600,000	\$270,000
2000 City Complex	2000-2020	4.35 to 6.25	6,000,000	5,970,000
2001 Library	2001-2021	3.00	6,340,000	5,575,000
2001 Police Pension	2001-2026	3.00	552,098	526,518
2001 Fire Pension	2001-2026	3.00	742,902	708,482
2001 Various Purpose	2001-2026	3.00	6,037,200	5,707,467
			<u>\$20,272,200</u>	<u>\$18,757,467</u>
Special Assessment Bonds				
1985 PP Water Improvement	1986-2005	9.50	\$10,645	\$1,066
1985 PP Water Improvement	1986-2005	9.00	11,720	1,172
1986 PP Street Improvement	1987-2006	7.38	135,688	23,000
1987 Anderson Street	1988-2007	7.00	10,835	2,165
1988 PP Street	1989-2008	7.00	18,500	4,625
1989 PP Street	1989-2009	7.75	136,640	42,000
1990 Street	1990-2010	7.40	87,675	35,000
1991 PP Water	1991-2011	6.75	13,800	5,520

(continued)

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(continued)

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

Long Term Obligations	Term	Percent	Original Issue	Outstanding 12/31/03
Special Assessment Bonds (continued)				
1992 PP St. Clair Street	1993-2012	5.39%	\$197,400	\$90,000
1992 PP First Street	1993-2011	5.39	81,650	35,000
1992 PP Water	1993-2011	5.39	69,250	30,000
1995 PP McDonough Street	1995-2015	5.23	2,963	1,715
1995 PP Sidewalk 1993	1995-2005	5.23	122,750	24,550
1995 PP Sidewalk 1994	1995-2005	5.23	149,514	29,906
1995 PP Street	1995-2014	5.23	120,974	70,038
1995 PP Dutch Street	1995-2013	5.23	35,512	19,728
1995 Streetscape	1995-2005	5.23	4,648	930
1995 Filmore	1995-2014	5.23	247,677	218,130
1996 Perry Street	1996-2016	5.72	40,000	26,000
1996 Sidewalk 1995	1996-2006	5.72	166,400	49,920
1996 Shoreline Walkway	1996-2006	5.72	13,600	4,081
1996 Perry Street - City Port	1996-2016	5.72	350,000	280,000
1997 Polk Street Improvement	1997-2016	6.00	53,980	37,800
1997 Sidewalk	1997-2007	5.50	175,770	70,320
1998 Sidewalk	1998-2008	4.87	201,000	101,000
1998 PP Street	1998-2008	4.87	48,894	36,753
1998 PP Street	1998-2008	4.87	31,000	23,303
1998 PP Street	1998-2008	4.87	69,106	51,944
1999 Sidewalk	1999-2009	5.50	227,000	135,000
1999 Winnebago	1999-2019	5.50	81,000	65,000
1999 Wilbert	1999-2019	5.50	143,000	115,000
1999 Streetscape	1999-2019	5.50	329,000	265,000
2000 Curb, Sidewalk, and Gutter	2000-2010	6.10	254,000	179,000
2001 Remington	2001-2026	5.86	107,800	97,534
2001 PP Sidewalk	2001-2026	5.86	280,000	230,000
2002 Curb, Sidewalk, and Gutter	2002-2012	4.50	102,000	95,000
2003 Curb, Sidewalk, and Gutter	2003-2013	4.00	89,900	89,900
			<u>\$4,221,291</u>	<u>\$2,587,100</u>
				(continued)

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(continued)

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

<u>Long Term Obligations</u>	<u>Term</u>	<u>Percent</u>	<u>Original Issue</u>	<u>Outstanding 12/31/03</u>
General Obligation Revenue Bonds				
Water				
1986 Waterworks Improvement	1987-2006	7.38%	\$2,400,000	\$360,000
2002 Waterworks Improvement Refunding	2002-2011	4.50-4.75	720,000	640,000
			<u>\$3,120,000</u>	<u>\$1,000,000</u>
Sewer				
1992 Water Pollution Control	1993-2012	5.39	885,000	400,000
			<u>\$4,005,000</u>	<u>\$1,400,000</u>
OWDA Loans				
Water				
2003 Water Plant Improvements	2004-2024	5.20	<u>\$17,479,501</u>	<u>\$7,068,039</u>
Sewer				
1998 Ultraviolet Treatment	2001-2026	5.56	2,110,930	2,005,381
1999 Sewer Rehabilitation	2001-2025	6.13	350,878	331,107
2000 Sewer Rehabilitation	2001-2026	6.39	713,436	626,055
2000 CSO Flow Monitors	2001-2026	6.39	306,536	295,775
2000 Sludge Digestion System	2001-2026	6.03	1,409,888	1,154,665
2001 Cedar Point Pump Station	2002-2022	5.05	4,393,697	4,221,907
2001 Final Settling Tank Improv	2002-2022	5.05	383,484	279,466
2001 Wastewater System Model	2002-2007	5.55	147,328	147,328
2002 WWTP Expansion	2003-2023	4.65	23,312,069	12,365,689
			<u>33,128,246</u>	<u>21,427,373</u>
			<u>\$50,607,747</u>	<u>\$28,495,412</u>

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(continued)

NOTE 18 - OPERATING LEASE

In February 1985, the City entered into an operating lease with Sandusky Bay Investment Company, Limited, whereby the Sandusky Bay Investment Company, Limited leased 32.9 acres of land and water for operating and maintaining a park, parking areas, and marina. The basic lease term is for forty years, and the lessee has the option to renew for two additional ten year periods. The lessee is also required to make annual deposits of \$10,000 into a fund held by the City, which is to be used at the discretion of the lessee for routine structural repairs to the marina breakwall, restaurant, and other major repairs as may be needed from time to time. At the termination of the lease, any funds remaining in this account shall be used by the City for structural repairs and maintenance of Battery Park.

The capital assets for governmental activities include the City's investment of \$1,948,680 for land and improvements and \$91,576 for floating docks. The leaseholder's improvements are not recorded in the capital assets for governmental activities.

For 2003, the City received payments, in the amount of \$20,000. Future annual lease payments to be received are as follows:

Year	Annual Lease Payment	Total Lease for Period
2004	\$20,000	\$20,000
2005-2009	25,000	125,000
2010-2014	25,000	125,000
2015-2024	30,000	300,000
Total minimum future rentals		\$570,000

Beginning in 2000, Sandusky Bay Investment Company, Limited is required to pay additional rents to the City if net income is reported for that year. The additional rent will be a percentage of gross income calculated at the following percentages:

	Percentage of Gross Income
2000-2004	.025%
2005-2009	.05
2010-2014	1.0
2015-2024	2.0

The City did not receive any additional rent in 2003.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(continued)

NOTE 19 - INTERFUND TRANSFERS

During 2003, the General Fund made transfers to other governmental funds, in the amount of \$1,393,538 to subsidize various activities in other funds. The Capital Projects capital projects fund made transfers, in the amount of \$12,494, to other governmental funds to fund various capital activities in those funds. Other governmental funds made transfers, in the amount of \$30,000, to return public transit monies from Erie County to the General Fund, in the amount of \$542,657, to fund specific capital projects, in the amount of \$92,122, to fund sidewalk, curb, and gutter projects, and in the amount of \$117,971, to move receipts as debt payments became due.

The Sewer enterprise fund transferred \$41,935 to the Bond Retirement debt service fund to move receipts as debt payments became due.

NOTE 20 - PUBLIC ENTITY SHARED RISK POOL

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

Participation in BORMA is by written application subject to the approval of the board of directors and the payment of premiums. Member cities must remain members for cycles of three years. A member may withdraw from a program by giving a forty day notice prior to the beginning of the next cycle. BORMA does not have any outstanding debt obligations as of December 31, 2003. Financial information may be obtained from Arthur J. Gallagher & Co. - Cleveland, Gallagher Pipino, Inc., M-K Ferguson Plaza, 1500 West Third Street, Suite 405, Cleveland, Ohio 44113

NOTE 21 - CONTINGENT LIABILITIES

A. Litigation

The City of Sandusky is a party to several legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The City management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

B. Federal and State Grants

For the period January 1, 2003, to December 31, 2003, the City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such 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 City believes such disallowances, if any, would be immaterial.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(continued)

NOTE 22 - SUBSEQUENT EVENT

On June 28, 2004, the County issued \$2,800,000 in general obligation bond anticipation notes for the Bayfront Urban Area Revitalization. The notes have an interest rate of 2.5 percent and mature on October 28, 2004.

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**COMBINING STATEMENTS AND
INDIVIDUAL FUND SCHEDULES**

Nonmajor Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes. Following is a description of the City's nonmajor special revenue funds:

Street Maintenance

To account for state-levied and state-controlled gasoline tax and motor vehicle license fees remitted to the City by state formula and the special \$5 license fee the City is permitted to impose by virtue of Ohio law. Monies are used for street maintenance and repairs.

State Highway

To account for 7.5 percent of the state-levied and state-controlled gasoline tax and motor vehicle license fees remitted to the City by state formula. Monies are used for maintenance and repairs of state highways within the City. State highways represent approximately 10 percent of the roads inside the City limits.

Public Transit

To account for monies received from the federal and state government under the Section 18 Program and from users of the public transit system. Monies are used for operations of the public transit system.

Parks and Recreational

To account for monies collected at the municipal golf course and swimming pool, plant rentals from the greenhouse, and transfers from the General Fund (primarily for the parks and greenhouse). Monies are used for operation of the parks, greenhouse, and recreational facilities.

Fire Pension

To account for monies received from property taxes and transfers from the General Fund for payment of both the current pension contribution and the long-term accounting liability.

Police Pension

To account for monies received from property taxes and transfers from the General Fund for payment of both the current pension contribution and the long-term accounting liability.

State Grants

To account for monies received from the state government under the community development block grant program and the revolving loan program, as well as several other state grants.

Federal Grants

To account for monies received from the federal government to construct a pedestrian bike path.

(continued)

**Nonmajor Special Revenue Funds
(continued)**

Indigent Drivers Alcohol

To account for monies received under Ohio Revised Code Sections 4511.191(M) and 4507.99(B)(4). This fund provides for payment of the cost for treatment, at a certified alcohol and drug addiction program, of a person convicted of a violation of Ohio Revised Code Section 4511.19 or a similar municipal ordinance.

Enforcement and Education

To account for monies received under Ohio Revised Code Section 4511.99. This fund is used by the police department to pay the costs it incurs in enforcing Ohio Revised Code Section 4511.19 or a similar municipal ordinance, and in educating the public on laws governing the operation of a motor vehicle while under the influence of alcohol.

Court Computerization

To account for fines collected by the municipal court under Ohio Revised Code Section 1901.26. This fund is used for computerization of the clerk of court's office.

Indigent Telephone

To account for monies received under Ohio Revised Code Section 2929.23. This fund provides for payment of the costs of providing house detention for eligible indigent offenders.

Municipal Probation

To account for monies received under Ohio Revised Code Section 737.41. This fund provides for payment of the costs of the municipal probation department.

General Trust

To account for contraband forfeitures and various monies donated to the City.

Park Donations

To account for donations from the Fred G. Epple Estate.

Cemetery Donations

To account for charges for burials and donations.

Nonmajor Debt Service Fund

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

General Bond Retirement

To account for resources that are used for the payment of principal, interest, and fiscal charges on general obligation debt.

Nonmajor Capital Projects Funds

Capital projects funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by the enterprise funds.)

Capital Improvement

To account for tax revenues and transfers used for capital improvements.

Redevelopment Tax Increment

To account for payments collected in lieu of taxes.

City of Sandusky
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2003

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$4,719,897	\$750,818	\$548	\$5,471,263
Accrued Interest Receivable	11,507	0	0	11,507
Due from Other Governments	517,449	18,493	0	535,942
Municipal Income Taxes Receivable	0	171,848	30,191	202,039
Other Local Taxes Receivable	239,260	0	0	239,260
Prepaid Items	2,869	0	0	2,869
Materials and Supplies Inventory	116,994	0	0	116,994
Property Taxes Receivable	292,969	533,164	0	826,133
Notes Receivable	1,655,695	0	0	1,655,695
	<u>\$7,556,640</u>	<u>\$1,474,323</u>	<u>\$30,739</u>	<u>\$9,061,702</u>
<u>Liabilities and Fund Balance</u>				
<u>Liabilities</u>				
Accrued Wages Payable	\$28,711	\$0	\$0	\$28,711
Accounts Payable	81,291	0	0	81,291
Due to Other Governments	19,536	0	0	19,536
Deferred Revenue	881,459	723,062	27,424	1,631,945
	<u>1,010,997</u>	<u>723,062</u>	<u>27,424</u>	<u>1,761,483</u>
<u>Fund Balance</u>				
Reserved for Encumbrances	55,190	0	0	55,190
Reserved for Notes Receivable	1,490,894	0	0	1,490,894
Unreserved, Reported in				
Special Revenue Funds	4,999,559	0	0	4,999,559
Debt Service Fund	0	751,261	0	751,261
Capital Projects Funds	0	0	3,315	3,315
	<u>6,545,643</u>	<u>751,261</u>	<u>3,315</u>	<u>7,300,219</u>
Total Liabilities and Fund Balance	<u>\$7,556,640</u>	<u>\$1,474,323</u>	<u>\$30,739</u>	<u>\$9,061,702</u>

City of Sandusky
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2003

	Street Maintenance	State Highway	Public Transit	Parks and Recreational	Fire Pension
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$19,488	\$5,558	\$80,505	\$12,099	\$0
Accrued Interest Receivable	0	0	0	0	0
Due from Other Governments	364,905	27,397	55,068	0	7,926
Other Local Taxes Receivable	239,260	0	0	0	0
Prepaid Items	0	0	0	0	0
Materials and Supplies Inventory	116,994	0	0	0	0
Property Taxes Receivable	0	0	0	0	146,472
Notes Receivable	0	0	0	0	0
Total Assets	<u>\$740,647</u>	<u>\$32,955</u>	<u>\$135,573</u>	<u>\$12,099</u>	<u>\$154,398</u>
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accrued Wages Payable	\$23,567	\$1,001	\$0	\$1,929	\$0
Accounts Payable	7,637	0	62,313	4,299	0
Due to Other Governments	11,133	433	0	5,538	0
Deferred Revenue	513,348	22,619	0	0	154,398
Total Liabilities	<u>555,685</u>	<u>24,053</u>	<u>62,313</u>	<u>11,766</u>	<u>154,398</u>
<u>Fund Balance</u>					
Reserved for Encumbrances	13,950	0	1,369	12,099	0
Reserved for Notes Receivable	0	0	0	0	0
Unreserved (Deficit)	171,012	8,902	71,891	(11,766)	0
Total Fund Balance	<u>184,962</u>	<u>8,902</u>	<u>73,260</u>	<u>333</u>	<u>0</u>
Total Liabilities and Fund Balance	<u>\$740,647</u>	<u>\$32,955</u>	<u>\$135,573</u>	<u>\$12,099</u>	<u>\$154,398</u>

Police Pension	State Grants	Federal Grants	Indigent Drivers Alcohol	Enforcement and Education	Court Computerization	Indigent Telephone
\$0	\$900,900	\$2,394,873	\$64,875	\$98,572	\$112,678	\$29,241
0	0	9,249	0	0	0	0
7,926	49,017	0	772	797	1,016	76
0	0	0	0	0	0	0
0	0	0	0	0	1,444	0
0	0	0	0	0	0	0
146,497	0	0	0	0	0	0
0	1,655,695	0	0	0	0	0
<u>\$154,423</u>	<u>\$2,605,612</u>	<u>\$2,404,122</u>	<u>\$65,647</u>	<u>\$99,369</u>	<u>\$115,138</u>	<u>\$29,317</u>
\$0	\$0	\$0	\$0	\$0	\$96	\$0
0	1,277	0	0	0	5,528	0
0	1,485	0	0	0	0	0
<u>154,423</u>	<u>25,164</u>	<u>9,249</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>154,423</u>	<u>27,926</u>	<u>9,249</u>	<u>0</u>	<u>0</u>	<u>5,624</u>	<u>0</u>
0	16,163	0	3,340	0	0	0
0	1,490,894	0	0	0	0	0
0	1,070,629	2,394,873	62,307	99,369	109,514	29,317
<u>0</u>	<u>2,577,686</u>	<u>2,394,873</u>	<u>65,647</u>	<u>99,369</u>	<u>109,514</u>	<u>29,317</u>
<u>\$154,423</u>	<u>\$2,605,612</u>	<u>\$2,404,122</u>	<u>\$65,647</u>	<u>\$99,369</u>	<u>\$115,138</u>	<u>\$29,317</u>

(continued)

City of Sandusky
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2003
(continued)

	Municipal Probation	General Trust	Park Donations	Cemetery Donations	Total
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$96,147	\$103,693	\$104,895	\$696,373	\$4,719,897
Accrued Interest Receivable	0	0	0	2,258	11,507
Due from Other Governments	2,549	0	0	0	517,449
Other Local Taxes Receivable	0	0	0	0	239,260
Prepaid Items	0	1,425	0	0	2,869
Materials and Supplies Inventory	0	0	0	0	116,994
Property Taxes Receivable	0	0	0	0	292,969
Notes Receivable	0	0	0	0	1,655,695
Total Assets	<u>\$98,696</u>	<u>\$105,118</u>	<u>\$104,895</u>	<u>\$698,631</u>	<u>\$7,556,640</u>
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accrued Wages Payable	\$0	\$2,118	\$0	\$0	\$28,711
Accounts Payable	0	237	0	0	81,291
Due to Other Governments	0	710	0	237	19,536
Deferred Revenue	0	0	0	2,258	881,459
Total Liabilities	<u>0</u>	<u>3,065</u>	<u>0</u>	<u>2,495</u>	<u>1,010,997</u>
<u>Fund Balance</u>					
Reserved for Encumbrances	668	5,145	2,400	56	55,190
Reserved for Notes Receivable	0	0	0	0	1,490,894
Unreserved (Deficit)	98,028	96,908	102,495	696,080	4,999,559
Total Fund Balance	<u>98,696</u>	<u>102,053</u>	<u>104,895</u>	<u>696,136</u>	<u>6,545,643</u>
Total Liabilities and Fund Balance	<u>\$98,696</u>	<u>\$105,118</u>	<u>\$104,895</u>	<u>\$698,631</u>	<u>\$7,556,640</u>

City of Sandusky
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2003

	Capital Improvement	Redevelopment Tax Increment	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$0	\$548	\$548
Municipal Income Taxes Receivable	30,191	0	30,191
Total Assets	\$30,191	\$548	\$30,739
<u>Liabilities and Fund Balance</u>			
<u>Liabilities</u>			
Deferred Revenue	\$27,424	\$0	\$27,424
<u>Fund Balance</u>			
Unreserved	2,767	548	3,315
Total Liabilities and Fund Balance	\$30,191	\$548	\$30,739

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City of Sandusky
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2003

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<u>Revenues</u>				
Property Taxes	\$242,651	\$502,460	\$0	\$745,111
Payment in Lieu of Taxes	0	0	20,949	20,949
Municipal Income Taxes	0	423,447	64,350	487,797
Other Local Taxes	478,751	0	0	478,751
Charges for Services	898,047	0	0	898,047
Fees, Licenses, and Permits	39,329	0	0	39,329
Fines and Forfeitures	68,596	0	0	68,596
Intergovernmental	1,867,974	61,978	0	1,929,952
Interest	110,560	0	0	110,560
Other	177,729	0	72,390	250,119
	<u>3,883,637</u>	<u>987,885</u>	<u>157,689</u>	<u>5,029,211</u>
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	626,980	0	0	626,980
Fire	695,910	0	0	695,910
Public Health	45,465	0	0	45,465
Leisure Time Activities	796,209	0	0	796,209
Community Environment	803,688	0	0	803,688
Transportation	2,096,953	0	0	2,096,953
Other	65,600	0	0	65,600
Debt Service:				
Principal Retirement	30,000	424,866	0	454,866
Interest and Fiscal Charges	59,270	900,111	0	959,381
	<u>5,220,075</u>	<u>1,324,977</u>	<u>0</u>	<u>6,545,052</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,336,438)</u>	<u>(337,092)</u>	<u>157,689</u>	<u>(1,515,841)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	1,304,100	117,971	101,932	1,524,003
Transfers Out	(500,571)	0	(282,179)	(782,750)
	<u>803,529</u>	<u>117,971</u>	<u>(180,247)</u>	<u>741,253</u>
Change in Fund Balance	(532,909)	(219,121)	(22,558)	(774,588)
Fund Balance Beginning of Year	7,078,552	970,382	25,873	8,074,807
Fund Balance End of Year	<u>\$6,545,643</u>	<u>\$751,261</u>	<u>\$3,315</u>	<u>\$7,300,219</u>

City of Sandusky
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003

	Street Maintenance	State Highway	Public Transit	Parks and Recreational	Fire Pension
<u>Revenues</u>					
Property Taxes	\$0	\$0	\$0	\$0	\$121,200
Other Local Taxes	478,751	0	0	0	0
Charges for Services	0	0	569,254	308,474	0
Fees, Licenses, and Permits	0	0	0	0	0
Fines and Forfeitures	0	0	0	0	0
Intergovernmental	738,201	55,489	352,676	0	14,755
Interest	731	23	0	0	0
Other	3,736	95	1,120	22,642	0
Total Revenues	1,221,419	55,607	923,050	331,116	135,955
<u>Expenditures</u>					
Current:					
Security of Persons and Property					
Police	0	0	0	0	0
Fire	0	0	0	0	695,910
Public Health	0	0	0	0	0
Leisure Time Activities	0	0	0	527,844	0
Community Environment	0	0	0	0	0
Transportation	1,184,438	60,931	851,584	0	0
General Government	0	0	0	0	0
Other	0	0	0	0	0
Debt Service:					
Principal Retirement	0	0	0	0	17,210
Interest and Fiscal Charges	0	0	0	0	34,001
Total Expenditures	1,184,438	60,931	851,584	527,844	747,121
Excess of Revenues Over (Under) Expenditures	36,981	(5,324)	71,466	(196,728)	(611,166)
<u>Other Financing Sources (Uses)</u>					
Transfers In	32,262	0	0	197,805	611,166
Transfers Out	(152,600)	0	(30,000)	0	0
Total Other Financing Sources (Uses)	(120,338)	0	(30,000)	197,805	611,166
Change in Fund Balance	(83,357)	(5,324)	41,466	1,077	0
Fund Balance (Deficit) Beginning of Year	268,319	14,226	31,794	(744)	0
Fund Balance End of Year	\$184,962	\$8,902	\$73,260	\$333	\$0

Police Pension	State Grants	Federal Grants	Indigent Drivers Alcohol	Enforcement and Education	Court Computerization	Indigent Telephone
\$121,451	\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	4,300	0	0	3,329
0	0	0	0	12,089	38,058	0
14,755	515,627	161,683	14,788	0	0	0
0	48,364	50,308	0	0	0	0
0	0	0	0	0	0	0
<u>136,206</u>	<u>563,991</u>	<u>211,991</u>	<u>19,088</u>	<u>12,089</u>	<u>38,058</u>	<u>3,329</u>
561,014	33,846	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	163,741	0	0	0	0
0	713,754	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	39,591	90	16,809	1,746
12,790	0	0	0	0	0	0
25,269	0	0	0	0	0	0
<u>599,073</u>	<u>747,600</u>	<u>163,741</u>	<u>39,591</u>	<u>90</u>	<u>16,809</u>	<u>1,746</u>
<u>(462,867)</u>	<u>(183,609)</u>	<u>48,250</u>	<u>(20,503)</u>	<u>11,999</u>	<u>21,249</u>	<u>1,583</u>
462,867	0	0	0	0	0	0
0	(200,000)	(117,971)	0	0	0	0
<u>462,867</u>	<u>(200,000)</u>	<u>(117,971)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
0	(383,609)	(69,721)	(20,503)	11,999	21,249	1,583
0	2,961,295	2,464,594	86,150	87,370	88,265	27,734
<u>\$0</u>	<u>\$2,577,686</u>	<u>\$2,394,873</u>	<u>\$65,647</u>	<u>\$99,369</u>	<u>\$109,514</u>	<u>\$29,317</u>

(continued)

City of Sandusky
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003
(continued)

	Municipal Probation	General Trust	Park Donations	Cemetery Donations	Total
<u>Revenues</u>					
Property Taxes	\$0	\$0	\$0	\$0	\$242,651
Other Local Taxes	0	0	0	0	478,751
Charges for Services	0	0	0	20,319	898,047
Fees, Licenses, and Permits	31,700	0	0	0	39,329
Fines and Forfeitures	0	18,449	0	0	68,596
Intergovernmental	0	0	0	0	1,867,974
Interest	0	0	0	11,134	110,560
Other	50	124,229	17,358	8,499	177,729
Total Revenues	31,750	142,678	17,358	39,952	3,883,637
<u>Expenditures</u>					
Current:					
Security of Persons and Property					
Police	0	32,120	0	0	626,980
Fire	0	0	0	0	695,910
Public Health	0	0	0	45,465	45,465
Leisure Time Activities	0	89,224	15,400	0	796,209
Community Environment	0	89,934	0	0	803,688
Transportation	0	0	0	0	2,096,953
General Government	0	0	0	0	0
Other	7,364	0	0	0	65,600
Debt Service:					
Principal Retirement	0	0	0	0	30,000
Interest and Fiscal Charges	0	0	0	0	59,270
Total Expenditures	7,364	211,278	15,400	45,465	5,220,075
Excess of Revenues Over (Under) Expenditures	24,386	(68,600)	1,958	(5,513)	(1,336,438)
<u>Other Financing Sources (Uses)</u>					
Transfers In	0	0	0	0	1,304,100
Transfers Out	0	0	0	0	(500,571)
Total Other Financing Sources (Uses)	0	0	0	0	803,529
Change in Fund Balance	24,386	(68,600)	1,958	(5,513)	(532,909)
Fund Balance (Deficit) Beginning of Year	74,310	170,653	102,937	701,649	7,078,552
Fund Balance End of Year	\$98,696	\$102,053	\$104,895	\$696,136	\$6,545,643

City of Sandusky
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2003

	Capital Improvement	Redevelopment Tax Increment	Total
<u>Revenues</u>			
Payment in Lieu of Taxes	\$0	\$20,949	\$20,949
Municipal Income Taxes	64,350	0	64,350
Other	72,390	0	72,390
Total Revenues	136,740	20,949	157,689
<u>Expenditures</u>			
	0	0	0
Excess of Revenues Over Expenditures	136,740	20,949	157,689
<u>Other Financing Sources (Uses)</u>			
Transfers In	101,932	0	101,932
Transfers Out	(242,179)	(40,000)	(282,179)
Total Other Financing Sources (Uses)	(140,247)	(40,000)	(180,247)
Change in Fund Balance	(3,507)	(19,051)	(22,558)
Fund Balance Beginning of Year	6,274	19,599	25,873
Fund Balance End of Year	\$2,767	\$548	\$3,315

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City of Sandusky
Combining Statements - Fiduciary Funds

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

Agency Funds

State Patrol Transfer

To account for monies deposited with the municipal court pending disposition to the Erie County Law Library and other municipalities.

Guaranteed Deposits

To account for monies deposited by contractors to guarantee the satisfactory completion of a job or project. These monies are returned to the depositor or used to pay any charges after the job or project has been accepted by the engineering department.

Sandusky Municipal Court

To account for bonds and other monies deposited with the municipal court pending final disposition of the various cases and payment to third parties, excluding the City.

BSF Assessment

To account for monies received and distributed pursuant to Ohio Revised Code Sections 3781.102 and 5705.09(F) regarding the building standards fee assessment.

Income Tax Garnishment

To account for monies deposited by the City for garnishing the wages of delinquent income tax accounts. These monies include both uncashed \$1 garnishment checks and the amount available for garnishment checks.

Payroll

To account for monies used for bi-weekly payroll.

Employee Series E Bonds

To account for monies deposited from payroll deductions for the purchase of Series E Bonds for individuals as requested.

Police Temporary Deposit

To account for monies for which the police department has temporary custody due to drug law enforcement or contraband. This money is held on deposit until the court requests the funds.

Section 125 Plan

To account for monies deposited from payroll deductions for medical bills and childcare for individuals.

City of Sandusky
Combining Statement of Assets and Liabilities
Agency Funds
December 31, 2003

	State Patrol Transfer	Guaranteed Deposits	Sandusky Municipal Court	BSF Assessment	Income Tax Garnishment
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$6,048	\$23,202	\$156,432	\$608	\$74
<u>Liabilities</u>					
Due to Other Governments	\$0	\$0	\$0	\$0	\$0
Undistributed Assets	6,048	23,202	156,432	608	74
Total Liabilities	\$6,048	\$23,202	\$156,432	\$608	\$74

<u>Payroll</u>	<u>Employee Series E Bonds</u>	<u>Police Temporary Deposit</u>	<u>Section 125 Plan</u>	<u>Total</u>
<u>\$42,169</u>	<u>\$535</u>	<u>\$7,485</u>	<u>\$623</u>	<u>\$237,176</u>
\$42,169	\$0	\$0	\$0	\$42,169
<u>0</u>	<u>535</u>	<u>7,485</u>	<u>623</u>	<u>195,007</u>
<u>\$42,169</u>	<u>\$535</u>	<u>\$7,485</u>	<u>\$623</u>	<u>\$237,176</u>

City of Sandusky
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2003

	Balance January 1, 2003	Additions	Reductions	Balance December 31, 2003
<u>State Patrol Transfer</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$3,252	\$40,044	\$37,248	\$6,048
<u>Liabilities</u>				
Undistributed Assets	\$3,252	\$40,044	\$37,248	\$6,048
<u>Guaranteed Deposits</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$12,957	\$10,245	\$0	\$23,202
<u>Liabilities</u>				
Undistributed Assets	\$12,957	\$10,245	\$0	\$23,202
<u>Sandusky Municipal Court</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$117,820	\$2,096,872	\$2,058,260	\$156,432
<u>Liabilities</u>				
Undistributed Assets	\$117,820	\$2,096,872	\$2,058,260	\$156,432
<u>BSF Assessment</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$161	\$1,475	\$1,028	\$608
<u>Liabilities</u>				
Undistributed Assets	\$161	\$1,475	\$1,028	\$608
<u>Income Tax Garnishment</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$74	\$13	\$13	\$74
<u>Liabilities</u>				
Undistributed Assets	\$74	\$13	\$13	\$74
<u>Payroll</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$41,247	\$42,169	\$41,247	\$42,169
<u>Liabilities</u>				
Due to Other Governments	\$41,247	\$42,169	\$41,247	\$42,169
<u>Employee Series E Bonds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$605	\$7,980	\$8,050	\$535
<u>Liabilities</u>				
Undistributed Assets	\$605	\$7,980	\$8,050	\$535

(continued)

City of Sandusky
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2003
(continued)

	Balance January 1, 2003	Additions	Reductions	Balance December 31, 2003
<u>Police Temporary Deposit</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$10,534	\$28,908	\$31,957	\$7,485
<u>Liabilities</u>				
Undistributed Assets	\$10,534	\$28,908	\$31,957	\$7,485
<u>Section 125 Plan</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$965	\$12,224	\$12,566	\$623
<u>Liabilities</u>				
Undistributed Assets	\$965	\$12,224	\$12,566	\$623
<u>Total - All Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$187,615	\$2,239,930	\$2,190,369	\$237,176
<u>Liabilities</u>				
Due to Other Governments	\$41,247	\$42,169	\$41,247	\$42,169
Undistributed Assets	146,368	2,197,761	2,149,122	195,007
Total Liabilities	\$187,615	\$2,239,930	\$2,190,369	\$237,176

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**INDIVIDUAL FUND SCHEDULES
OF REVENUES, EXPENDITURES/EXPENSES,
AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**

City of Sandusky
General Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2003

	Original	Budget	Actual	Variance with Final Budget Over (Under)
<u>Revenues</u>				
Property Taxes	\$1,645,182	\$1,645,182	\$1,476,896	(\$168,286)
Municipal Income Taxes	7,979,000	7,265,418	6,815,721	(449,697)
Other Local Taxes	3,791,405	3,684,533	3,929,591	245,058
Charges for Services	290,108	315,115	288,524	(26,591)
Fees, Licenses, and Permits	795,564	524,388	535,317	10,929
Fines and Forfeitures	818,398	931,523	872,274	(59,249)
Intergovernmental	1,203,817	1,310,557	1,386,158	75,601
Interest	600,000	378,985	302,650	(76,335)
Other	191,919	209,276	299,399	90,123
Total Revenues	17,315,393	16,264,977	15,906,530	(358,447)
<u>Expenditures</u>				
Current:				
Security of Persons and Property-Police				
Police Patrol	3,671,101	3,648,601	3,619,105	29,496
Police Records	687,675	700,991	643,175	57,816
Police Reserve	114,154	114,683	106,949	7,734
Police Marine Patrol	55,018	63,783	59,613	4,170
Total Security of Persons and Property-Police	4,527,948	4,528,058	4,428,842	99,216
Security of Persons and Property-Fire				
Fire Suppression	3,812,785	3,764,785	3,686,004	78,781
Security of Persons and Property-Other				
Street Lighting	111,000	111,000	110,453	547
Public Health				
Oakland Cemetery	268,921	273,987	271,765	2,222
Community Environment				
Community Development Planning	686,362	690,841	676,623	14,218
Community Development Building Division	272,905	263,466	260,177	3,289
Horticulture Services	958,272	967,577	945,587	21,990
Total Community Environment	1,917,539	1,921,884	1,882,387	39,497
General Government-Municipal Court				
Municipal Court	0	16	0	16
Court - Criminal	825,701	830,917	809,891	21,026
Total General Government-Municipal Court	825,701	830,933	809,891	21,042

(continued)

City of Sandusky
General Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2003
(continued)

	Original	Budget	Actual	Variance with Final Budget Over (Under)
General Government-Other				
City Manager	\$144,750	\$150,360	\$139,563	\$10,797
Personnel Labor Relations	229,089	150,112	149,143	969
Purchasing	57,365	56,435	55,448	987
Finance	180,445	177,895	176,632	1,263
Income Tax	357,724	443,219	432,427	10,792
Data Processing	133,923	136,633	135,616	1,017
Law Director	324,391	329,761	322,955	6,806
Law Prosecution	0	20	0	20
City Commission	33,094	31,999	31,816	183
City Commission Clerk	66,338	70,898	68,512	2,386
Municipal Buildings and Lands	608,013	627,050	621,835	5,215
Engineering	340,105	308,349	297,528	10,821
Traffic and Electrical Maintenance	0	6,363	6,363	0
Mechanic	301,066	312,232	274,242	37,990
Administrative Support	652,806	959,768	958,936	832
Total General Government-Other	3,429,109	3,761,094	3,671,016	90,078
Total Expenditures	14,893,003	15,191,741	14,860,358	331,383
Excess of Revenues Over Expenditures	2,422,390	1,073,236	1,046,172	(27,064)
<u>Other Financing Sources (Uses)</u>				
Other Financing Sources	143,384	215,518	154,165	(61,353)
Transfers In	0	30,000	30,000	0
Transfers Out	(1,491,972)	(1,480,902)	(1,393,538)	87,364
Total Other Financing Sources (Uses)	(1,348,588)	(1,235,384)	(1,209,373)	26,011
Change in Fund Balance	1,073,802	(162,148)	(163,201)	(1,053)
Fund Balance Beginning of Year	3,163,307	3,163,307	3,163,307	0
Prior Year Encumbrances Appropriated	75,686	75,686	75,686	0
Fund Balance End of Year	\$4,312,795	\$3,076,845	\$3,075,792	(\$1,053)

City of Sandusky
Special Assessment Bond Retirement Debt Service Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2003

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Special Assessments	\$432,977	\$427,724	(\$5,253)
<u>Expenditures</u>			
Debt Service:			
Principal Retirement	331,612	327,778	3,834
Interest and Fiscal Charges	137,388	137,375	13
Total Expenditures	469,000	465,153	3,847
Change in Fund Balance	(36,023)	(37,429)	(1,406)
Fund Balance Beginning of Year	219,026	219,026	0
Fund Balance End of Year	<u>\$183,003</u>	<u>\$181,597</u>	<u>(\$1,406)</u>

City of Sandusky
Capital Projects Capital Projects Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2003

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Charges for Services	\$927,578	\$412,783	(\$514,795)
Fees, Licenses, and Permits	0	193,513	193,513
Intergovernmental	663,731	424,621	(239,110)
Interest	27,668	28,282	614
Other	88,689	88,689	0
Total Revenues	1,707,666	1,147,888	(559,778)
<u>Expenditures</u>			
Current:			
Security of Persons and Property-Fire			
Fire	375,591	306,285	69,306
Leisure Time Activities			
Dorn Community Complex	10,838	10,838	0
Pedestrian/Bike Path Phase I	11,300	11,300	0
Boat Launch Ramp	1,192	1,192	0
West Battery Launch	201	201	0
Sandusky Fishing Stations	366	366	0
Total Leisure Time Activities	23,897	23,897	0
Community Environment			
City Wide Economic Development	8,735	8,735	0
Downtown Revitalization	12,315	12,315	0
Total Community Environment	21,050	21,050	0
Transportation			
West End Grade Separation	4,826	4,820	6
Issue II 1997 Resurfacing	283	283	0
Fifth Street Reconstruction	341	341	0
Rockwell Street	29	29	0
Venice/Edgewater Widening	62	62	0
Perkins Avenue	20,606	20,606	0
First Street Cleveland Road	5,610	5,610	0
Shelby Street Parking Lot	43	43	0
Columbus Avenue Bumpouts	24	24	0
Remington	17	17	0
Total Transportation	31,841	31,835	6
General Government-Other			
City Hall	1,721	1,721	0
Paper District	403,399	403,399	0
Amtrak Station	2,272	2,272	0
Court/Law Renovation	8,320	8,320	0
Total General Government-Other	415,712	415,712	0
Capital Outlay	4,720,972	4,665,612	55,360

(continued)

City of Sandusky
Capital Projects Capital Projects Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2003
(continued)

	Budget	Actual	Variance Over (Under)
Debt Service:			
Principal Retirement	\$1,377,640	\$1,377,640	\$0
Interest and Fiscal Charges	36,075	29,092	6,983
Total Debt Service	1,413,715	1,406,732	6,983
Total Expenditures	7,002,778	6,871,123	131,655
Excess of Revenues Under Expenditures	(5,295,112)	(5,723,235)	(428,123)
<u>Other Financing Sources (Uses)</u>			
Other Financing Sources	104,487	169,187	64,700
Proceeds of Notes	1,455,000	1,455,000	0
Transfers In	543,479	542,657	(822)
Transfers Out	(12,494)	(12,494)	0
Total Other Financing Sources (Uses)	2,090,472	2,154,350	63,878
Change in Fund Balance	(3,204,640)	(3,568,885)	(364,245)
Fund Balance Beginning of Year	851,323	851,323	0
Prior Year Encumbrances Appropriated	3,043,455	3,043,455	0
Fund Balance End of Year	\$690,138	\$325,893	(\$364,245)

City of Sandusky
Various Improvement Capital Projects Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2003

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Charges for Services	\$79,219	\$108,683	\$29,464
Interest	0	1,287	1,287
Other	4,759	26,092	21,333
Total Revenues	83,978	136,062	52,084
<u>Expenditures</u>			
Current:			
Community Environment			
Remove Unsafe Buildings	39,702	28,160	11,542
Nuisance Removal	19,472	19,472	0
Total Community Environment	59,174	47,632	11,542
Transportation			
Coldcreed Crossing	31,177	31,177	0
Sidewalk-Curb-Gutter-2000	18	18	0
Sidewalk-Curb-Gutter-2002	7,306	7,296	10
Sidewalk-Curb-Gutter-2003	67,381	48,365	19,016
Total Transportation	105,882	86,856	19,026
Capital Outlay	2,686,949	2,686,947	2
Debt Service:			
Principal Retirement	1,136,383	252,000	884,383
Interest and Fiscal Charges	18,960	8,820	10,140
Total Debt Service	1,155,343	260,820	894,523
Total Expenditures	4,007,348	3,082,255	925,093
Excess of Revenues Under Expenditures	(3,923,370)	(2,946,193)	977,177
<u>Other Financing Sources</u>			
Proceeds of Notes	5,575,000	5,575,000	0
Proceeds of Bonds	89,900	89,900	0
Transfers In	92,122	92,122	0
Total Other Financing Sources	5,757,022	5,757,022	0
Change in Fund Balance	1,833,652	2,810,829	977,177
Fund Balance Beginning of Year	92,719	92,719	0
Prior Year Encumbrances Appropriated	49,600	49,600	0
Fund Balance End of Year	\$1,975,971	\$2,953,148	\$977,177

City of Sandusky
Water Enterprise Fund

Schedule of Revenues, Expenses,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2003

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Charges for Services	\$5,740,512	\$5,940,519	\$200,007
Proceeds of Notes	390,000	390,000	0
Proceeds of OWDA Loans	10,445,441	5,639,637	(4,805,804)
Interest	0	150	150
Other	0	7,754	7,754
Total Revenues	16,575,953	11,978,060	(4,597,893)
<u>Expenses</u>			
Personal Services			
Water Office	98,844	98,107	737
Waterworks Filtration	920,061	917,223	2,838
Waterworks Distribution	713,248	694,894	18,354
Administrative Support	434,177	407,977	26,200
Total Personal Services	2,166,330	2,118,201	48,129
Travel and Transportation			
Water Office	1,000	100	900
Waterworks Filtration	5,335	5,314	21
Waterworks Distribution	1,621	1,191	430
Administrative Support	4,661	4,661	0
Total Travel and Transportation	12,617	11,266	1,351
Contractual Services			
Water Office	25,916	25,916	0
Waterworks Filtration	370,333	370,333	0
Waterworks Distribution	32,036	27,947	4,089
Administrative Support	123,806	123,806	0
Total Contractual Services	552,091	548,002	4,089
Materials and Supplies			
Water Office	1,311	1,311	0
Waterworks Filtration	472,096	472,077	19
Waterworks Distribution	107,289	105,360	1,929
Administrative Support	32,311	32,311	0
Total Materials and Supplies	613,007	611,059	1,948
Other			
Administrative Support	2,165	1,866	299
Capital Outlay			
Waterworks Filtration	9,892	9,892	0
Waterworks Distribution	8,580,051	8,989,142	(409,091)
Administrative Support	4,354	4,354	0
Total Capital Outlay	8,594,297	9,003,388	(409,091)

(continued)

City of Sandusky
Water Enterprise Fund

Schedule of Revenues, Expenses,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2003
(continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Debt Service:			
Principal Retirement	\$563,227	\$468,186	\$95,041
Interest Expense	248,672	331,508	(82,836)
Total Debt Service	<u>811,899</u>	<u>799,694</u>	<u>12,205</u>
Total Expenses	<u>12,752,406</u>	<u>13,093,476</u>	<u>(341,070)</u>
Change in Fund Balance	3,823,547	(1,115,416)	(4,938,963)
Fund Balance (Deficit) Beginning of Year	(3,016,047)	(3,016,047)	0
Prior Year Encumbrances Appropriated	<u>8,045,829</u>	<u>8,045,829</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$8,853,329</u></u>	<u><u>\$3,914,366</u></u>	<u><u>(\$4,938,963)</u></u>

City of Sandusky
Sewer Enterprise Fund

Schedule of Revenues, Expenses,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2003

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Charges for Services	\$6,508,822	\$6,325,760	(\$183,062)
Proceeds of Notes	3,720,000	3,720,000	0
Proceeds of OWDA Loans	10,927,175	7,647,826	(3,279,349)
Interest	0	325	325
Other	0	50,950	50,950
Total Revenues	21,155,997	17,744,861	(3,411,136)
<u>Expenses</u>			
Personal Services			
Sewer Office	177,610	158,594	19,016
Water Pollution Control	1,231,175	1,132,774	98,401
Sewer Maintenance	650,211	597,056	53,155
Administrative Support	437,418	408,009	29,409
Total Personal Services	2,496,414	2,296,433	199,981
Travel and Transportation			
Sewer Office	1,750	472	1,278
Water Pollution Control	24,200	13,191	11,009
Sewer Maintenance	8,000	2,862	5,138
Administrative Support	4,392	4,316	76
Total Travel and Transportation	38,342	20,841	17,501
Contractual Services			
Sewer Office	30,311	26,696	3,615
Water Pollution Control	774,319	771,761	2,558
Sewer Maintenance	140,471	121,205	19,266
Administrative Support	238,416	238,416	0
Total Contractual Services	1,183,517	1,158,078	25,439
Materials and Supplies			
Sewer Office	7,706	6,766	940
Water Pollution Control	268,496	210,193	58,303
Sewer Maintenance	108,930	89,197	19,733
Administrative Support	31,716	31,716	0
Total Materials and Supplies	416,848	337,872	78,976
Other			
Administrative Support	2,711	545	2,166

(continued)

City of Sandusky
Sewer Enterprise Fund

Schedule of Revenues, Expenses,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2003
(continued)

	Budget	Actual	Variance Over (Under)
Capital Outlay			
Sewer Office	\$346,352	\$291,064	\$55,288
Water Pollution Control	10,227,530	10,183,202	44,328
Sewer Maintenance	611,850	611,611	239
Administrative Support	6,275	4,354	1,921
Total Capital Outlay	<u>11,192,007</u>	<u>11,090,231</u>	<u>101,776</u>
Debt Service:			
Principal Retirement	2,739,232	2,363,889	375,343
Interest Expense	674,070	1,097,805	(423,735)
Total Debt Service	<u>3,413,302</u>	<u>3,461,694</u>	<u>(48,392)</u>
Total Expenses	<u>18,743,141</u>	<u>18,365,694</u>	<u>377,447</u>
Change in Fund Balance	2,412,856	(620,833)	(3,033,689)
Fund Balance (Deficit) Beginning of Year	(6,754,877)	(6,754,877)	0
Prior Year Encumbrances Appropriated	<u>9,487,698</u>	<u>9,487,698</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$5,145,677</u></u>	<u><u>\$2,111,988</u></u>	<u><u>(\$3,033,689)</u></u>

City of Sandusky
Street Maintenance Special Revenue Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2003

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Other Local Taxes	\$527,060	\$478,520	(\$48,540)
Intergovernmental	818,519	729,333	(89,186)
Interest	3,050	796	(2,254)
Other	3,487	0	(3,487)
Total Revenues	<u>1,352,116</u>	<u>1,208,649</u>	<u>(143,467)</u>
<u>Expenditures</u>			
Current:			
Transportation			
Street Resurfacing Program	92	0	92
Public Works	771,977	759,582	12,395
Traffic and Electrical Maintenance	345,852	307,584	38,268
Street Cleaning, Snow, and Ice Removal	64,095	64,095	0
Administrative Support	66,313	66,270	43
Total Expenditures	<u>1,248,329</u>	<u>1,197,531</u>	<u>50,798</u>
Excess of Revenues Over Expenditures	<u>103,787</u>	<u>11,118</u>	<u>(92,669)</u>
<u>Other Financing Sources (Uses)</u>			
Other Financing Sources	5,800	3,736	(2,064)
Transfers In	113,109	32,262	(80,847)
Transfers Out	(152,600)	(152,600)	0
Total Other Financing Sources (Uses)	<u>(33,691)</u>	<u>(116,602)</u>	<u>(82,911)</u>
Change in Fund Balance	70,096	(105,484)	(175,580)
Fund Balance Beginning of Year	100,949	100,949	0
Prior Year Encumbrances Appropriated	4,535	4,535	0
Fund Balance End of Year	<u>\$175,580</u>	<u>\$0</u>	<u>(\$175,580)</u>

City of Sandusky
State Highway Special Revenue Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2003

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Intergovernmental	\$54,804	\$54,769	(\$35)
Interest	33	23	(10)
Total Revenues	54,837	54,792	(45)
<u>Expenditures</u>			
Current:			
Transportation			
State Highway Maintenance and Repair	66,841	60,661	6,180
Excess of Revenues Under Expenditures	(12,004)	(5,869)	6,135
<u>Other Financing Sources</u>			
Other Financing Sources	672	95	(577)
Change in Fund Balance	(11,332)	(5,774)	5,558
Fund Balance Beginning of Year	11,332	11,332	0
Fund Balance End of Year	<u>\$0</u>	<u>\$5,558</u>	<u>\$5,558</u>

City of Sandusky
Public Transit Special Revenue Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Revenues</u>			
Charges for Services	\$718,236	\$553,751	(\$164,485)
Intergovernmental	356,842	346,109	(10,733)
Total Revenues	1,075,078	899,860	(175,218)
<u>Expenditures</u>			
Current:			
Transportation			
Public Transit System	870,098	866,954	3,144
Excess of Revenues Over Expenditures	204,980	32,906	(172,074)
<u>Other Financing Sources (Uses)</u>			
Other Financing Sources	0	1,120	1,120
Transfers Out	(30,000)	(30,000)	0
Total Other Financing Sources (Uses)	(30,000)	(28,880)	1,120
Change in Fund Balance	174,980	4,026	(170,954)
Fund Balance Beginning of Year	72,669	72,669	0
Prior Year Encumbrances Appropriated	98	98	0
Fund Balance End of Year	<u>\$247,747</u>	<u>\$76,793</u>	<u>(\$170,954)</u>

City of Sandusky
Parks and Recreational Special Revenue Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2003

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Charges for Services	\$318,130	\$308,474	(\$9,656)
Other	17,916	16,945	(971)
Total Revenues	<u>336,046</u>	<u>325,419</u>	<u>(10,627)</u>
<u>Expenditures</u>			
Current:			
Leisure Time Activities			
Aquatic Center	115,906	113,888	2,018
Mills Creek Golf Course	234,712	232,211	2,501
Recreation	141,557	139,599	1,958
Boat Launch Ramp	56,480	50,060	6,420
Administrative Support	1,363	112	1,251
Total Expenditures	<u>550,018</u>	<u>535,870</u>	<u>14,148</u>
Excess of Revenues Under Expenditures	<u>(213,972)</u>	<u>(210,451)</u>	<u>3,521</u>
<u>Other Financing Sources</u>			
Other Financing Sources	6,813	5,697	(1,116)
Transfers In	202,230	197,805	(4,425)
Total Other Financing Sources	<u>209,043</u>	<u>203,502</u>	<u>(5,541)</u>
Change in Fund Balance	(4,929)	(6,949)	(2,020)
Fund Balance Beginning of Year	4,644	4,644	0
Prior Year Encumbrances Appropriated	<u>2,305</u>	<u>2,305</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$2,020</u></u>	<u><u>\$0</u></u>	<u><u>(\$2,020)</u></u>

City of Sandusky
Fire Pension Special Revenue Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2003

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Property Taxes	\$121,200	\$121,200	\$0
Intergovernmental	13,709	14,755	1,046
Total Revenues	134,909	135,955	1,046
<u>Expenditures</u>			
Current:			
Security of Persons and Property-Fire Fire Pension	747,121	747,121	0
Excess of Revenues Under Expenditures	(612,212)	(611,166)	1,046
<u>Other Financing Sources</u>			
Transfers In	612,212	611,166	(1,046)
Change in Fund Balance	0	0	0
Fund Balance Beginning of Year	0	0	0
Fund Balance End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

City of Sandusky
Police Pension Special Revenue Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Revenues</u>			
Property Taxes	\$121,451	\$121,451	\$0
Intergovernmental	13,709	14,755	1,046
Total Revenues	135,160	136,206	1,046
<u>Expenditures</u>			
Current:			
Security of Persons and Property-Police			
Police Pension	599,073	599,073	0
Excess of Revenues Under Expenditures	(463,913)	(462,867)	1,046
<u>Other Financing Sources</u>			
Transfers In	463,913	462,867	(1,046)
Change in Fund Balance	0	0	0
Fund Balance Beginning of Year	0	0	0
Fund Balance End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

City of Sandusky
State Grants Special Revenue Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2003

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Intergovernmental	\$0	\$541,687	\$541,687
Interest	43,112	48,364	5,252
Other	317,888	346,976	29,088
Total Revenues	361,000	937,027	576,027
<u>Expenditures</u>			
Current:			
Security of Persons and Property-Police			
Homeland Security	34,287	34,276	11
UNV HR	173	173	0
Total Security of Persons and Property-Police	34,460	34,449	11
Community Environment			
Bay Front Paper District	133,900	133,900	0
Local Law Enforcement Block 97	49	49	0
Local Law Enforcement Block 98	3	3	0
Local Law Enforcement Block 99	55	55	0
Local Law Enforcement Block 01	36,600	36,596	4
Local Law Enforcement Block 02	979	979	0
SG ST-T-02-172-1 DTR	14,348	14,348	0
A-F-001-172 CDBP 01-02	169,348	169,348	0
F-02-172-1 CDBG	225,928	225,925	3
Revolving Loan Rehabilitation	10,814	9,664	1,150
Revolving Loan Economic Development	263,781	231,030	32,751
DRC Probation	55,909	55,896	13
Total Community Environment	911,714	877,793	33,921
Total Expenditures	946,174	912,242	33,943
Excess of Revenues Over (Under) Expenditures	(585,174)	24,785	609,959
<u>Other Financing (Uses)</u>			
Transfers Out	(200,000)	(200,000)	0
Change in Fund Balance	(785,174)	(175,215)	609,959
Fund Balance Beginning of Year	1,079,476	1,079,476	0
Prior Year Encumbrances Appropriated	34,243	34,243	0
Fund Balance End of Year	\$328,545	\$938,504	\$609,959

City of Sandusky
Federal Grants Special Revenue Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2003

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Intergovernmental	\$65,560	\$161,683	\$96,123
Interest	71,440	74,972	3,532
Total Revenues	<u>137,000</u>	<u>236,655</u>	<u>99,655</u>
<u>Expenditures</u>			
Current:			
Security of Persons and Property-Police			
Police Cops Phase I	9	9	0
Police Cops More 97	1,288	1,288	0
Total Security of Persons and Property-Police	<u>1,297</u>	<u>1,297</u>	<u>0</u>
Leisure Time Activities			
Pedestrian/Bike Path Phase I	170,000	163,741	6,259
Community Environment			
Revolving Loan Economic Development	117,731	0	117,731
Total Expenditures	<u>289,028</u>	<u>165,038</u>	<u>123,990</u>
Excess of Revenues Over (Under) Expenditures	(152,028)	71,617	223,645
<u>Other Financing Uses</u>			
Transfers Out	<u>(117,971)</u>	<u>(117,971)</u>	<u>0</u>
Change in Fund Balance	(269,999)	(46,354)	223,645
Fund Balance Beginning of Year	<u>2,416,131</u>	<u>2,416,131</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$2,146,132</u></u>	<u><u>\$2,369,777</u></u>	<u><u>\$223,645</u></u>

City of Sandusky
Indigent Drivers Alcohol Special Revenue Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Revenues</u>			
Intergovernmental	\$14,788	\$14,788	\$0
Fees, Licenses, and Permits	11,312	11,240	(72)
Total Revenues	26,100	26,028	(72)
<u>Expenditures</u>			
Current:			
Other			
Indigent Drivers Alcohol	54,300	45,671	8,629
Change in Fund Balance	(28,200)	(19,643)	8,557
Fund Balance Beginning of Year	81,178	81,178	0
Fund Balance End of Year	<u>\$52,978</u>	<u>\$61,535</u>	<u>\$8,557</u>

City of Sandusky
Enforcement and Education Special Revenue Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Revenues</u>			
Fines and Forfeitures	\$13,200	\$11,762	(\$1,438)
<u>Expenditures</u>			
Current:			
Other			
Enforcement and Education	10,000	0	10,000
Change in Fund Balance	3,200	11,762	8,562
Fund Balance Beginning of Year	86,810	86,810	0
Fund Balance End of Year	<u>\$90,010</u>	<u>\$98,572</u>	<u>\$8,562</u>

City of Sandusky
Court Computerization Special Revenue Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Revenues</u>			
Fines and Forfeitures	\$21,200	\$37,640	\$16,440
<u>Expenditures</u>			
Current:			
Other			
Court Computerization	21,200	12,629	8,571
Change in Fund Balance	0	25,011	25,011
Fund Balance Beginning of Year	87,667	87,667	0
Fund Balance End of Year	<u>\$87,667</u>	<u>\$112,678</u>	<u>\$25,011</u>

City of Sandusky
Indigent Telephone Special Revenue Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Revenues</u>			
Fees, Licenses, and Permits	\$10,200	\$3,253	(\$6,947)
<u>Expenditures</u>			
Current:			
Other			
Indigent Telephone	10,200	1,746	8,454
Change in Fund Balance	0	1,507	1,507
Fund Balance Beginning of Year	27,734	27,734	0
Fund Balance End of Year	<u>\$27,734</u>	<u>\$29,241</u>	<u>\$1,507</u>

City of Sandusky
Municipal Probation Special Revenue Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Revenues</u>			
Fees, Licenses, and Permits	\$19,000	\$29,151	\$10,151
<u>Expenditures</u>			
Current:			
Other			
Municipal Probation	19,033	8,032	11,001
Excess of Revenues Over (Under) Expenditures	(33)	21,119	21,152
<u>Other Financing Sources</u>			
Other Financing Sources	0	50	50
Change in Fund Balance	(33)	21,169	21,202
Fund Balance Beginning of Year	74,269	74,269	0
Prior Year Encumbrances Appropriated	41	41	0
Fund Balance End of Year	<u>\$74,277</u>	<u>\$95,479</u>	<u>\$21,202</u>

City of Sandusky
General Trust Special Revenue Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2003

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Fines and Forfeitures	\$18,449	\$18,449	\$0
Other	122,465	123,784	1,319
Total Revenues	<u>140,914</u>	<u>142,233</u>	<u>1,319</u>
<u>Expenditures</u>			
Current:			
Security of Persons and Property-Police			
Police Patrol	12,653	9,560	3,093
Contraband Trust	17,372	16,971	401
Police DARE	3,264	3,264	0
Police SRT	2,535	2,535	0
Police Dive Team	9	9	0
Total Security of Persons and Property-Police	<u>35,833</u>	<u>32,339</u>	<u>3,494</u>
Leisure Time Activities			
Green Trust	7,558	7,108	450
Skate Park	81,461	81,461	0
Total Leisure Time Activities	<u>89,019</u>	<u>88,569</u>	<u>450</u>
Community Environment			
Downtown Economic Development	81,618	77,700	3,918
Park Trust	17,702	17,160	542
Total Community Environment	<u>99,320</u>	<u>94,860</u>	<u>4,460</u>
Total Expenditures	<u>224,172</u>	<u>215,768</u>	<u>8,404</u>
Excess of Revenues Under Expenditures	(83,258)	(73,535)	9,723
<u>Other Financing Sources</u>			
Other Financing Sources	445	445	0
Change in Fund Balance	(82,813)	(73,090)	9,723
Fund Balance Beginning of Year	166,315	166,315	0
Prior Year Encumbrances Appropriated	<u>5,323</u>	<u>5,323</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$88,825</u></u>	<u><u>\$98,548</u></u>	<u><u>\$9,723</u></u>

City of Sandusky
Park Donations Special Revenue Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Revenues</u>			
Other	\$17,326	\$17,358	\$32
<u>Expenditures</u>			
Current:			
Leisure Time Activities			
Shoreline Park Improvement	15,400	15,400	0
Other			
Fred Epple Trust	5,600	2,412	3,188
Total Expenditures	21,000	17,812	3,188
Change in Fund Balance	(3,674)	(454)	3,220
Fund Balance Beginning of Year	102,949	102,949	0
Fund Balance End of Year	<u>\$99,275</u>	<u>\$102,495</u>	<u>\$3,220</u>

City of Sandusky
Cemetery Donations Special Revenue Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2003

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Charges for Services	\$62,121	\$20,319	(\$41,802)
Interest	0	19,790	19,790
Total Revenues	<u>62,121</u>	<u>40,109</u>	<u>(22,012)</u>
<u>Expenditures</u>			
Current:			
Public Health			
Oakland Cemetery	29,787	23,627	6,160
Chapel Restoration	3,671	3,671	0
Garden Mausoleum	2,339	2,253	86
Perpetual Care	3,830	3,748	82
Special Care	2,829	2,687	142
Memorial Paintings	100	90	10
Mausoleum	7,743	7,511	232
Dorn Endowment	2,000	2,000	0
Total Expenditures	<u>52,299</u>	<u>45,587</u>	<u>6,712</u>
Excess of Revenues Over (Under) Expenditures	9,822	(5,478)	(15,300)
<u>Other Financing Sources</u>			
Other Financing Sources	0	8,499	8,499
Change in Fund Balance	9,822	3,021	(6,801)
Fund Balance Beginning of Year	682,531	682,531	0
Prior Year Encumbrances Appropriated	<u>10,762</u>	<u>10,762</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$703,115</u></u>	<u><u>\$696,314</u></u>	<u><u>(\$6,801)</u></u>

City of Sandusky
General Bond Retirement Debt Service Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2003

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Property Taxes	\$567,925	\$502,460	(\$65,465)
Municipal Income Taxes	347,056	473,452	126,396
Intergovernmental	0	61,978	61,978
Total Revenues	<u>914,981</u>	<u>1,037,890</u>	<u>122,909</u>
<u>Expenditures</u>			
Debt Service:			
Principal Retirement	436,696	424,866	11,830
Interest and Fiscal Charges	900,634	900,111	523
Total Expenditures	<u>1,337,330</u>	<u>1,324,977</u>	<u>12,353</u>
Excess of Revenues Under Expenditures	(422,349)	(287,087)	135,262
<u>Other Financing Sources</u>			
Transfers In	117,971	117,971	0
Change in Fund Balance	(304,378)	(169,116)	135,262
Fund Balance Beginning of Year	<u>969,282</u>	<u>969,282</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$664,904</u></u>	<u><u>\$800,166</u></u>	<u><u>\$135,262</u></u>

City of Sandusky
Capital Improvement Capital Projects Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2003

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Municipal Income Taxes	\$69,129	\$67,857	(\$1,272)
Other	70,000	70,000	0
Total Revenues	139,129	137,857	(1,272)
<u>Expenditures</u>			
	0	0	0
Excess of Revenues Over Expenditures	139,129	137,857	(1,272)
<u>Other Financing Sources (Uses)</u>			
Other Financing Sources	1,939	2,390	451
Transfers In	101,932	101,932	0
Transfers Out	(243,000)	(242,179)	821
Total Other Financing Sources (Uses)	(139,129)	(137,857)	1,272
Change in Fund Balance	0	0	0
Fund Balance Beginning of Year	0	0	0
Fund Balance End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

City of Sandusky
 Redevelopment Tax Increment Capital Projects Fund

Schedule of Revenues, Expenditures,
 and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended December 31, 2003

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Payment in Lieu of Taxes	\$20,678	\$20,949	\$271
<u>Expenditures</u>	0	0	0
Excess of Revenues Over Expenditures	20,678	20,949	271
<u>Other Financing Uses</u>			
Transfers Out	(40,000)	(40,000)	0
Change in Fund Balance	(19,322)	(19,051)	271
Fund Balance Beginning of Year	19,599	19,599	0
Fund Balance End of Year	\$277	\$548	\$271

Statistical

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**THE FOLLOWING UNAUDITED STATISTICAL TABLES
REFLECT SOCIAL AND ECONOMIC DATA,
FINANCIAL TRENDS, AND FISCAL CAPACITY OF THE CITY**

City of Sandusky
 Governmental Fund Type Expenditures by Program
 Last Ten Years

Year	Security of Persons and Property	Public Health	Leisure Time Activities	Community Environment	Transportation	General Government	Other
1994	\$6,294,997	\$338,042	\$584,691	\$935,575	\$1,435,737	\$3,223,556	\$1,442
1995	6,724,044	355,436	712,284	1,177,649	1,546,568	2,882,161	14,876
1996	6,962,467	363,946	796,013	1,062,791	1,599,905	3,168,214	21,746
1997	7,059,645	391,894	808,060	2,008,903	1,566,152	3,351,429	59,532
1998	7,361,784	280,211	606,572	1,888,166	1,929,043	3,267,417	61,232
1999	7,927,614	258,835	619,518	2,847,660	2,175,015	3,462,839	42,637
2000	8,341,499	273,223	651,004	2,447,580	2,496,429	4,132,239	86,263
2001	8,960,893	298,907	726,969	1,954,070	2,454,674	4,495,323	45,849
2002	9,251,230	312,845	562,636	2,503,006	2,264,383	4,585,697	54,504
2003	9,652,045	319,351	796,209	2,696,902	2,096,953	4,503,710	65,600

Source: City Records

Tables presenting revenues and expenses of governmental activities will be presented when sufficient data is available to create meaningful comparisons.

<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
\$2,019,450	\$498,829	\$15,332,319
3,379,297	574,556	17,366,871
3,081,333	712,297	17,768,712
3,700,153	807,630	19,753,398
9,561,279	1,537,319	26,493,023
7,426,232	990,738	25,751,088
9,156,554	1,225,882	28,810,673
7,921,774	3,195,665	30,054,124
5,253,729	1,993,409	26,781,439
5,560,276	1,979,410	27,670,456

City of Sandusky
 Governmental Fund Type Revenues by Source
 Last Ten Years

Year	Property Taxes	Payment in Lieu of Taxes	Municipal Income Taxes	Other Local Taxes	Special Assessments	Charges for Services	Fees, Licenses, and Permits
1994	\$1,265,333	\$0	\$5,861,338	\$2,916,429	\$660,780	\$762,489	\$338,952
1995	1,176,602	0	6,178,675	3,227,828	572,037	1,004,248	379,847
1996	1,391,016	0	6,447,444	3,262,141	615,175	1,113,477	415,787
1997	1,400,162	0	6,449,070	2,807,588	539,703	1,054,287	665,962
1998	1,523,369	0	6,943,669	3,420,412	661,217	1,230,854	551,840
1999	1,999,129	0	7,018,275	3,493,101	811,449	1,402,865	622,330
2000	1,998,241	103,116	7,037,346	3,944,466	649,763	1,517,275	380,545
2001	2,214,697	20,679	7,404,105	3,741,044	624,338	1,578,119	900,427
2002	2,247,660	19,286	6,840,357	3,905,391	562,455	1,935,316	680,627
2003	2,222,007	20,949	7,251,576	4,396,773	427,724	1,727,554	769,953

Source: City Records

Tables presenting revenues and expenses of governmental activities will be presented when sufficient data is available to create meaningful comparisons.

Fines and Forfeitures	Inter- Governmental	Interest	Other	Total
\$588,561	\$2,670,604	\$417,326	\$97,291	\$15,579,103
670,704	2,585,948	535,102	271,817	16,602,808
728,144	3,042,267	593,904	251,707	17,861,062
750,310	3,568,865	966,021	397,853	18,599,821
789,367	6,306,993	1,172,590	1,592,346	24,192,657
872,419	5,102,313	1,059,212	1,494,063	23,875,156
773,159	4,420,339	1,431,680	810,114	23,066,044
896,888	3,372,556	1,230,815	729,014	22,712,682
980,432	3,745,672	789,465	894,006	22,600,667
963,967	3,818,995	406,113	861,457	22,867,068

City of Sandusky
Real Property Tax Levies and Collections
Last Ten Years

Collection Year	Current Tax Levy	Current Collections	Percentage of Current Collections to Current Tax Levy	Delinquent Charges	Delinquent Collections	Total Collections	Percentage of Total Collections to Current Tax Levy
1994	\$1,091,149	\$1,115,407	102.22%	\$47,851	\$37,772	\$1,153,179	105.68%
1995	1,234,568	1,133,710	91.83	45,180	38,914	1,172,624	94.98
1996	1,213,738	1,140,376	93.96	58,779	40,025	1,180,401	97.25
1997	1,245,757	1,151,578	92.44	51,312	40,464	1,192,042	95.69
1998	1,358,402	1,249,264	91.97	41,665	80,126	1,329,390	97.86
1999	1,883,592	1,812,916	96.25	141,835	74,586	1,887,502	100.21
2000	1,878,167	1,811,168	96.43	145,740	75,352	1,886,520	100.44
2001	2,233,538	2,041,609	91.41	191,929	76,646	2,118,255	94.84
2002	2,422,401	2,284,463	94.31	137,938	89,665	2,374,128	98.01
2003	2,520,906	2,334,575	92.61	186,391	90,866	2,425,441	96.21

Source: Erie County Auditor

City of Sandusky
Assessed and Estimated Actual
Value of Taxable Property
Last Ten Years

Collection Year	Assessed Valuations				Estimated Actual Value
	Real	Public Utility Personal	Tangible Personal	Total	
1994	\$275,371,410	\$52,812,280	\$26,472,300	\$354,655,990	\$1,043,556,890
1995	274,800,730	24,356,850	56,443,305	355,600,885	1,080,509,160
1996	282,715,850	24,170,500	60,473,494	367,359,844	1,118,712,119
1997	286,249,798	24,581,399	61,320,122	372,151,319	1,118,233,066
1998	311,447,790	28,747,840	61,487,103	401,682,733	1,172,681,618
1999	317,091,140	24,844,230	64,355,718	406,291,088	1,191,629,636
2000	318,326,290	22,875,100	64,159,264	405,360,654	1,166,166,661
2001	350,460,030	23,655,510	65,521,406	439,636,946	1,290,281,100
2002	357,159,460	17,532,410	76,042,536	450,734,406	1,287,812,595
2003	361,711,830	17,798,430	70,518,286	450,028,546	1,285,795,845

Source: Erie County Auditor

City of Sandusky
Property Tax Rates - Direct and Overlapping Governments
Per \$1,000 of Assessed Valuation
Last Ten Years

Year	Assessed Valuation	City				Total City
		General	Fire Pension	Police Pension	Bond Levy	
1994	\$354,655,990	\$3.65	\$0.30	\$0.30	\$0.00	\$4.25
1995	355,600,885	3.65	0.30	0.30	0.00	4.25
1996	367,359,844	3.65	0.30	0.30	0.00	4.25
1997	372,151,319	3.65	0.30	0.30	0.00	4.25
1998	401,682,733	3.65	0.30	0.30	0.00	4.25
1999	406,291,088	3.65	0.30	0.30	0.00	4.25
2000	405,360,654	3.65	0.30	0.30	1.26	5.51
2001	439,636,946	3.65	0.30	0.30	1.26	5.51
2002	450,734,406	3.65	0.30	0.30	1.26	5.51
2003	450,028,546	3.65	0.30	0.30	1.26	5.51

Source: Erie County Auditor

<u>School</u>	<u>County</u>	<u>Total</u>
\$63.10	\$8.00	\$75.35
63.10	7.80	75.15
63.10	7.80	75.15
63.10	7.80	75.15
67.20	8.30	79.75
66.84	8.30	79.39
66.84	8.30	80.65
65.20	8.30	79.01
65.20	8.30	79.01
70.55	8.80	84.86

City of Sandusky
Principal Taxpayers
December 31, 2003

Taxpayer	Type of Business	Total Assessed Valuation	Percent of Total City Assessed Valuation
Cedar Point, Inc.	Theme Park	\$53,114,560	11.80%
Ohio Edison Company	Electric Utility	8,816,480	1.96
Sandusky International	Central Fugal Castings	7,180,140	1.61
Fort James Operating Company	Thermaformed Container	5,488,580	1.22
Firelands Regional Health System	Hospital	5,009,310	1.11
SBC Communications	Telephone	3,745,710	0.83
FMC Corporation	Food Equipment	3,481,380	0.77
S & S Realty	Realty	3,318,000	0.74
Norfolk & Southern Railroad	Railroad	3,303,500	0.73
U S Tsubaki	Chains, Sprockets	2,450,450	0.54
Total Top Ten Taxpayers		<u>\$95,908,110</u>	<u>21.31%</u>
Total City		<u>\$450,028,546</u>	

Source: Erie County Auditor

City of Sandusky
Special Assessment Levies and Collections
Last Ten Years

Collection Year	Current Assessment Levied (3)	Total Assessments Collected (1)	Percentage of Collections to Amount Levied	Accumulated Delinquencies (2)
1994	\$468,771	\$434,653	92.72%	\$232,509
1995	474,115	435,287	91.81	270,517
1996	473,211	455,131	96.18	304,881
1997	463,391	446,180	96.29	333,797
1998	499,722	400,633	80.17	458,718
1999	494,836	449,241	90.79	530,898
2000	509,214	429,463	84.34	319,414
2001	494,657	401,765	81.22	412,286
2002	664,086	663,358	99.89	384,794
2003	693,650	480,958	69.34	554,250

Source: Erie County Auditor

- (1) Includes only those amounts billed and collected by the County.
- (2) Includes penalties and interest, if applicable.
- (3) Includes delinquent utility charges, building demolition, and weed cutting.

City of Sandusky
 Legal Debt Margin
 December 31, 2003

Total Assessed Valuation		\$450,028,546
Overall Debt Limitation - 10.5% of Assessed Valuation		47,252,997
Gross Indebtedness	62,379,979	
Less Debt Outside Limitation:		
Bond Anticipation Notes	4,110,000	
General Obligation Bonds	1,235,000	
Special Assessment Bonds	2,587,100	
General Obligation Revenue Bonds	1,400,000	
OWDA Loans	28,495,412	
	28,495,412	
Net Indebtedness	24,552,467	
Less: General Bond Retirement Fund Balance	751,261	
	751,261	
Net Debt Margin Within 10.5% Limitation		23,801,206
Legal Debt Margin Within 10.5% Limitation		\$23,451,791

Unvoted Debt Limitation - 5.5% of Assessed Valuation		\$24,751,570
Gross Indebtedness	62,379,979	
Less Debt Outside Limitation:		
Bond Anticipation Notes	4,110,000	
General Obligation Bonds	1,235,000	
Special Assessment Bonds	2,587,100	
General Obligation Revenue Bonds	1,400,000	
OWDA Loans	28,495,412	
	28,495,412	
Net Indebtedness	24,552,467	
Less: General Bond Retirement Fund Balance	751,261	
	751,261	
Net Debt Margin Within 5.5% Limitation		23,801,206
Legal Debt Margin Within 5.5% Limitation		\$950,364

City of Sandusky
Ratio of Net General Obligation Bonded Debt to
Assessed Value and Net General Bonded Debt Per Capita
Last Ten Years

Year	Population	Assessed Value	Gross Bonded Debt (1)	Debt Service Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1994	29,764	\$354,655,990	\$1,420,000	\$0	\$1,420,000	0.40%	\$47.71
1995	29,764	355,600,885	1,390,000	0	1,390,000	0.39	46.70
1996	29,764	367,359,844	1,272,000	1,192,743	79,257	0.02	2.66
1997	29,764	372,151,319	1,154,000	1,293,346	0	0.00	0.00
1998	29,764	401,682,733	420,000	873,482	0	0.00	0.00
1999	29,764	406,291,088	390,000	834,036	0	0.00	0.00
2000	27,844	405,360,654	6,360,000	0	6,360,000	1.57	228.42
2001	27,844	439,636,946	19,642,200	1,196,603	18,445,597	4.20	662.46
2002	27,844	450,734,406	19,212,333	970,382	18,241,951	4.05	655.15
2003	27,844	450,028,546	18,757,467	751,261	18,006,206	4.00	646.68

Source: Erie County Auditor

(1) Gross bonded debt equals the outstanding principal at year end on general obligation bonds payable.

City of Sandusky
Ratio of Annual Debt Service for
General Obligation Bonded Debt to Total Governmental Expenditures
Last Ten Years

Year	Debt Service for General Obligation Bonded Debt			Governmental Expenditures	Ratio
	Principal	Interest	Total		
1994	\$30,000	\$30,225	\$60,225	\$15,332,319	0.39%
1995	30,000	28,725	58,725	17,366,871	0.34
1996	118,000	75,625	193,625	17,768,712	1.09
1997	118,000	69,285	187,285	19,753,398	0.95
1998	734,000	49,812	783,812	26,493,023	2.96
1999	30,000	22,725	52,725	25,751,088	0.20
2000	30,000	21,225	51,225	28,810,673	0.18
2001	390,000	692,370	1,082,370	30,054,124	3.60
2002	429,867	910,260	1,340,127	26,781,439	5.00
2003	454,866	959,381	1,414,247	27,670,456	5.11

Source: City Records

City of Sandusky
 Computation of Direct and Overlapping Debt
 December 31, 2003

	Assessed Valuation	General Obligation Debt	Percent Applicable to City of Sandusky (1)	Amount Applicable to City of Sandusky
City of Sandusky	\$450,028,546	\$62,379,979	100.00%	\$62,379,979
Erie County	1,697,999,663	43,103,000	6.17	2,659,455
Sandusky City School District	450,028,546	885,000	0.00	0
Subtotal	2,148,028,209	43,988,000		2,659,455
Total	<u>\$2,598,056,755</u>	<u>\$106,367,979</u>		<u>\$65,039,434</u>

Source: City Records and Erie County Auditor

(1) Percentages were determined by dividing the assessed valuation of the political subdivision located within the boundaries of the City by the total assessed valuation of the political subdivision. The valuations used were for the 2003 collection year.

City of Sandusky
 General Obligation - Revenue Supported - Bond Coverage
 Water Enterprise Fund
 Last Ten Years

Year	Gross Revenues	Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1994	\$2,730,640	\$1,970,324	\$760,316	\$308,500	\$228,240	\$536,740	1.42%
1995	2,942,055	2,111,940	830,115	308,500	206,998	515,498	1.61
1996	2,909,367	1,992,100	917,267	208,500	185,756	394,256	2.33
1997	3,008,504	2,381,713	626,791	208,500	170,057	378,557	1.66
1998	3,300,455	2,488,304	812,151	213,500	156,772	370,272	2.19
1999	3,280,565	2,495,424	785,141	213,500	139,668	353,168	2.22
2000	3,083,574	2,518,245	565,329	213,500	127,152	340,652	1.66
2001	4,226,826	3,391,723	835,103	213,500	112,340	325,840	2.56
2002	5,392,746	3,294,752	2,097,994	920,000	95,115	1,015,115	2.07
2003	5,932,736	3,674,710	2,258,026	200,000	76,926	276,926	8.15

Source: City Records

(1) Includes depreciation expense, excludes interest expense.

City of Sandusky
 General Obligation - Revenue Supported - Bond Coverage
 Sewer Enterprise Fund
 Last Ten Years

Year	Gross Revenues	Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1994	\$2,460,773	\$2,667,729	(\$206,956)	\$74,500	\$60,853	\$135,353	(1.53%)
1995	3,270,434	2,987,459	282,975	75,500	63,101	138,601	2.04
1996	3,178,778	2,754,656	424,122	75,500	52,436	127,936	3.32
1997	3,175,594	3,406,244	(230,650)	71,807	47,878	119,685	(1.93)
1998	3,372,058	3,172,342	199,716	75,500	44,019	119,519	1.67
1999	3,768,240	3,661,278	106,962	75,500	73,392	148,892	0.72
2000	3,738,380	3,220,259	518,121	75,500	35,604	111,104	4.66
2001	5,326,004	4,141,231	1,184,773	75,500	31,395	106,895	11.08
2002	5,887,722	4,127,066	1,760,656	46,000	26,982	72,982	24.12
2003	6,341,187	4,178,936	2,162,251	47,000	24,887	71,887	30.08

Source: City Records

(1) Includes depreciation expense, excludes interest expense.

City of Sandusky
Demographic Statistics
1960 - 2000

Year	Population	Dwelling Units	Occupied Dwelling Units Households	Persons Per Household	Owner Occupied Units	Median Family Income
1960	31,989	7,291	7,016	4.56	3,783	\$6,526
1970 (1)	32,674	11,803	10,867	3.01	6,742	8,915
1980 (2)	31,360	13,169	11,932	2.62	7,328	16,046
1990	29,764	13,416	12,059	2.58	6,931	N/A
2000	27,844	13,323	11,851	2.31	6,692	N/A

Source: City of Sandusky Department of Community Development and U.S. Bureau of the Census

(1) 1968 Figures

(2) 1979 Figures

City of Sandusky
Property Value, Construction, and Bank Deposits
Last Ten Years

Year	Total Real Property Value	Commercial Construction (1)		Residential Construction (1)		Bank Deposits (2)
		Number of Units	Value	Number of Units	Value	
1994	\$275,371,410	64	\$20,704,623	566	\$4,661,266	\$246,960,000
1995	274,800,730	96	13,438,185	584	4,602,110	245,973,000
1996	282,715,850	112	13,828,609	605	4,917,967	245,161,000
1997	286,249,798	135	10,170,285	574	4,874,666	268,944,000
1998	311,447,790	102	26,848,146	425	5,124,026	288,494,000
1999	317,091,140	109	34,400,988	491	7,184,258	283,288,000
2000	318,326,290	121	17,186,521	587	7,336,081	279,070,000
2001	350,460,030	206	28,269,740	1,063	8,121,450	298,753,000
2002	357,159,460	136	24,611,714	438	6,323,118	434,807,000
2003	361,711,830	139	15,116,918	278	6,358,300	405,863,000

(1) Source: Building Inspector

(2) Source: Federal Deposit Insurance Corporation and Federal Savings and Loan Insurance Corporation.
Total Deposits for Erie County.

City of Sandusky
Income Tax Collections
1968-2003

Income Tax Rate 1 Percent

Year	General Fund	Street Maintenance Fund	General Bond Retirement Fund	Capital Improvement Fund	Total Collections (1)
1968	60.00%	0.00%	0.00%	40.00%	\$873,898
1969	60.00	0.00	0.00	40.00	1,354,131
1970	60.00	0.00	0.00	40.00	1,456,024
1971	60.00	0.00	0.00	40.00	1,507,636
1972	60.00	0.00	0.00	40.00	1,636,918
1973	60.00	0.00	0.00	40.00	1,812,152
1974	60.00	0.00	0.00	40.00	2,068,399
1975	70.00	0.00	0.00	30.00	2,156,669
1976	70.00	0.00	0.00	30.00	2,186,367
1977	70.00	0.00	0.00	30.00	2,456,051
1978	70.00	0.00	0.00	30.00	2,820,951
1979	70.00	0.00	0.00	30.00	3,145,229
1980	70.00	0.00	0.00	30.00	3,160,968
1981	80.00	0.00	0.00	20.00	3,108,138
1982	80.00	0.00	0.00	20.00	3,096,968
1983	90.00	0.00	0.00	10.00	3,398,780
1984	80.00	0.00	0.00	20.00	3,289,881
1985	80.00	5.00	0.00	15.00	3,618,895
1986	80.00	5.00	6.25	8.75	3,590,649
1987	91.75	0.00	6.25	2.00	4,009,896
1988	91.75	0.00	6.25	2.00	4,542,402
1989	91.75	0.00	6.25	2.00	4,607,716
1990	88.75	0.00	6.25	5.00	4,912,882
1991	88.75	0.00	6.25	5.00	4,884,478
1992	88.75	0.00	6.25	5.00	4,943,999
1993	88.75	0.00	6.25	5.00	5,373,553
1994	88.75	0.00	6.25	5.00	5,861,337
1995	88.75	0.00	6.25	5.00	6,167,312
1996	88.75	0.00	6.25	5.00	6,447,444
1997	88.75	0.00	6.25	5.00	6,449,070
1998	88.75	0.00	6.25	5.00	6,943,669
1999	88.75	0.00	6.25	5.00	7,018,275
2000	88.75	0.00	6.25	5.00	7,037,346
2001	88.75	0.00	6.25	5.00	7,404,105
2002	92.75	0.00	6.25	1.00	6,840,357
2003	92.75	0.00	6.25	1.00	7,251,576

Source: City Records

(1) 1968 - 1984 cash basis; 1985 - 2003 GAAP basis.

City of Sandusky
Miscellaneous Statistics
December 31, 2003

Date of Incorporation:	1818	Recreation and Culture:
Form of Government:	City Commission-City Manager	Parks and Playgrounds (236 acres)
Area:	14.9 sq. mi. (land 9.1, water 5.8)	Municipal Golf Course (9 holes)
Location:	Situated on Sandusky Bay, Lake Erie, midway between Cleveland and Toledo	Municipal Boat Ramp
Climatology:	Temperature 49.0 degrees, Rainfall 45.03 (avg)	Country Club, Yacht Club, and Sailing Club
Miles of Streets:	101.79 paved, 5.69 unpaved	Private Marinas
Homes:	11,851	Fishing, Hunting, Swimming, and Boating
Churches:	70, 36 denominations	Cedar Point Amusement Park
Financial Institutions:		Surf's Up Wave Action Pool
Banks	5	Theaters (2)
Savings and Loans	1	Industrial
Fire Protection:		73 Establishments
Number of Stations	3	14,400 Wage Earners
Number of Firemen and Officers	57	Port
Number of Fire Hydrants	915	Major Coal Loading Docks
Police Protection:		Port of Entry U.S. Immigration Service, Passport and Customs Office
Number of Stations	1	Public Utilities
Number of Policemen and Officers	57	Ohio Edison Company/First Energy
Hospitals	1, Total 494 beds, 22 bassinets	Columbia Gas Company of Ohio
Education:		SBC
Public		Water Supply
Elementary Schools	8	Capacity of filtration plant 18 million gal./day
Middle Schools	2	Water Supply - Lake Erie
Secondary Schools	1	Water Pollution Control
Total	11	Capacity of plant 25 million gal./day
Enrollment		Transportation
Elementary Schools	2,220	Griffing Sandusky Airport
Middle Schools	536	Freight - Conrail
Secondary Schools	1,200	Norfolk & Southern Railroad
Total Enrollment	3,956	Greyhound Bus Lines
Communication:		Boat Ferry Service
Newspapers		Airplane Service
Sandusky Register	Circulation - 24,000	21 Trucking Lines
Morning Journal	Circulation - 50,000	Passenger Service (freight and auto)
Radio Stations		Amtrak
WLEC 1450 AM	35 mile radius	Canada - Pelee Island Steamer
WCPZ 102.7 FM	50 mile radius	Lake Erie Islands - Neuman Boat Lines, Goodtime I, and Island Rocket
Television Stations		Sandusky Transit System
Register Cable News Ch 41 (T.W. Teleproductions)		
Showtime, HBO, and Movie Channels available		

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CITY OF SANDUSKY

ERIE 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
AUGUST 12, 2004**