



**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, 2004**

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>Direct</i>			
Community Development Block Grant - Entitlement Grants	N/A	14.218	\$ 100,192
<i>Passed Through Ohio Department of Development</i>			
HOME Investment Partnerships Program	A-C-04-172	14.239	3,633
Community Development Block Grant - Small Cities Program	A-E-03-172 A-F-02-172 A-F-03-172 A-T-02-172	14.228	62,592 - 15,283 59,793 <u>137,668</u>
Total United States Department of Housing and Urban Development			<u>241,493</u>
UNITED STATES DEPARTMENT OF TRANSPORTATION			
<i>Direct</i>			
Federal Transit Grant	N/A	20.507	281,604
UNITED STATES DEPARTMENT OF JUSTICE			
<i>Direct</i>			
Local Law Enforcement Block Grant	2002-LB-BX-2159 2003-LB-BX-0456	16.592	28,246 7,444 <u>35,690</u>
Total Local Law Enforcement Block Grant			<u>35,690</u>
Bulletproof Vest Partnership Program		16.607	<u>4,998</u>
Total United States Department of Justice			<u>40,688</u>
UNITED STATES DEPARTMENT OF HOMELAND SECURITY			
<i>Direct</i>			
Assistance to Firefighters Grant	EMW-2003-FG-11598	97.044	29,318
<i>Passed Through Ohio Emergency Management Agency</i>			
Public Assistance Program	FEMA-EM 3198-OH	97.036	<u>34,140</u>
Total United States Department of Homeland Security			<u>63,458</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$ 627,243</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, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (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. At December 31, 2004, the gross amount of loans outstanding under this program was \$1,681,747. Delinquent amounts due are \$50,383.

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

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

To Members of the 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 the City of Sandusky, Erie County, (the City) as of and for the year ended December 31, 2004, which collectively comprise the City's basis financial statements and have issued our report thereon dated June 30, 2005, in which we noted the City had changed its method for accounting for pension obligations. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the City's management dated June 30, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of

City of Sandusky
Erie County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

noncompliance or other matters that we must report under *Government Auditing Standards*. In a separate letter to the City's management dated June 30, 2005, we reported other matters related to noncompliance we deemed immaterial.

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

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

Betty Montgomery
Auditor of State

June 30, 2005



**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 Members of the Commission:

Compliance

We have audited the compliance of the City of Sandusky, Erie County, (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that apply to its major federal program for the year ended December 31, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal program. Compliance with the requirements of laws, regulations, contracts, and grants applicable to the 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing other procedures 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 of Sandusky complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2004.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Federal Awards Expenditures Schedule

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 as of and for the year ended December 31, 2004, and have issued our report thereon dated June 30, 2005, in which we noted the City had changed its method for accounting for pension obligations. Our audit was performed to form opinions on the financial statements that collectively comprise the City's basic financial statements taken as a whole. The accompanying federal awards expenditures schedule provides additional information as required by OMB Circular A-133 and is not a required part of the basic financial statements. We subjected this information 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 intend this report solely for the information and use of the audit committee, management, City Commission, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

June 30, 2005

**CITY OF SANDUSKY
ERIE COUNTY**

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

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):	Federal Transit Grant (CFDA# 20.507)
<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, 2004

Introductory

CITY OF SANDUSKY, OHIO

COMPREHENSIVE

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2004

Prepared By:

Department of Finance

Edward A. Widman
Finance Director

Hank S. Solowiej, CPA
Senior Accountant/Auditor

Carol A. Roth
Secretary

Jacki M. Jesberger
Senior Accounting Clerk II

Mary L. Lauber
Senior Accounting Clerk II



CITY OF SANDUSKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2004

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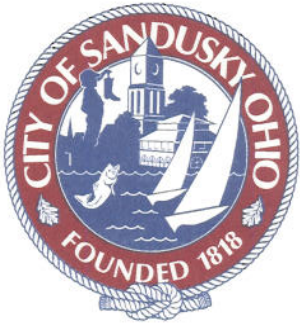
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DEPARTMENT OF FINANCE
DIVISION OF FINANCE & AUDITS
EDWARD A. WIDMAN, Finance Director

222 MEIGS STREET
SANDUSKY, OHIO 44870
Phone (419) 627-5888
FAX (419) 627-5892 or
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June 30, 2005

To the City Commission and Citizens of Sandusky,

The Comprehensive Annual Financial Report of the City of Sandusky for the year ended December 31, 2004, 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 2003 City of Sandusky Comprehensive Annual Financial Report, the City's organizational 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, 2004. 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 and 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 2004 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 2004.

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 annual base wage increases for three years. These agreements expire December 31, 2006.

CASH MANAGEMENT

During the year ended December 31, 2004, 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, 2004, 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	\$4,164	0.01%
Deposits	5,308,080	22.30
U.S. Government Securities	13,844,331	58.17
City of Sandusky Bonds	165,444	0.70
Star Ohio	4,478,354	18.82
Total	<u>\$23,800,373</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 12 to the basic 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.

Implementation of the Sandusky Bay Pathway Master Plan, which trails along the lakefront, began in 2004 with Phase 1 and Phase 2 scheduled for construction in 2005. The pathway provides a route that offers a means of exercise, relaxation, and access to public parks and facilities where citizens can fish, swim, walk, run, play tennis, enjoy the scenic view of Sandusky Bay, and unwind.

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.

Sandusky Transit System (STS) public transportation has been serving the Sandusky and Erie County community since 1992. With no source of dedicated local revenue, the system is largely supported through U.S. Federal and State of Ohio grants. In 2004, the system provided over 83,000 rides, 54 percent being work related and another 28 percent for medical reasons. The system is demand-responsive with a curb-to-curb assistance policy. Current projects include the Main Street Trolley, a summer seasonal tourist shuttle, and downtown the Sandusky Historic Tour Program to promote Sandusky as a destination. The summer of 2005 is also the initial year of Put-in-Bay Boat Line ferry service operating from Sandusky to the Erie Islands; STS is supporting the privately owned public ferry service with a one-year operational grant.

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 completed their first year-round attraction - Castaway Bay Indoor Water Park Resort.

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 Streets Program received a Downtown Revitalization grant for over \$400,000 to renovate buildings. The City has used the grant to complete code and façade improvements to twelve properties in the targeted area. In 2003, a Community Reinvestment Area was established to reduce the cost of improving downtown buildings.

Development has begun in earnest in the City’s Downtown District. Projects include major renovations of the Sandusky State Theatre and Sandusky Library. Several businesses have also had extensive renovations including the Sherwin Williams building with \$300,000 of improvements. Other improvements include the Lake View building with eleven units and office space, the Hubbard building with nine units and retail space, and Rieger Lofts which will have forty-one apartment lofts, retail space, and a restaurant.

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, which is called the Paper District. In December 2003, the City received a grant to pay for acquisition, environmental cleanup, and demolition of part of the project site. Currently one hundred ninety-one condominium units have been reserved.

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 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 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.

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. In 2004, the Cold Creek Subdivision broke ground on the City’s west end which will contain ninety-five single-family homes and one hundred two condominiums when completed. This new neighborhood includes sidewalks, underground utilities, over eight acres of woods, a common area, and natural creek and park.

The City works hard to improve the existing housing by obtaining housing improvement grants. The City received a Community Housing Improvement Program (CHIP) grant in 2004 for \$550,000 for Owner Occupied Rehabilitation and has applied for a CHIP 2005 grant. In addition, the City received a \$300,000 Distress Grant for infrastructure improvements targeted to the City's south side neighborhood.

MAJOR INITIATIVES

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

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 the properties within the downtown. 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, undertaking environmental cleanup and remediation, and exercise options of certain properties within the area. The City received a CORF grant for \$116,000 for a Phase 2 environmental assessment.

To continue laying the groundwork for future Sandusky development, a five-year strategic plan was implemented in 2005.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded for the thirteenth 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, 2003. 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

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department and the supervisors of the other various departments. The preparation of the CAFR requires a major effort and we would like to express our appreciation to everyone who assisted and contributed to the presentation of this year's report.

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, work, and play. Special acknowledgment is extended to the Local Government Services Section of the Office of the Auditor of State for their continued guidance in the preparation of this report.



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, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



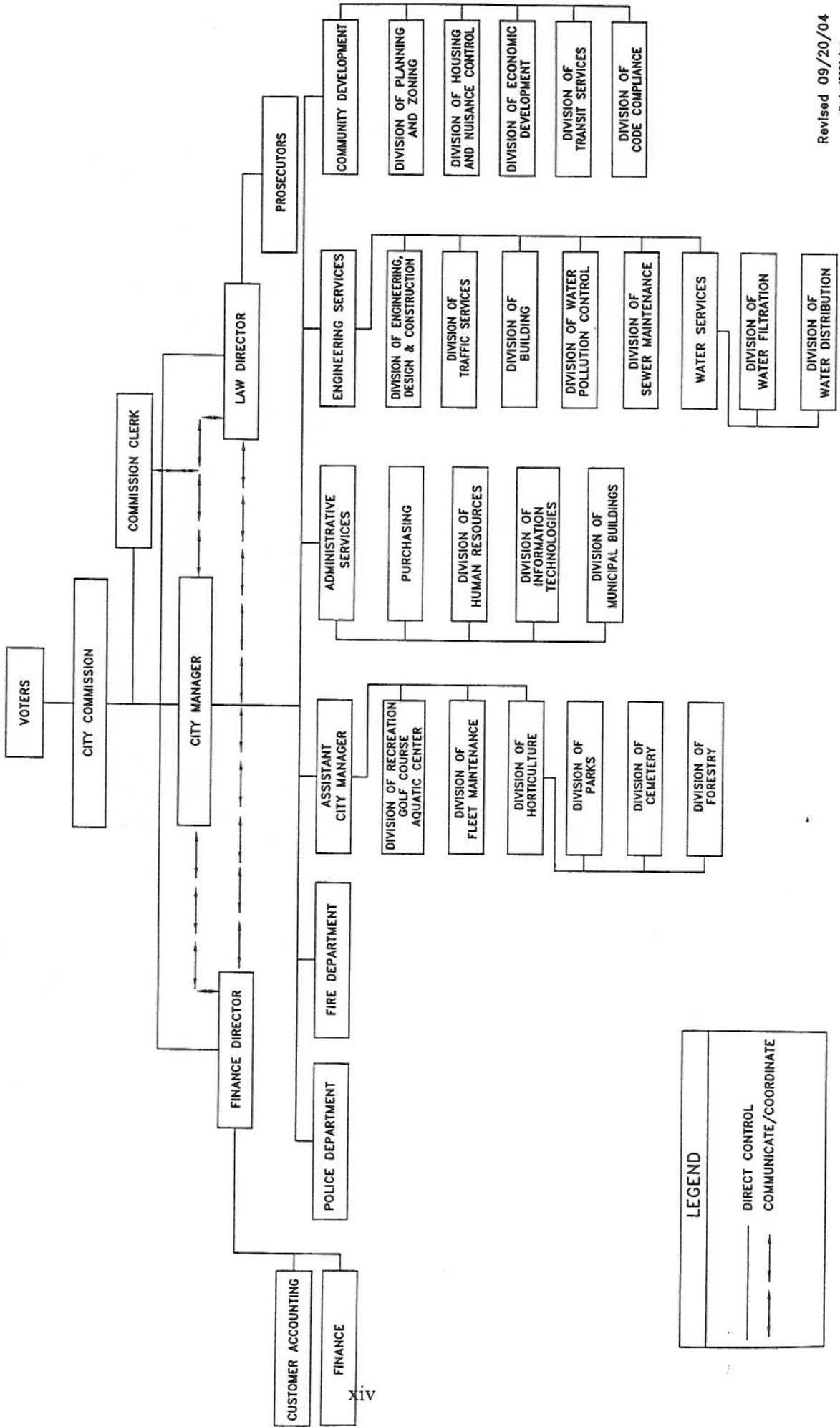
Nancy L. Zielle

President

Jeffrey R. Enos

Executive Director

ORGANIZATIONAL CHART
City of Sandusky



LEGEND

— DIRECT CONTROL

- - - COMMUNICATE/COORDINATE

CITY OF SANDUSKY, OHIO

ELECTED PUBLIC OFFICIALS

December 31, 2004

CITY COMMISSION

Michael J. Kresser
President/Ex-Officio Mayor
Term Expires 12-31-05
First took office 01-01-86
Re-elected 01-01-98

Daniel J. Kaman
Vice-President
Term Expires 12-31-07
First took office 01-01-04

David L. Waddington
Term Expires 12-31-07
First took office 01-01-04

Leroy Sizemore
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

Dannie K. Edmon
Term Expires 12-31-07
First took office 01-01-04

Brett L. Fuqua, Sr.
Term Expires 12-31-07
First took office 01-01-04

APPOINTED OFFICIALS

December 31, 2004

CITY MANAGER

Michael J. Will

FINANCE DIRECTOR

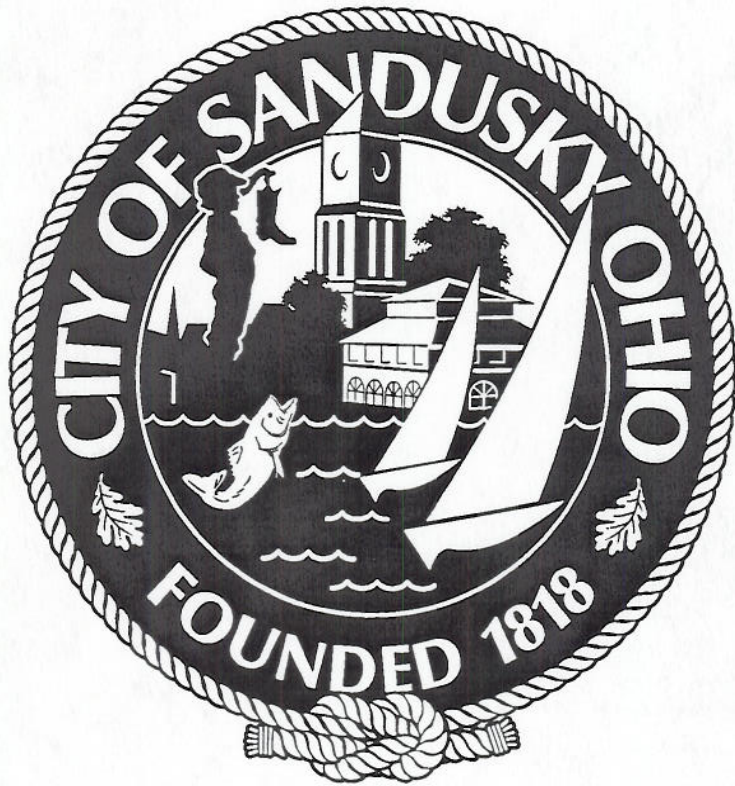
Edward A. Widman

LAW DIRECTOR

Donald C. Icsman

CLERK OF COMMISSION

B. Joyce Brown



Financial



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

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 the City of Sandusky, Erie County (the City), as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sandusky, Erie County, Ohio, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2004, the City changed its method of accounting for pension obligations.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2005, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund statements and schedules and statistical tables provide additional information and are not a required part of the basic financial statements. We subjected the combining and individual 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, 2005

CITY OF SANDUSKY
Management's Discussion and Analysis
For the Year Ended December 31, 2004
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, 2004. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

HIGHLIGHTS

Key highlights for 2004 are as follows:

In total, the City's net assets increased \$3,977,543, or a little over 6 percent (which is generally not significant). The decrease for governmental activities was less than 1 percent, almost no change from the prior year. Business-type activities increased by \$4,303,466; just over 23 percent. Business-type activities consist of the City's Water and Sewer funds. These activities are supported by utility rates. While much of the activity affecting this increase was related to capital asset related activities (refer to the discussion on page 5), this increase in net assets is due to the simple fact that charges for services exceeded operating costs in 2004 by \$4+ million.

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 or 2004, 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 2004 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, 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 2004. 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, 2004
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, and equipment). 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, 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, 2004
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 2004 and 2003.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
<u>Assets</u>						
Current and Other Assets	\$23,357,515	\$27,754,149	\$14,920,865	\$15,003,446	\$38,278,380	\$42,757,595
Capital Assets, Net	54,643,483	51,682,149	45,638,943	39,715,418	100,282,426	91,397,567
Total Assets	<u>78,000,998</u>	<u>79,436,298</u>	<u>60,559,808</u>	<u>54,718,864</u>	<u>138,560,806</u>	<u>134,155,162</u>
<u>Liabilities</u>						
Current and Other Liabilities	12,069,015	12,645,535	3,646,002	5,776,001	15,715,017	18,421,536
Long-Term Liabilities	22,773,561	23,306,418	34,178,669	30,511,192	56,952,230	53,817,610
Total Liabilities	<u>34,842,576</u>	<u>35,951,953</u>	<u>37,824,671</u>	<u>36,287,193</u>	<u>72,667,247</u>	<u>72,239,146</u>
<u>Net Assets</u>						
Invested in Capital Assets, Net of Related Debt	33,551,795	31,552,987	10,247,801	5,710,006	43,799,596	37,262,993
Restricted	9,804,829	9,573,234	0	0	9,804,829	9,573,234
Unrestricted	(198,202)	2,358,124	12,487,336	12,721,665	12,289,134	15,079,789
Total Net Assets	<u>\$43,158,422</u>	<u>\$43,484,345</u>	<u>\$22,735,137</u>	<u>\$18,431,671</u>	<u>\$65,893,559</u>	<u>\$61,916,016</u>

Total net assets for governmental activities decreased \$325,923, or less than 1 percent and an insignificant change. Total assets decreased just less than 2 percent; however, there were a couple of notable changes. Cash and cash equivalents decreased by \$4.9 million, most went to the purchase of land for the Bayfront Urban Revitalization Project as well as for construction on the Cold Creek Crossing residential subdivision project. All of the assets constructed by the City related to the Bayfront Urban Revitalization Project will be donated to Mid-States Bayfront Development, LLC as construction is completed. As such, these assets are reported as unrestricted net assets rather than as part of invested in capital assets. The result of this activity for 2004 was a decrease in unrestricted net assets. One other increase of note for current assets was an increase of \$1.2 million in amounts due from other governments. The City was awarded grant monies for the "Clean Ohio Grant" during 2004. The proceeds of this grant will be used for the Bayfront Urban Revitalization Project. These grant monies also contributed to the increase in restricted net assets.

CITY OF SANDUSKY
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Total net assets for business-type activities increased \$4,303,466, or just over 23 percent. Revenues exceeded expenses by a significant amount for both enterprise funds. A review of the table above reveals an increase in net capital assets of \$5.9 million (mostly due to construction); however, a portion of this increase, \$3.7 million is also reflected in the increase in long-term liabilities (for debt proceeds applied to construction in progress); thus, the effect on net assets is an increase of \$2.2 million. In addition, the City reduced its bond anticipation note liability during 2004 by \$2.1 million (which again increased net assets). The combination of these events results in the \$4.3 million increase in net assets overall.

Table 2 reflects the changes in net assets for 2004 and 2003.

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues						
Program Revenues						
Charges for Services	\$3,866,384	\$3,731,623	\$13,004,425	\$12,215,219	\$16,870,809	\$15,946,842
Operating Grants, Contributions, and Interest	1,938,688	2,085,948	184,117	0	2,122,805	2,085,948
Capital Grants and Contributions	2,181,599	558,798	0	0	2,181,599	558,798
Total Program Revenues	7,986,671	6,376,369	13,188,542	12,215,219	21,175,213	18,591,588
General Revenues						
Property Taxes	2,293,291	2,213,507	0	0	2,293,291	2,213,507
Payment in Lieu of Taxes	21,177	20,949	0	0	21,177	20,949
Municipal Income Taxes	7,021,290	7,109,826	0	0	7,021,290	7,109,826
Other Local Taxes	3,546,079	3,918,022	0	0	3,546,079	3,918,022
Franchise Fees	232,129	233,695	0	0	232,129	233,695
Grants and Entitlements not Restricted to Specific Programs	1,724,926	1,415,311	0	0	1,724,926	1,415,311
Interest	376,479	268,808	1,530	475	378,009	269,283
Other Revenues	644,316	400,167	60,935	58,704	705,251	458,871
Total General Revenues	15,859,687	15,580,285	62,465	59,179	15,922,152	15,639,464
Total Revenues	23,846,358	21,956,654	13,251,007	12,274,398	37,097,365	34,231,052

(continued)

CITY OF SANDUSKY
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Table 2
Change in Net Assets
(continued)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
<u>Program Expenses</u>						
Security of Persons and Property						
Police	\$5,136,481	\$5,392,091	\$0	\$0	\$5,136,481	\$5,392,091
Fire	5,255,572	4,944,712	0	0	5,255,572	4,944,712
Other	107,843	104,619	0	0	107,843	104,619
Public Health	374,751	355,557	0	0	374,751	355,557
Leisure Time Activities	509,107	863,510	0	0	509,107	863,510
Community Environment	2,470,765	2,517,823	0	0	2,470,765	2,517,823
Transportation	4,100,037	3,418,979	0	0	4,100,037	3,418,979
General Government						
Municipal Court	888,857	840,986	0	0	888,857	840,986
Other	4,160,795	4,321,420	0	0	4,160,795	4,321,420
Interest and Fiscal Charges	1,222,879	1,180,234	0	0	1,222,879	1,180,234
Water	0	0	3,495,790	4,147,608	3,495,790	4,147,608
Sewer	0	0	5,396,945	5,411,399	5,396,945	5,411,399
Total Expenses	<u>24,227,087</u>	<u>23,939,931</u>	<u>8,892,735</u>	<u>9,559,007</u>	<u>33,119,822</u>	<u>33,498,938</u>
Increase (Decrease) in						
Net Assets before Transfers	(380,729)	(1,983,277)	4,358,272	2,715,391	3,977,543	732,114
Transfers	54,806	41,935	(54,806)	(41,935)	0	0
Increase (Decrease) in Net Assets	<u>(\$325,923)</u>	<u>(\$1,941,342)</u>	<u>\$4,303,466</u>	<u>\$2,673,456</u>	<u>\$3,977,543</u>	<u>\$732,114</u>

Again in 2004, expenses exceeded revenues for governmental activities; the result, a decrease in net assets (although this decrease was much less than the decrease in 2003). A review of both program and general revenues reveals little change from the prior year, with the exception of capital grants and contributions. This increase is related to the "Clean Ohio Grant" for the Bayfront Urban Revitalization Project. Program expenses were also very comparable to the prior year.

The City's business-type activities are almost entirely funded through charges for services. A review of the revenues and expenses reveals that there were not very significant changes in business-type activities either. The few changes of any significance were in the Water Fund. The combination of increased charges for services resulting from increased usage and a decrease in materials and supplies expenses generally account for the overall increase in net assets.

CITY OF SANDUSKY
Management's Discussion and Analysis
For the Year Ended December 31, 2004
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	
	2004	2003	2004	2003
Security of Persons and Property				
Police	\$5,136,481	\$5,392,091	\$4,915,678	\$5,019,710
Fire	5,255,572	4,944,712	4,593,281	4,412,865
Other	107,843	104,619	107,843	104,619
Public Health	374,751	355,557	183,778	248,709
Leisure Time Activities	509,107	863,510	270,755	398,860
Community Environment	2,470,765	2,517,823	300,198	1,605,519
Transportation	4,100,037	3,418,979	1,127,684	749,240
General Government				
Municipal Court	888,857	840,986	(391,956)	(325,993)
Other	4,160,795	4,321,420	3,910,276	4,169,799
Interest and Fiscal Charges	1,222,879	1,180,234	1,222,879	1,180,234
Total Expenses	<u>\$24,227,087</u>	<u>\$23,939,931</u>	<u>\$16,240,416</u>	<u>\$17,563,562</u>

It should be noted that for all governmental activities, over 67 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. In 2003, support from general revenues was 73 percent, so the burden on general revenues decreased slightly in 2004.

Although the dependence on general revenues is substantial, there are several programs which were well supported through program revenues in 2004. Community environment activities received 93 percent of its support through program revenues in 2004. This is the result of the "Clean Ohio Grant". The transportation program receives charges for services in the form of permissive motor vehicle license monies. The transportation program also receives operating grants in the form of State levied motor vehicle and gas taxes.

The negative net cost of services for the 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 \$391,956 negative net cost of services. At the same time, over \$284,000 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, 2004
Unaudited

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The City's major governmental funds are the General 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. The decrease in fund balance in the Capital Projects Fund of \$1,759,056 is due to construction activity related to the Bayfront Urban Revitalization Project. The decrease in fund balance in the Various Improvement Fund is related to the Cold Creek Crossing residential subdivision.

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. Changes from the final budget to actual amounts received and expended were minimal as well. The General Fund supports many of our major activities such as the Police Department and Fire Department as well as most general government operations. 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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets for governmental and business-type activities as of December 31, 2004, was \$33,551,795 and \$10,247,801, 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 the purchase of land for the Bayfront Urban Revitalization Project as well as construction in progress related to the Cold Creek Subdivision and Bayfront Urban Revitalization projects. The additions for business-type activities were also primarily related to construction in progress for improvements at the water and sewer treatment facilities. For further information on the City's capital assets, refer to Note 11 to the basic financial statements.

CITY OF SANDUSKY
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Debt - At December 31, 2004, the City had \$7,475,000 in bond anticipation notes payable from governmental activities and \$1,850,000 in bond anticipation notes payable from business-type activities.

The City also had a number of long-term obligations outstanding. These obligations included \$18,287,600 in general obligation bonds, \$2,304,512 in special assessment bonds, \$1,153,000 in general obligation revenue bonds, and \$32,388,142 in Ohio Water Development Authority loans. Of the total long-term obligations, \$33,541,142 will be repaid from business-type activities.

In addition to the debt outlined above, the City's long-term obligations also include compensated absences. For further information on the City's debt, refer to Notes 17 and 18 to the basic financial statements.

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 U.S. Department of Housing and Urban Development. Along with existing City grant programs, which includes the Clean Ohio Program, the City of Sandusky will have several million dollars in grant monies available in 2005 for public programs. These funds will help programs that fund fire prevention and safety, fair housing, economic development, public transit, and downtown revitalization.

In October 2004, the City Commission authorized the issuance of \$9,325,000 in various improvement notes. The 2004 various improvement notes were issued to retire notes previously issued and to replace the air conditioning unit at City Hall, complete street improvements, improve the boat launch ramp, acquire a fire pumper truck, and 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.

In February 2005, the City Commission approved the City Strategic Plan, which will also lay the groundwork for specific plans regarding future City development.

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, 2004

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$10,459,405	\$12,681,148	\$23,140,553
Cash and Cash Equivalents with Escrow Agent	270,331	161,147	431,478
Accounts Receivable	484,867	1,180,406	1,665,273
Accrued Interest Receivable	91,212	0	91,212
Due from Other Governments	2,609,601	552,492	3,162,093
Municipal Income Taxes Receivable	2,584,930	0	2,584,930
Other Local Taxes Receivable	260,495	0	260,495
Prepaid Items	24,767	11,277	36,044
Materials and Supplies Inventory	211,450	305,685	517,135
Property Taxes Receivable	2,438,022	0	2,438,022
Notes Receivable	1,631,364	0	1,631,364
Special Assessments Receivable	2,285,971	0	2,285,971
Unamortized Bond Issuance Costs	5,100	28,710	33,810
Nondepreciable Capital Assets	16,668,430	26,474,160	43,142,590
Depreciable Capital Assets, Net	37,975,053	19,164,783	57,139,836
Total Assets	78,000,998	60,559,808	138,560,806
<u>Liabilities</u>			
Accrued Wages Payable	511,495	151,830	663,325
Accounts Payable	321,532	136,665	458,197
Contracts Payable	89,562	337,756	427,318
Matured Compensated Absences Payable	15,644	0	15,644
Due to Other Governments	758,568	175,643	934,211
Accrued Interest Payable	113,480	830,106	943,586
Notes Payable	7,475,000	1,850,000	9,325,000
Retainage Payable	521,733	164,002	685,735
Deferred Revenue	2,262,001	0	2,262,001
Long-Term Liabilities			
Due Within One Year	1,085,502	493,784	1,579,286
Due in More Than One Year	21,688,059	33,684,885	55,372,944
Total Liabilities	34,842,576	37,824,671	72,667,247
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	33,551,795	10,247,801	43,799,596
Restricted for			
Capital Projects	2,493,959	0	2,493,959
Other Purposes	7,310,870	0	7,310,870
Unrestricted (Deficit)	(198,202)	12,487,336	12,289,134
Total Net Assets	\$43,158,422	\$22,735,137	\$65,893,559

See Accompanying Notes to the Basic Financial Statements

City of Sandusky
Statement of Activities
For the Year Ended December 31, 2004

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
<u>Governmental Activities</u>				
Security of Persons and Property				
Police	\$5,136,481	\$152,098	\$68,705	\$0
Fire	5,255,572	628,488	16,877	16,926
Other	107,843	0	0	0
Public Health	374,751	146,215	44,758	0
Leisure Time Activities	509,107	235,152	3,200	0
Community Environment	2,470,765	153,748	346,317	1,670,502
Transportation	4,100,037	1,079,322	1,398,860	494,171
General Government				
Municipal Court	888,857	1,220,842	59,971	0
Other	4,160,795	250,519	0	0
Interest and Fiscal Charges	1,222,879	0	0	0
Total Governmental Activities	24,227,087	3,866,384	1,938,688	2,181,599
<u>Business-Type Activities</u>				
Water	3,495,790	6,563,548	0	0
Sewer	5,396,945	6,440,877	184,117	0
Total Business-Type Activities	8,892,735	13,004,425	184,117	0
Total	\$33,119,822	\$16,870,809	\$2,122,805	\$2,181,599

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 - Restated (Note 3)

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
(\$4,915,678)	\$0	(\$4,915,678)
(4,593,281)	0	(4,593,281)
(107,843)	0	(107,843)
(183,778)	0	(183,778)
(270,755)	0	(270,755)
(300,198)	0	(300,198)
(1,127,684)	0	(1,127,684)
391,956	0	391,956
(3,910,276)	0	(3,910,276)
(1,222,879)	0	(1,222,879)
<u>(16,240,416)</u>	<u>0</u>	<u>(16,240,416)</u>
0	3,067,758	3,067,758
<u>0</u>	<u>1,228,049</u>	<u>1,228,049</u>
0	4,295,807	4,295,807
<u>(16,240,416)</u>	<u>4,295,807</u>	<u>(11,944,609)</u>
1,694,006	0	1,694,006
278,468	0	278,468
320,817	0	320,817
21,177	0	21,177
7,021,290	0	7,021,290
3,546,079	0	3,546,079
232,129	0	232,129
1,724,926	0	1,724,926
376,479	1,530	378,009
644,316	60,935	705,251
<u>15,859,687</u>	<u>62,465</u>	<u>15,922,152</u>
54,806	(54,806)	0
(325,923)	4,303,466	3,977,543
43,484,345	18,431,671	61,916,016
<u>\$43,158,422</u>	<u>\$22,735,137</u>	<u>\$65,893,559</u>

City of Sandusky
Balance Sheet
Governmental Funds
December 31, 2004

	General	Capital Projects	Various Improvement	Other Governmental	Total Governmental Funds
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$2,856,842	\$1,502,609	\$335,355	\$5,704,287	\$10,399,093
Accounts Receivable	197,421	0	287,446	0	484,867
Accrued Interest Receivable	74,580	0	0	16,632	91,212
Due from Other Governments	740,746	1,322,437	0	546,418	2,609,601
Municipal Income Taxes Receivable	2,397,523	0	0	187,407	2,584,930
Other Local Taxes Receivable	25,287	0	0	235,208	260,495
Prepaid Items	21,988	245	0	2,534	24,767
Materials and Supplies Inventory	92,353	0	0	119,097	211,450
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	60,312	0	0	0	60,312
Cash and Cash Equivalents with Escrow Agent	0	270,331	0	0	270,331
Property Taxes Receivable	1,797,955	0	0	640,067	2,438,022
Notes Receivable	0	0	0	1,631,364	1,631,364
Special Assessments Receivable	0	0	0	2,285,971	2,285,971
Total Assets	\$8,265,007	\$3,095,622	\$622,801	\$11,368,985	\$23,352,415
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accrued Wages Payable	\$469,335	\$0	\$3,702	\$38,458	\$511,495
Accounts Payable	144,438	13,383	102	163,609	321,532
Contracts Payable	0	89,562	0	0	89,562
Matured Compensated Absences Payable	15,644	0	0	0	15,644
Due to Other Governments	334,182	85	4,409	419,892	758,568
Accrued Interest Payable	0	24,508	16,605	0	41,113
Notes Payable	0	4,456,000	3,019,000	0	7,475,000
Retainage Payable	0	251,402	0	0	251,402
Deferred Revenue	4,820,156	0	287,446	3,744,754	8,852,356
Liabilities Payable from Restricted Assets:					
Retainage Payable	0	270,331	0	0	270,331
Total Liabilities	5,783,755	5,105,271	3,331,264	4,366,713	18,587,003
<u>Fund Balance</u>					
Reserved for Encumbrances	122,096	1,281,993	95,146	111,109	1,610,344
Reserved for Unclaimed Monies	60,312	0	0	0	60,312
Reserved for Notes Receivable	0	0	0	1,454,785	1,454,785
Unreserved, Reported in					
General Fund	2,298,844	0	0	0	2,298,844
Special Revenue Funds	0	0	0	4,741,505	4,741,505
Debt Service Funds	0	0	0	671,817	671,817
Capital Projects Funds (Deficit)	0	(3,291,642)	(2,803,609)	23,056	(6,072,195)
Total Fund Balance (Deficit)	2,481,252	(2,009,649)	(2,708,463)	7,002,272	4,765,412
Total Liabilities and Fund Balance	\$8,265,007	\$3,095,622	\$622,801	\$11,368,985	\$23,352,415

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, 2004

Total Governmental Fund Balance		\$4,765,412
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		54,643,483
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accounts Receivable	439,840	
Accrued Interest Receivable	73,025	
Due from Other Governments	952,122	
Municipal Income Taxes Receivable	2,455,190	
Other Local Taxes Receivable	208,186	
Property Taxes Receivable	176,021	
Special Assessments Receivable	2,285,971	
		6,590,355
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.		5,100
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued Interest Payable	(72,367)	
General Obligation Bonds Payable	(18,287,600)	
Special Assessment Bonds Payable	(2,309,612)	
Compensated Absences Payable	(2,016,107)	
Capital Leases Payable	(160,242)	
		(22,845,928)
Net Assets of Governmental Activities		\$43,158,422

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, 2004

	General	Capital Projects	Various Improvement	Other Governmental	Total Governmental Funds
<u>Revenues</u>					
Property Taxes	\$1,678,863	\$0	\$0	\$593,891	\$2,272,754
Payment in Lieu of Taxes	0	0	0	21,177	21,177
Municipal Income Taxes	6,779,377	0	0	529,199	7,308,576
Other Local Taxes	3,545,419	0	0	466,247	4,011,666
Special Assessments	0	0	0	384,141	384,141
Charges for Services	829,674	9,175	49,050	863,492	1,751,391
Fees, Licenses, and Permits	495,669	196,588	74,946	44,176	811,379
Fines and Forfeitures	940,723	0	0	59,504	1,000,227
Intergovernmental	1,754,415	1,698,453	0	1,740,105	5,192,973
Interest	330,445	0	3,231	82,427	416,103
Other	294,140	425,089	25,185	289,505	1,033,919
Total Revenues	16,648,725	2,329,305	152,412	5,073,864	24,204,306
<u>Expenditures</u>					
Current:					
Security of Persons and Property					
Police	4,344,142	0	0	611,372	4,955,514
Fire	3,764,213	0	0	729,279	4,493,492
Other	107,843	0	0	0	107,843
Public Health	287,689	0	0	50,976	338,665
Leisure Time Activities	0	0	0	387,892	387,892
Community Environment	1,823,203	0	0	434,093	2,257,296
Transportation	0	0	0	2,216,810	2,216,810
General Government					
Municipal Court	875,791	0	0	0	875,791
Other	3,773,576	0	0	0	3,773,576
Other	0	0	0	31,706	31,706
Capital Outlay	0	4,966,398	1,407,060	0	6,373,458
Debt Service:					
Principal Retirement	0	24,712	0	1,129,455	1,154,167
Interest and Fiscal Charges	0	75,441	66,827	1,083,584	1,225,852
Total Expenditures	14,976,457	5,066,551	1,473,887	6,675,167	28,192,062
Excess of Revenues Over (Under) Expenditures	1,672,268	(2,737,246)	(1,321,475)	(1,601,303)	(3,987,756)
<u>Other Financing Sources (Uses)</u>					
General Obligation Bonds Issued	0	0	0	240,000	240,000
Special Assessment Bonds Issued	0	0	0	137,000	137,000
Inception of Capital Lease	0	184,954	0	0	184,954
Transfers In	0	793,236	59,985	2,097,511	2,950,732
Transfers Out	(1,939,960)	0	0	(955,966)	(2,895,926)
Total Other Financing Sources (Uses)	(1,939,960)	978,190	59,985	1,518,545	616,760
Changes in Fund Balance	(267,692)	(1,759,056)	(1,261,490)	(82,758)	(3,370,996)
Fund Balance (Deficit) Beginning of Year - Restated (Note 3)	2,748,944	(250,593)	(1,446,973)	7,085,030	8,136,408
Fund Balance (Deficit) End of Year	\$2,481,252	(\$2,009,649)	(\$2,708,463)	\$7,002,272	\$4,765,412

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, 2004

Change in Fund Balance - Total Governmental Funds (\$3,370,996)

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	5,236,103	
Capital Contributions	106,044	
Depreciation	<u>(2,377,695)</u>	2,964,452

The cost of capital assets is removed from the capital asset account on the statement of net assets when disposed of, resulting in a loss on disposal of capital assets on the statement of activities. (3,118)

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

Property Taxes	20,537	
Municipal Income Taxes	(287,286)	
Other Local Taxes	777	
Special Assessments	(375,632)	
Charges for Services	46,255	
Fees, Licenses, and Permits	5,950	
Intergovernmental	105,641	
Interest	<u>32,267</u>	(451,491)

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	709,867	
Special Assessment Bonds Payable	419,588	
Capital Leases Payable	<u>24,712</u>	1,154,167

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net assets. 2,973

The inception of a capital lease is reported as an other financing source in governmental funds, but increases long-term liabilities on the statement of net assets. (184,954)

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

General Obligation Bonds Issued	(240,000)	
Special Assessment Bonds Issued	<u>(137,000)</u>	(377,000)

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.

Compensated Absences Payable	<u>(59,956)</u>	
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Change in Net Assets of Governmental Activities (\$325,923)

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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Property Taxes	\$1,837,254	\$1,788,652	\$1,678,863	(\$109,789)
Municipal Income Taxes	6,998,276	6,705,188	6,700,114	(5,074)
Other Local Taxes	3,655,779	3,528,082	3,527,477	(605)
Charges for Services	677,584	845,507	844,416	(1,091)
Fees, Licenses, and Permits	535,317	497,147	495,669	(1,478)
Fines and Forfeitures	919,271	940,422	943,792	3,370
Intergovernmental	1,278,018	1,694,370	1,780,699	86,329
Interest	302,650	282,650	279,405	(3,245)
Other	264,681	211,604	211,357	(247)
Total Revenues	16,468,830	16,493,622	16,461,792	(31,830)
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	4,628,849	4,520,103	4,429,381	90,722
Fire	3,849,625	3,829,625	3,747,964	81,661
Other	113,220	113,220	103,847	9,373
Public Health	264,191	292,620	286,203	6,417
Community Environment	1,955,609	1,874,760	1,824,768	49,992
General Government				
Municipal Court	819,534	870,411	860,603	9,808
Other	3,374,017	3,879,429	3,809,670	69,759
Total Expenditures	15,005,045	15,380,168	15,062,436	317,732
Excess of Revenues Over Expenditures	1,463,785	1,113,454	1,399,356	285,902
<u>Other Financing Sources (Uses)</u>				
Other Financing Sources	210,561	117,328	82,722	(34,606)
Transfers Out	(1,333,407)	(2,334,764)	(1,939,960)	394,804
Total Other Financing Sources (Uses)	(1,122,846)	(2,217,436)	(1,857,238)	360,198
Changes in Fund Balance	340,939	(1,103,982)	(457,882)	646,100
Fund Balance Beginning of Year	3,075,792	3,075,792	3,075,792	0
Prior Year Encumbrances Appropriated	71,274	71,274	71,274	0
Fund Balance End of Year	\$3,488,005	\$2,043,084	\$2,689,184	\$646,100

See Accompanying Notes to the Basic Financial Statements

City of Sandusky
Statement of Fund Net Assets
Enterprise Funds
December 31, 2004

	Water	Sewer	Total
<u>Assets</u>			
<u>Current Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$8,370,565	\$4,310,583	\$12,681,148
Accounts Receivable	380,553	799,853	1,180,406
Due from Other Governments	495,965	56,527	552,492
Prepaid Items	6,530	4,747	11,277
Materials and Supplies Inventory	211,609	94,076	305,685
Restricted Assets:			
Cash and Cash Equivalents with Escrow Agent	98,318	62,829	161,147
Total Current Assets	9,563,540	5,328,615	14,892,155
<u>Non-Current Assets</u>			
Unamortized Bond Issuance Costs	28,710	0	28,710
Nondepreciable Capital Assets	11,225,287	15,248,873	26,474,160
Depreciable Capital Assets, Net	4,675,044	14,489,739	19,164,783
Total Non-Current Assets	15,929,041	29,738,612	45,667,653
Total Assets	25,492,581	35,067,227	60,559,808
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accrued Wages Payable	74,428	77,402	151,830
Accounts Payable	51,982	84,683	136,665
Contracts Payable	337,756	0	337,756
Due to Other Governments	84,397	91,246	175,643
Accrued Interest Payable	246,570	583,536	830,106
Notes Payable	179,000	1,671,000	1,850,000
Retainage Payable	2,855	0	2,855
Liabilities Payable from Restricted Assets:			
Retainage Payable	98,318	62,829	161,147
General Obligation Revenue Bonds Payable	200,000	47,000	247,000
OWDA Loans Payable	0	114,046	114,046
Compensated Absences Payable	72,129	60,609	132,738
Total Current Liabilities	1,347,435	2,792,351	4,139,786
<u>Non-Current Liabilities</u>			
General Obligation Revenue Bonds Payable	628,710	306,000	934,710
OWDA Loans Payable	9,308,085	22,966,011	32,274,096
Compensated Absences Payable	273,138	202,941	476,079
Total Non-Current Liabilities	10,209,933	23,474,952	33,684,885
Total Liabilities	11,557,368	26,267,303	37,824,671
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	5,613,246	4,634,555	10,247,801
Unrestricted	8,321,967	4,165,369	12,487,336
Total Net Assets	\$13,935,213	\$8,799,924	\$22,735,137

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, 2004

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<u>Operating Revenues</u>			
Charges for Services	\$6,563,548	\$6,440,877	\$13,004,425
Other	7,902	53,033	60,935
Total Operating Revenues	<u>6,571,450</u>	<u>6,493,910</u>	<u>13,065,360</u>
<u>Operating Expenses</u>			
Personal Services	1,955,684	2,289,936	4,245,620
Travel and Transportation	16,262	16,684	32,946
Contractual Services	503,523	1,369,082	1,872,605
Materials and Supplies	336,233	312,281	648,514
Depreciation	250,416	551,643	802,059
Other	660	2,500	3,160
Total Operating Expenses	<u>3,062,778</u>	<u>4,542,126</u>	<u>7,604,904</u>
Operating Income	<u>3,508,672</u>	<u>1,951,784</u>	<u>5,460,456</u>
<u>Non-Operating Revenues (Expenses)</u>			
Loss on Disposal of Capital Assets	(1,039)	(1,039)	(2,078)
Interest Revenue	485	1,045	1,530
Interest Expense	(431,973)	(853,780)	(1,285,753)
Grants	0	184,117	184,117
Total Non-Operating Revenues (Expenses)	<u>(432,527)</u>	<u>(669,657)</u>	<u>(1,102,184)</u>
Income before Transfers	3,076,145	1,282,127	4,358,272
Transfers Out	<u>(6,756)</u>	<u>(48,050)</u>	<u>(54,806)</u>
Changes in Net Assets	3,069,389	1,234,077	4,303,466
Net Assets Beginning of Year	<u>10,865,824</u>	<u>7,565,847</u>	<u>18,431,671</u>
Net Assets End of Year	<u>\$13,935,213</u>	<u>\$8,799,924</u>	<u>\$22,735,137</u>

See Accompanying Notes to the Basic Financial Statements

City of Sandusky
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2004

	<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	\$6,212,953	\$6,281,522	\$12,494,475
Cash Payments for Personal Services	(2,106,947)	(2,273,895)	(4,380,842)
Cash Payments for Contractual Services	(537,207)	(1,153,791)	(1,690,998)
Cash Payments to Vendors	155,127	(676,229)	(521,102)
Cash Received from Other Revenues	7,902	53,033	60,935
Cash Payments for Other Expenses	(775)	(2,500)	(3,275)
Net Cash Provided by Operating Activities	<u>3,731,053</u>	<u>2,228,140</u>	<u>5,959,193</u>
<u>Cash Flows from Noncapital Financing Activities</u>			
Transfers Out	(6,756)	(48,050)	(54,806)
Grants	0	184,117	184,117
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(6,756)</u>	<u>136,067</u>	<u>129,311</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Principal Paid on Bond Anticipation Notes	(390,000)	(3,720,000)	(4,110,000)
Principal Paid on General Obligation Revenue Bonds	(200,000)	(400,000)	(600,000)
Principal Paid on OWDA Loans	(175,314)	(439,725)	(615,039)
Interest Paid on Bond Anticipation Notes	(4,875)	(46,500)	(51,375)
Interest Paid on General Obligation Revenue Bonds	(56,342)	(22,444)	(78,786)
Interest Paid on OWDA Loans	(314,139)	(753,493)	(1,067,632)
Bond Anticipation Notes Issued	179,000	1,671,000	1,850,000
General Obligation Bonds Issued	0	353,000	353,000
OWDA Loans Issued	2,415,360	2,092,409	4,507,769
Acquisition of Capital Assets	(4,323,206)	(2,404,456)	(6,727,662)
Net Cash Used for Capital and Related Financing Activities	<u>(2,869,516)</u>	<u>(3,670,209)</u>	<u>(6,539,725)</u>
<u>Cash Flows from Investing Activities</u>			
Interest	485	1,045	1,530
Net Increase (Decrease) in Cash and Cash Equivalents	855,266	(1,304,957)	(449,691)
Cash and Cash Equivalents Beginning of Year	<u>7,613,617</u>	<u>5,678,369</u>	<u>13,291,986</u>
Cash and Cash Equivalents End of Year	<u>\$8,468,883</u>	<u>\$4,373,412</u>	<u>\$12,842,295</u>

(continued)

City of Sandusky
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2004
(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	\$3,508,672	\$1,951,784	\$5,460,456
<u>Adjustments to Reconcile Operating Income to Net</u>			
<u>Cash Provided by Operating Activities</u>			
Depreciation	250,416	551,643	802,059
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(71,045)	(153,004)	(224,049)
Increase in Due from Other Governments	(276,975)	(3,776)	(280,751)
(Increase) Decrease in Prepaid Items	10,453	(2,784)	7,669
Decrease in Materials and Supplies Inventory	109,780	16,140	125,920
Increase in Accrued Wages Payable	12,040	11,073	23,113
Decrease in Accounts Payable	(98,316)	(65,653)	(163,969)
Increase (Decrease) in Contracts Payable	181,541	(54,549)	126,992
Increase (Decrease) in Due to Other Governments	374	(13,524)	(13,150)
Increase (Decrease) in Retainage Payable	82,540	(13,485)	69,055
Increase in Compensated Absences Payable	21,573	4,275	25,848
Net Cash Provided by Operating Activities	<u>\$3,731,053</u>	<u>\$2,228,140</u>	<u>\$5,959,193</u>

See Accompanying Notes to the Basic Financial Statements

City of Sandusky
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2004

<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$228,342</u></u>
 <u>Liabilities</u>	
Due to Other Governments	\$96,829
Undistributed Assets	<u>131,513</u>
 Total Liabilities	 <u><u>\$228,342</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, 2004

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 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 2004.

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 22 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 or 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, 2004
(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, 2004
(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.

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, 2004
(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 2004. 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, 2004
(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, 2004, but were levied to finance 2005 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, 2004
(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".

Cash and cash equivalents that are held separately for the City by escrow agents for payment of retainage to contractors upon project completion are recorded as "Cash and Cash Equivalents with Escrow Agent".

During 2004, the City's investments included nonnegotiable certificates of deposit, federal agency securities, bonds of the City, and Star Ohio. Nonnegotiable certificates of deposit are reported at cost. 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, 2004.

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 2004 was \$330,445, which includes \$197,656 assigned from other City funds.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2004, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

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.

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

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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

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

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported 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, 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. General obligation bonds, special assessment bonds, and capital leases are recognized as liabilities on the fund financial statements when due.

N. Unamortized 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 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 a 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 \$5,600. The loss is being amortized over the remaining seven 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. As of December 31, 2004, net assets restricted by enabling legislation was \$405,683 for governmental activities.

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.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 - CHANGE IN ACCOUNTING PRINCIPLES, CORRECTION OF AN ERROR, AND RESTATEMENT OF NET ASSETS/FUND BALANCE

A. Change in Accounting Principles

For 2004, the City has implemented GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", and GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation".

GASB Technical Bulletin 2004-2 establishes new guidance addressing the amount that should be recognized as expenditures/expenses and as liabilities each period by employers participating in cost-sharing multiple-employer pension and other postemployment benefit plans.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(continued)

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES, CORRECTION OF AN ERROR, AND RESTATEMENT OF NET ASSETS/FUND BALANCE (continued)

GASB Statement No. 39 establishes additional guidance on the application of existing standards for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship to the primary government. The implementation of this statement did not result in any change to the City's financial statements.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

B. Correction of an Error

Permissive motor vehicle license taxes were recorded incorrectly in the prior year. As a result, net assets of governmental activities decreased \$91,932 from \$43,576,277 to \$43,484,345 as of December 31, 2003.

C. Restatement of Fund Balance

The restatement due to the implementation of the above statements and interpretation had the following effect on fund balance of the major and nonmajor funds of the City as they were previously reported.

	General	Capital Projects	Various Improvement	Other Governmental	Total Governmental Funds
Fund Balance (Deficit)					
December 31, 2003	\$2,898,750	(\$250,593)	(1,445,370)	\$7,480,941	\$8,683,728
Intergovernmental Payable	(149,806)	0	(1,603)	(395,911)	(547,320)
Restated Fund Balance (Deficit)					
December 31, 2003	<u>\$2,748,944</u>	<u>(\$250,593)</u>	<u>(\$1,446,973)</u>	<u>\$7,085,030</u>	<u>\$8,136,408</u>

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At December 31, 2004, the Parks and Recreational, Fire Pension, and Police Pension special revenue funds had deficit fund balances, in the amount of \$4,050, \$229,047, and \$148,821, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The Capital Projects and Various Improvement capital projects funds had deficit fund balances, in the amount of \$2,009,649 and \$2,708,463, 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.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(continued)

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE (continued)

B. Compliance

The General Trust special revenue fund and the Capital Improvements capital projects fund had final appropriations in excess of estimated resources plus available balances, in the amount of \$106,108 and \$553,000, respectively. The Finance Director will review budgeted resources to ensure they are sufficient for amounts appropriated.

NOTE 5 - 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).
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:

Change in Fund Balance	
GAAP Basis	(\$267,692)
<u>Increases (Decreases) Due To</u>	
Revenue Accruals:	
Accrued 2003, Received in Cash 2004	354,782
Accrued 2004, Not Yet Received in Cash	(411,796)
	(continued)

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(continued)

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

Change in Fund Balance
(continued)

Expenditure Accruals:	
Accrued 2003, Paid in Cash 2004	(\$881,323)
Accrued 2004, Not Yet Paid in Cash	962,039
Cash Adjustments:	
Unrecorded Activity 2003	37,185
Unrecorded Activity 2004	(84,382)
Prepaid Items	(16,356)
Materials and Supplies Inventory	(6,751)
Encumbrances Outstanding at Year End (Budget Basis)	(143,588)
Budget Basis	<u><u>(\$457,882)</u></u>

NOTE 6 - 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.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(continued)

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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;
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.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(continued)

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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 \$4,164 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 \$5,308,080 and the bank balance was \$5,634,045. Of the bank balance, \$943,908 was covered by the federal depository insurance and \$4,690,137 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.

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.

	<u>Category 1</u>	<u>Fair Value</u>
Federal National Mortgage Association Notes	\$3,283,521	\$3,283,521
Federal National Mortgage Association Debentures	1,000,000	1,000,000
Federal Home Loan Bank Notes	998,966	998,966
Federal Home Loan Bank Bonds	5,077,785	5,077,785
Federal Home Loan Mortgage Corporation Notes	3,484,059	3,484,059
City of Sandusky Bonds	165,444	165,444
	<u>\$14,009,775</u>	<u>14,009,775</u>
STAR Ohio		4,478,354
Total Investments		<u>\$18,488,129</u>

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(continued)

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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	\$23,800,373	\$0
Cash on Hand	(4,164)	0
Investments:		
Federal National Mortgage Association Notes	(3,283,521)	3,283,521
Federal National Mortgage Association Debentures	(1,000,000)	1,000,000
Federal Home Loan Bank Notes	(998,966)	998,966
Federal Home Loan Bank Bonds	(5,077,785)	5,077,785
Federal Home Loan Mortgage Corporation Notes	(3,484,059)	3,484,059
City of Sandusky Bonds	(165,444)	165,444
STAR Ohio	(4,478,354)	4,478,354
GASB Statement No. 3	\$5,308,080	\$18,488,129

NOTE 7 - RECEIVABLES

Receivables at December 31, 2004, 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 \$1,454,785, will not be received within one year. Special assessments, in the amount of \$1,872,666, will not be received within one year. At December 31, 2004, the amount of delinquent special assessments was \$285,483.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(continued)

NOTE 7 - RECEIVABLES (continued)

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Major Funds	
General Fund	
Homestead and Rollback	\$96,116
Local Government	385,713
Local Government Revenue Assistance	59,637
Beer and Liquor Permits	26,103
Estate Tax	116,973
Erie County	1,311
Safety Belt Grant	100
Fines and Forfeitures	54,793
Total General Fund	740,746
Capital Projects Fund	
Fees, Licenses, and Permits	10,177
Ohio Department of Transportation	15,260
Clean Ohio Phase I	1,297,000
Total Capital Projects Fund	1,322,437
Total Major Funds	2,063,183
Nonmajor Funds	
Street Maintenance	
Gasoline Tax	320,068
Motor Vehicle License Tax	9,770
Permissive Motor Vehicle License Tax	183
Total Street Maintenance	330,021
State Highway	
Gasoline Tax	25,952
Motor Vehicle License Tax	7,947
Permissive Motor Vehicle License Tax	8
Total State Highway	33,907
	(continued)

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(continued)

NOTE 7 - RECEIVABLES (continued)

	Amount
Governmental Activities (continued)	
Nonmajor Funds (continued)	
Public Transit	
ODOT	\$25,163
Erie County	181
Total Public Transit	25,344
Fire Pension	
Homestead and Rollback	7,900
Police Pension	
Homestead and Rollback	7,900
State Grants	
Housing Grants	24,295
FEMA Snow Removal Grant	5,471
Total State Grants	29,766
Federal Grants	
Housing Grants	32,284
FEMA Snow Removal Grant	34,140
Coastal Management Grant	2,655
Federal Transit Administration Grant	21,671
Total Federal Grants	90,750
Indigent Drivers Alcohol	
Fees, Licenses, and Permits	849
Enforcement and Education	
Fines and Forfeitures	768
Court Computerization	
Fees, Licenses, and Permits	780
General Bond Retirement	
Homestead and Rollback	18,433
Total Nonmajor Funds	546,418
Total Governmental Activities	\$2,609,601

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(continued)

NOTE 7 - RECEIVABLES (continued)

	Amount
Business-Type Activities	
Water	
Erie County	\$495,965
Sewer	
Erie County	56,527
Total Business-Type Activities	\$552,492

NOTE 8 - NOTES RECEIVABLE

A summary of the changes in notes receivable during 2004 follows:

	Balance January 1, 2004	New Loans	Repayments	Balance December 31, 2004
Special Revenue Fund				
State Grants				
CDBG	\$296,810	\$0	\$57,917	\$238,893
Revolving Loans	562,805	211,181	100,581	673,405
MICRO - Enterprise Loans	11,921	0	0	11,921
Rehabilitation Revolving Loans	832,532	0	75,004	757,528
	\$1,704,068	\$211,181	\$233,502	1,681,747
Less Allowance for Uncollectible Accounts				50,383
				\$1,631,364

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

NOTE 9 - 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, 2004
(continued)

NOTE 9 - MUNICIPAL INCOME TAXES (continued)

For 2004, 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 10 - 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 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or 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 2004 represent the collection of 2003 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2002, were levied after October 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in 2004 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 22 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, 2004, and for which there was an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2004 operations.

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

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(continued)

NOTE 10 - PROPERTY TAXES (continued)

The full tax rate for all City operations for the year ended December 31, 2004, was \$4.95 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based are as follows:

Category	Amount
Real Property	\$421,591,450
Public Utility Personal Property	17,514,670
Tangible Personal Property	64,275,034
Total Assessed Value	<u>\$503,381,154</u>

NOTE 11 - CAPITAL ASSETS

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

	Balance January 1, 2004	Additions	Reductions	Balance December 31, 2004
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$3,454,881	\$2,052,551	\$0	\$5,507,432
Construction in Progress	9,397,732	1,763,266	0	11,160,998
Total Nondepreciable Capital Assets	<u>12,852,613</u>	<u>3,815,817</u>	<u>0</u>	<u>16,668,430</u>
Depreciable Capital Assets				
Buildings	18,102,052	0	0	18,102,052
Improvements Other Than Buildings	8,407,425	123,452	0	8,530,877
Streets	39,457,363	554,965	0	40,012,328
Bridges	229,802	0	0	229,802
Equipment	7,790,935	847,913	(3,118)	8,635,730
Total Depreciable Capital Assets	<u>73,987,577</u>	<u>1,526,330</u>	<u>(3,118)</u>	<u>75,510,789</u>
Less Accumulated Depreciation for				
Buildings	(5,123,499)	(599,727)	0	(5,723,226)
Improvements Other Than Buildings	(4,450,315)	(179,081)	0	(4,629,396)
Streets	(20,728,505)	(1,061,198)	0	(21,789,703)
Bridges	(50,556)	(4,596)	0	(55,152)
Equipment	(4,805,166)	(533,093)	0	(5,338,259)
Total Accumulated Depreciation	<u>(35,158,041)</u>	<u>(2,377,695)</u>	<u>0</u>	<u>(37,535,736)</u>
Total Depreciable Capital Assets, Net	<u>38,829,536</u>	<u>(851,365)</u>	<u>(3,118)</u>	<u>37,975,053</u>
Governmental Activities Capital Assets, Net	<u>\$51,682,149</u>	<u>\$2,964,452</u>	<u>(\$3,118)</u>	<u>\$54,643,483</u>

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(continued)

NOTE 11 - CAPITAL ASSETS (continued)

The City accepted a contribution of depreciable capital assets for governmental activities with a fair value of \$106,044 during 2004.

	Balance January 1, 2004	Additions	Reductions	Balance December 31, 2004
Business-Type Activities:				
Nondepreciable Capital Assets				
Land	\$523,046	\$91,708	\$0	\$614,754
Construction in Progress	20,545,103	5,669,333	(355,030)	25,859,406
Total Nondepreciable Capital Assets	21,068,149	5,761,041	(355,030)	26,474,160
Depreciable Capital Assets				
Buildings	18,952,505	39,000	0	18,991,505
Improvements Other Than Buildings	3,474,787	39,097	0	3,513,884
Utility Plant	5,168,688	96,990	0	5,265,678
Water and Sewer Lines	14,151,648	1,115,496	0	15,267,144
Equipment	2,083,067	31,068	(2,078)	2,112,057
Total Depreciable Capital Assets	43,830,695	1,321,651	(2,078)	45,150,268
Less Accumulated Depreciation for				
Buildings	(12,940,565)	(202,719)	0	(13,143,284)
Improvements Other Than Buildings	(1,834,611)	(91,271)	0	(1,925,882)
Utility Plant	(1,562,481)	(201,869)	0	(1,764,350)
Water and Sewer Lines	(7,519,554)	(185,892)	0	(7,705,446)
Equipment	(1,326,215)	(120,308)	0	(1,446,523)
Total Accumulated Depreciation	(25,183,426)	(802,059)	0	(25,985,485)
Total Depreciable Capital Assets, Net	18,647,269	519,592	(2,078)	19,164,783
Business-Type Activities Capital Assets, Net	\$39,715,418	\$6,280,633	(\$357,108)	\$45,638,943

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(continued)

NOTE 11 - CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Security of Persons and Property - Police	\$179,105
Security of Persons and Property - Fire	315,041
Public Health	30,962
Leisure Time Activities	114,885
Community Environment	118,876
Transportation	1,319,905
General Government - Municipal Court	8,060
General Government - Other	290,861
Total Depreciation Expense - Governmental Activities	\$2,377,695

NOTE 12 - 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 2004, the City contracted with BORMA for the following coverage and deductibles:

Type of Coverage	Coverage	Deductible
Property (building and contents)	\$376,000,000	\$1,000
Extra Expense	1,560,000 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	0
Employee Benefit Liability	1,000,000	0
Ohio Stop Gap	1,000,000	0

(continued)

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(continued)

NOTE 12 - RISK MANAGEMENT (continued)

Type of Coverage	Coverage	Deductible
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	5,000,000 occurrence 5,000,000 aggregate	0 0

There has been no significant reduction in insurance coverage from 2003, and no insurance settlement has exceeded insurance coverage during the last three years.

Workers' compensation coverage is provided by the State of Ohio. 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.

NOTE 13 - SIGNIFICANT CONTRACTUAL COMMITMENTS

The City has outstanding contracts for professional services. The following amounts remain on these contracts as of December 31, 2004:

Contract	Remaining Commitment
All-Phase Power and Light	\$2,523,000
Bay Mechanical	76,261
Blaze Building	233,907
Bobel's	4,000
Bowser Morner	8,027
Bridgeway Power	607,450
Buckeye Software	2,100
Ed Burdue	266,600
Cedar Bay Construction	1,304,319

(continued)

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(continued)

NOTE 13 - SIGNIFICANT CONTRACTUAL COMMITMENTS (continued)

Contract	Remaining Commitment
Cody Computer	\$22,000
Contractors Design	11,035
Firelands Electric	3,207
Inland Waters of Ohio	20,457
Intellution	5,827
Kaufman, Kaufman, & Assoc.	4,995
LVI Services of Michigan	44,975
Malcolm Pirnie	86,322
McDonald Equipment	10,839
Montgomery Watson	1,353,190
Mosser Construction	8,779,174
Nutting HC Inc.	34,981
Ohio Edison	34,233
Partners Environmental Consulting	310,869
Practice Consulting Specialist	3,468
Professional Electric	90,000
Proudfoot Associates	116,905
R H S Solutions	4,871
Regent Electric	203,496
Resource International	50,000
Sensus Metering Systems	64,240
Smith Paving	40,126
South Shore Electric	325,221
Suburban Process Piping	26,962
Transystems Corp	281,983
United Survey	56,292
URS Corporation	24,190
Wilkes and Co.	566,091
Marlin White & Sons	2,464,000
Wyandot Popcorn Museum	2,784
Total	\$20,068,397

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(continued)

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

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, 2004, 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 2004 was 9.55 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, 2004, 2003, and 2002 were \$725,646, \$646,510, and \$655,065, respectively; 69 percent has been contributed for 2004 and 100 percent has been contributed for 2003 and 2002. The unpaid contribution for 2004, in the amount of \$220,139, is recorded as a liability. There were no contributions to the member-directed plan in 2004.

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.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(continued)

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

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, 2004, 2003, and 2002 were \$902,594, \$885,141, and \$845,885, respectively; 72 percent has been contributed for 2004 and 100 percent has been contributed for 2003 and 2002. The unpaid contribution for 2004, in the amount of \$250,752, is recorded as a liability.

NOTE 15 - 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 2004 employer contribution rate was 13.55 percent of covered payroll; 4.00 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, 2003, 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 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

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 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits was \$303,936. The actual contribution and the actuarial required contribution amounts are the same. OPERS's net assets available for the payment of benefits at December 31, 2003 (the latest information available), was \$10.5 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

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

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(continued)

NOTE 15 - 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 2004. 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 2004 that were used to fund postemployment benefits were \$266,363 for police and \$237,867 for firefighters. The OPF's total health care expense for the year ended December 31, 2003 (the latest information available), was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OPF participants eligible to receive health care benefits as of December 31, 2003, was 13,662 for police and 10,474 for firefighters.

NOTE 16 - 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, 2004
(continued)

NOTE 16 - 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 1,000	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	45 %	45 %	45 %	45 %
51 hours/week				
Sick hours less than 1,300	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	45 %	n/a	n/a

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

NOTE 17 - NOTES PAYABLE

The City's note transactions for the year ended December 31, 2004, were as follows:

	<u>Interest Rate</u>	<u>Balance January 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2004</u>
<u>Governmental Activities</u>					
<u>Bond Anticipation Notes</u>					
Capital Projects Funds					
2003 Various Improvement	2.00%	\$4,285,000	\$0	\$4,285,000	\$0
2003 Various Improvement	1.00	2,745,000	0	2,745,000	0
2004 Bayfront Urban Revitalization	2.25	0	2,700,000	2,700,000	0
2004 Various Improvement	3.00	0	7,475,000	0	7,475,000
Total Governmental Activities		<u>\$7,030,000</u>	<u>\$10,175,000</u>	<u>\$9,730,000</u>	<u>\$7,475,000</u>

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(continued)

NOTE 17 - NOTES PAYABLE (continued)

	Interest Rate	Balance January 1, 2004	Additions	Reductions	Balance December 31, 2004
<u>Business-Type Activities</u>					
<u>Bond Anticipation Notes</u>					
Enterprise Funds					
Water					
2003 Various Improvement	2.00%	\$195,000	\$0	\$195,000	\$0
2003 Various Improvement	1.00	195,000	0	195,000	0
2004 Various Improvement	3.00	0	179,000	0	179,000
Total Water		390,000	179,000	390,000	179,000
Sewer					
2003 Various Improvement	2.00	1,860,000	0	1,860,000	0
2003 Various Improvement	1.00	1,860,000	0	1,860,000	0
2004 Various Improvement	3.00	0	1,671,000	0	1,671,000
Total Sewer		3,720,000	1,671,000	3,720,000	1,671,000
Total Business-Type Activities		\$4,110,000	\$1,850,000	\$4,110,000	\$1,850,000

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 liability for all notes is presented in the fund receiving the proceeds.

For governmental activities, 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 2004 Bayfront Urban Revitalization note was issued to revitalize the Bayfront Urban Revitalization Area. The 2004 various improvement notes were issued to retire notes previously 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, sidewalk, curb, and gutter improvements, and revitalize the Bayfront Urban Revitalization Area. Upon completion of the Bayfront Urban Revitalization Area project, all assets acquired or constructed will be donated to Mid-States Bayfront Development, LLC.

At December 31, 2004, the total amount of various improvement notes outstanding was \$7,475,000, of which \$6,629,469 has been expended for construction.

For business-type activities, the 2003 various improvement notes were issued for various improvements at the water and sewer treatment facilities and to acquire a sewer cleaner. The 2004 various improvement notes were issued to retire notes previously issued for various improvements at the water and sewer treatment facilities and to acquire a sewer cleaner.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(continued)

NOTE 18 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2004, was as follows:

	Interest Rate	Balance January 1, 2004	Additions	Reductions	Balance December 31, 2004	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds						
1992 Judgement	5.39%	\$270,000	\$0	\$270,000	\$0	\$0
2000 City Complex	4.35-6.25	5,970,000	0	15,000	5,955,000	20,000
2001 Library	3.00	5,575,000	0	215,000	5,360,000	225,000
2001 Police Pension	3.00	526,518	0	14,922	511,596	14,922
2001 Fire Pension	3.00	708,482	0	20,078	688,404	20,078
2001 Various Purpose	3.00	5,707,467	0	174,867	5,532,600	184,867
2004 Judgement-Refunded	4.15	0	240,000	0	240,000	30,000
Total General Obligation Bonds		<u>18,757,467</u>	<u>240,000</u>	<u>709,867</u>	<u>18,287,600</u>	<u>494,867</u>
Special Assessment Bonds						
Special Assessment Bonds Payable	5.23-9.50	2,587,100	137,000	419,588	2,304,512	282,690
Bond Premium		5,700	0	600	5,100	0
Total Special Assessment Bonds		<u>2,592,800</u>	<u>137,000</u>	<u>420,188</u>	<u>2,309,612</u>	<u>282,690</u>
Other Long-Term Obligations						
Compensated Absences Payable		1,956,151	153,305	93,349	2,016,107	281,911
Capital Leases Payable		0	184,954	24,712	160,242	26,034
Total Other Long-Term Obligations		<u>1,956,151</u>	<u>338,259</u>	<u>118,061</u>	<u>2,176,349</u>	<u>307,945</u>
Total Governmental Activities		<u>\$23,306,418</u>	<u>\$715,259</u>	<u>\$1,248,116</u>	<u>\$22,773,561</u>	<u>\$1,085,502</u>
<u>Business-Type Activities</u>						
General Obligation Revenue Bonds						
1986 Waterworks Improvement	7.38%	\$360,000	\$0	\$120,000	\$240,000	\$120,000
1992 Water Pollution Control	5.39	400,000	0	400,000	0	0
		<u>760,000</u>	<u>0</u>	<u>520,000</u>	<u>240,000</u>	<u>120,000</u>
2002 Waterworks Improvement Refunding	4.50	640,000	0	80,000	560,000	80,000
Bond Premium		39,211	0	4,901	34,310	0
Accounting Loss		(6,400)	800	0	(5,600)	0
Total 2002 Waterworks Improvement Refunding		<u>672,811</u>	<u>800</u>	<u>84,901</u>	<u>588,710</u>	<u>80,000</u>
2004 Water Pollution Control Refunding		0	353,000	0	353,000	47,000
Total General Obligation Revenue Bonds		<u>1,432,811</u>	<u>353,800</u>	<u>604,901</u>	<u>1,181,710</u>	<u>247,000</u>
OWDA Loans						
Water	5.20	7,068,039	2,415,360	175,314	9,308,085	0
Sewer	4.65-6.39	21,427,373	2,092,409	439,725	23,080,057	114,046
Total OWDA Loans		<u>28,495,412</u>	<u>4,507,769</u>	<u>615,039</u>	<u>32,388,142</u>	<u>114,046</u>
Other Long-Term Obligations						
Compensated Absences Payable		582,969	68,947	43,099	608,817	132,738
Total Business-Type Activities		<u>\$30,511,192</u>	<u>\$4,930,516</u>	<u>\$1,263,039</u>	<u>\$34,178,669</u>	<u>\$493,784</u>

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(continued)

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

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 were fully retired in 2004. See 2004 Judgement General Obligation Refunding Bonds below.

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, an 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) to 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.

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.

2004 Judgement General Obligation Refunding Bonds

On October 15, 2004, the City issued \$240,000 in judgement general obligation refunding bonds to refund \$270,000 in judgement general obligation bonds previously issued. The bonds were issued for an eight year period with maturity beginning December 1, 2005. The bonds will be paid from the General Bond Retirement debt service fund.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(continued)

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

The City completed the current refunding to reduce its total debt service payments over the next nine years by \$16,918 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$14,799. The proceeds from the bonds were used to fully extinguish the old debt on December 1, 2004.

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.

2004 Special Assessment Refunding Bonds

On October 15, 2004, the City issued \$137,000 in special assessment refunding bonds to refund \$155,000 in special assessment bonds previously issued. The bonds were issued for an eight year period with maturity beginning December 1, 2005. The bonds will be paid from the Special Assessment Bond Retirement debt service fund.

The City completed the current refunding to reduce its total debt service payments over the next nine years by \$9,254 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$8,129. The proceeds from the bonds were used to fully extinguish the old debt on December 1, 2004.

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 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, 2004
(continued)

NOTE 18 - 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.

2004 Water Pollution Control Refunding Bonds

On October 15, 2004, the City issued \$353,000 in water pollution control refunding bonds to refund \$400,000 in water pollution control bonds previously issued. The bonds were issued for an eight year period with maturity beginning December 1, 2005. The bonds will be paid from the Sewer enterprise fund.

The City completed the current refunding to reduce its total debt service payments over the next nine years by \$24,780 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$21,657. The proceeds from the bonds were used to fully extinguish the old debt on December 1, 2004.

The City's legal debt margin was \$28,787,019 at December 31, 2004.

The Wastewater System Modeling, the Waste Water Treatment Plant expansion, the Water Plant improvements, and the Water Treatment Plant electrical improvements projects 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.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(continued)

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire general long-term obligations outstanding at December 31, 2004, were as follows:

Year	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2005	\$494,867	\$910,257	\$282,690	\$122,604
2006	509,867	892,044	277,570	106,700
2007	524,867	872,448	251,571	91,053
2008	419,867	986,743	234,448	77,005
2009	469,867	984,136	213,524	63,881
2010-2014	4,284,333	3,945,366	661,544	170,595
2015-2019	6,694,332	2,449,541	367,765	38,527
2020-2024	4,214,600	688,612	15,400	1,163
2025-2026	675,000	52,275	0	0
	<u>\$18,287,600</u>	<u>\$11,781,422</u>	<u>\$2,304,512</u>	<u>\$671,528</u>

Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2004, from the enterprise funds were as follows:

Year	1986 Waterworks Improvement		2002 Waterworks Improvement Refunding		2004 Water Pollution Control Refunding		OWDA Loans	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$120,000	\$17,700	\$80,000	\$26,000	\$47,000	\$14,609	\$263,642	\$473,839
2006	120,000	8,850	80,000	22,400	47,000	12,699	280,040	459,365
2007	0	0	80,000	18,800	42,000	10,749	295,309	444,096
2008	0	0	80,000	15,200	42,000	9,005	311,417	427,988
2009	0	0	80,000	11,400	42,000	7,263	328,410	410,996
2010-2014	0	0	160,000	11,400	133,000	11,329	1,931,512	1,765,513
2015-2019	0	0	0	0	0	0	2,520,794	1,176,233
2020-2024	0	0	0	0	0	0	2,287,689	454,882
2025-2026	0	0	0	0	0	0	504,460	30,527
	<u>\$240,000</u>	<u>\$26,550</u>	<u>\$560,000</u>	<u>\$105,200</u>	<u>\$353,000</u>	<u>\$65,654</u>	<u>\$8,723,273</u>	<u>\$5,643,439</u>

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(continued)

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

Long-term obligations at December 31, 2004, consisted of the following issues:

Long Term Obligations	Term	Percent	Original Issue	Outstanding 12/31/04
General Obligation Bonds				
2000 City Complex	2000-2020	4.35 to 6.25%	\$6,000,000	\$5,955,000
2001 Library	2001-2021	3.00	6,340,000	5,360,000
2001 Police Pension	2001-2026	3.00	552,098	511,596
2001 Fire Pension	2001-2026	3.00	742,902	688,404
2001 Various Purpose	2001-2026	3.00	6,037,200	5,532,600
2004 Judgement Refunding	2004-2012	4.15	240,000	240,000
			\$19,912,200	\$18,287,600
Special Assessment Bonds				
1985 PP Water Improvement	1986-2005	9.50	\$10,645	\$534
1985 PP Water Improvement	1986-2005	9.00	11,720	586
1986 PP Street Improvement	1987-2006	7.38	135,688	16,000
1987 Anderson Street	1988-2007	7.00	10,835	1,623
1988 PP Street	1989-2008	7.00	18,500	3,700
1989 PP Street	1989-2009	7.75	136,640	35,000
1990 Street	1990-2010	7.40	87,675	30,000
1991 PP Water	1991-2011	6.75	13,800	4,830
1995 PP McDonough Street	1995-2015	5.23	2,963	1,559
1995 PP Sidewalk 1993	1995-2005	5.23	122,750	12,275
1995 PP Sidewalk 1994	1995-2005	5.23	149,514	14,955
1995 PP Street	1995-2014	5.23	120,974	63,671
1995 PP Dutch Street	1995-2013	5.23	35,512	17,755
1995 Streetscape	1995-2005	5.23	4,648	465
1995 Filmore	1995-2014	5.23	247,677	214,317
1996 Perry Street	1996-2016	5.72	40,000	24,000
1996 Sidewalk 1995	1996-2006	5.72	166,400	33,280
1996 Shoreline Walkway	1996-2006	5.72	13,600	2,721
1996 Perry Street - City Port	1996-2016	5.72	350,000	270,000
1997 Polk Street Improvement	1997-2016	6.00	53,980	35,100
1997 Sidewalk	1997-2007	5.50	175,770	52,740
1998 Sidewalk	1998-2008	4.87	201,000	81,000

(continued)

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(continued)

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

Long Term Obligations	Term	Percent	Original Issue	Outstanding 12/31/04
Special Assessment Bonds (continued)				
1998 PP Street	1998-2008	4.87	\$48,894	\$34,128
1998 PP Street	1998-2008	4.87	31,000	21,638
1998 PP Street	1998-2008	4.87	69,106	48,234
1999 Sidewalk	1999-2009	5.50	227,000	112,000
1999 Winnebago	1999-2019	5.50	81,000	61,000
1999 Wilbert	1999-2019	5.50	143,000	108,000
1999 Streetscape	1999-2019	5.50	329,000	249,000
2000 Curb, Sidewalk, and Gutter	2000-2010	6.10	254,000	154,000
2001 Remington	2001-2026	5.86	107,800	92,401
2001 PP Sidewalk	2001-2026	5.86	280,000	205,000
2002 Curb, Sidewalk, and Gutter	2002-2012	4.50	102,000	85,000
2003 Curb, Sidewalk, and Gutter	2003-2013	4.00	89,900	81,000
2004 PP St. Clair Street Refunding	2004-2012	4.15	80,000	80,000
2004 PP First Street Refunding	2004-2011	4.15	30,700	30,700
2004 PP Water Refunding	2004-2011	4.15	26,300	26,300
			<u>\$4,009,991</u>	<u>\$2,304,512</u>
General Obligation Revenue Bonds				
Water				
1986 Waterworks Improvement	1987-2006	7.38%	\$2,400,000	\$240,000
2002 Waterworks Improvement Refunding	2002-2011	4.50-4.75	720,000	560,000
			<u>\$3,120,000</u>	<u>\$800,000</u>
Sewer				
2004 Water Pollution Control Refunding	2004-2012	4.15	353,000	353,000
			<u>\$3,473,000</u>	<u>\$1,153,000</u>
OWDA Loans				
Water				
2003 Water Plant Improvements	2004-2024	5.20	\$19,894,861	\$9,308,085

(continued)

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(continued)

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

Long Term Obligations	Term	Percent	Original Issue	Outstanding 12/31/04
Sewer				
1998 Ultraviolet Treatment	2001-2026	5.56	\$2,110,930	\$1,958,947
1999 Sewer Rehabilitation	2001-2025	6.13	350,878	323,680
2000 Sewer Rehabilitation	2001-2026	6.39	713,436	613,018
2000 CSO Flow Monitors	2001-2026	6.39	306,536	289,865
2000 Sludge Digestion System	2001-2026	6.03	1,409,888	1,138,154
2001 Cedar Point Pump Station	2002-2022	5.05	4,393,697	4,127,174
2001 Final Settling Tank Improv	2002-2022	5.05	383,484	272,435
2001 Wastewater System Model	2002-2007	5.55	154,871	154,871
2002 WWTP Expansion	2003-2023	4.65	25,396,935	14,201,913
			<u>35,220,655</u>	<u>23,080,057</u>
			<u>\$55,115,516</u>	<u>\$32,388,142</u>

NOTE 19 - CAPITAL LEASES - LESSEE DISCLOSURE

The City has entered into capitalized leases for equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the accounts "General Government-Other" and "Inception of Capital Lease" in the funds which will be making the lease payments. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in 2004 were \$24,712.

	Governmental Activities
Equipment	<u>\$184,954</u>
Less Accumulated Depreciation	<u>(30,825)</u>
Carrying Value, December 31, 2004	<u>\$154,129</u>

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(continued)

NOTE 19 - CAPITAL LEASES - LESSEE DISCLOSURE (continued)

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

Year	Business-Type Activities	
	Principal	Interest
2005	\$26,034	\$7,747
2006	25,267	5,917
2007	26,512	4,672
2008	27,819	3,365
2009	29,190	1,994
2010	25,420	555
Total	\$160,242	\$24,250

NOTE 20 - 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 2004, 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
2005-2009	\$25,000	\$125,000
2010-2014	25,000	125,000
2015-2024	30,000	300,000
Total minimum future rentals		\$550,000

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(continued)

NOTE 20 - OPERATING LEASE (continued)

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 2004.

NOTE 21 - INTERFUND TRANSFERS

During 2004, the General Fund made transfers to other governmental funds, in the amount of \$1,939,960, to subsidize various activities in other funds. Other governmental funds made transfers to the Capital Projects fund, in the amount of \$779,724, to fund various capital activities, to the Various Improvement fund, in the amount of \$59,985, to fund sidewalk, curb, and gutter projects, and to other governmental funds, in the amount of \$116,257, to move receipts as debt payments became due.

The Sewer enterprise fund transferred \$41,294 to the other governmental funds to move receipts as debt payments became due. The Water and Sewer funds transferred \$6,756 each to the Capital Projects fund to pay for capital projects activities within the fund.

NOTE 22 - 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, 2004. 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

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(continued)

NOTE 23 - 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, 2004, to December 31, 2004, 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.

NOTE 24 - SUBSEQUENT EVENT

On March 22, 2005, the City issued \$6,410,000 in general obligation bonds to refund the City Service Complex Bonds. The bonds have an interest rate of 4.28 percent and mature on December 1, 2020.

**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 for construction of the Bayfront Corridor Extension, FEMA monies for weather related issues, and for the purchase of bulletproof vests, as well as other federal grants.

(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 Funds

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.

Special Assessment Bond Retirement

To account for special assessment monies received for the payment of principal, interest, and fiscal charges on special assessment 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, 2004

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$5,018,045	\$664,483	\$21,759	\$5,704,287
Accrued Interest Receivable	16,632	0	0	16,632
Due from Other Governments	527,985	18,433	0	546,418
Municipal Income Taxes Receivable	0	161,558	25,849	187,407
Other Local Taxes Receivable	235,208	0	0	235,208
Prepaid Items	2,534	0	0	2,534
Materials and Supplies Inventory	119,097	0	0	119,097
Property Taxes Receivable	295,608	344,459	0	640,067
Notes Receivable	1,631,364	0	0	1,631,364
Special Assessments Receivable	0	2,285,971	0	2,285,971
	<u>\$7,846,473</u>	<u>\$3,474,904</u>	<u>\$47,608</u>	<u>\$11,368,985</u>
<u>Total Assets</u>				
<u>Liabilities and Fund Balance</u>				
<u>Liabilities</u>				
Accrued Wages Payable	\$38,458	\$0	\$0	\$38,458
Accounts Payable	162,834	775	0	163,609
Due to Other Governments	419,892	0	0	419,892
Deferred Revenue	917,890	2,802,312	24,552	3,744,754
	<u>1,539,074</u>	<u>2,803,087</u>	<u>24,552</u>	<u>4,366,713</u>
<u>Total Liabilities</u>				
<u>Fund Balance</u>				
Reserved for Encumbrances	111,109	0	0	111,109
Reserved for Notes Receivable	1,454,785	0	0	1,454,785
Unreserved, Reported in				
Special Revenue Funds	4,741,505	0	0	4,741,505
Debt Service Funds	0	671,817	0	671,817
Capital Projects Funds	0	0	23,056	23,056
	<u>6,307,399</u>	<u>671,817</u>	<u>23,056</u>	<u>7,002,272</u>
<u>Total Fund Balance</u>				
<u>Total Liabilities and Fund Balance</u>	<u>\$7,846,473</u>	<u>\$3,474,904</u>	<u>\$47,608</u>	<u>\$11,368,985</u>

City of Sandusky
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2004

	Street Maintenance	State Highway	Public Transit	Parks and Recreational	Fire Pension
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$103,671	\$10,348	\$120,105	\$8,101	\$0
Accrued Interest Receivable	0	0	0	0	0
Due from Other Governments	330,021	33,907	25,344	0	7,900
Other Local Taxes Receivable	235,208	0	0	0	0
Prepaid Items	432	561	0	59	0
Materials and Supplies Inventory	119,097	0	0	0	0
Property Taxes Receivable	0	0	0	0	147,804
Notes Receivable	0	0	0	0	0
Total Assets	<u>\$788,429</u>	<u>\$44,816</u>	<u>\$145,449</u>	<u>\$8,160</u>	<u>\$155,704</u>
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accrued Wages Payable	\$32,924	\$1,249	\$0	\$3,247	\$0
Accounts Payable	24,675	0	70,444	2,073	0
Due to Other Governments	30,730	1,448	64	6,890	229,047
Deferred Revenue	479,973	29,244	25,163	0	155,704
Total Liabilities	<u>568,302</u>	<u>31,941</u>	<u>95,671</u>	<u>12,210</u>	<u>384,751</u>
<u>Fund Balance</u>					
Reserved for Encumbrances	18,165	2,024	1,688	7,161	0
Reserved for Notes Receivable	0	0	0	0	0
Unreserved (Deficit)	201,962	10,851	48,090	(11,211)	(229,047)
Total Fund Balance (Deficit)	<u>220,127</u>	<u>12,875</u>	<u>49,778</u>	<u>(4,050)</u>	<u>(229,047)</u>
Total Liabilities and Fund Balance	<u>\$788,429</u>	<u>\$44,816</u>	<u>\$145,449</u>	<u>\$8,160</u>	<u>\$155,704</u>

Police Pension	State Grants	Federal Grants	Indigent Drivers Alcohol	Enforcement and Education	Court Computerization	Indigent Telephone
\$0	\$1,036,549	\$2,282,525	\$87,267	\$109,369	\$123,907	\$27,156
0	0	14,391	0	0	0	0
7,900	29,766	90,750	849	768	780	0
0	0	0	0	0	0	0
0	0	0	0	0	1,482	0
0	0	0	0	0	0	0
147,804	0	0	0	0	0	0
0	1,631,364	0	0	0	0	0
<u>\$155,704</u>	<u>\$2,697,679</u>	<u>\$2,387,666</u>	<u>\$88,116</u>	<u>\$110,137</u>	<u>\$126,169</u>	<u>\$27,156</u>
\$0	\$0	\$0	\$0	\$0	\$115	\$0
0	54,662	7,596	0	0	0	0
148,821	1,126	614	0	0	130	0
155,704	26,133	43,728	0	0	0	0
<u>304,525</u>	<u>81,921</u>	<u>51,938</u>	<u>0</u>	<u>0</u>	<u>245</u>	<u>0</u>
0	55,365	23,233	1,228	0	0	467
0	1,454,785	0	0	0	0	0
(148,821)	1,105,608	2,312,495	86,888	110,137	125,924	26,689
<u>(148,821)</u>	<u>2,615,758</u>	<u>2,335,728</u>	<u>88,116</u>	<u>110,137</u>	<u>125,924</u>	<u>27,156</u>
<u>\$155,704</u>	<u>\$2,697,679</u>	<u>\$2,387,666</u>	<u>\$88,116</u>	<u>\$110,137</u>	<u>\$126,169</u>	<u>\$27,156</u>

(continued)

City of Sandusky
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2004
(continued)

	Municipal Probation	General Trust	Park Donations	Cemetery Donations	Total
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$117,940	\$176,414	\$105,514	\$709,179	\$5,018,045
Accrued Interest Receivable	0	0	0	2,241	16,632
Due from Other Governments	0	0	0	0	527,985
Other Local Taxes Receivable	0	0	0	0	235,208
Prepaid Items	0	0	0	0	2,534
Materials and Supplies Inventory	0	0	0	0	119,097
Property Taxes Receivable	0	0	0	0	295,608
Notes Receivable	0	0	0	0	1,631,364
Total Assets	\$117,940	\$176,414	\$105,514	\$711,420	\$7,846,473
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accrued Wages Payable	\$0	\$923	\$0	\$0	\$38,458
Accounts Payable	542	2,542	0	300	162,834
Due to Other Governments	0	979	0	43	419,892
Deferred Revenue	0	0	0	2,241	917,890
Total Liabilities	542	4,444	0	2,584	1,539,074
<u>Fund Balance</u>					
Reserved for Encumbrances	679	739	0	360	111,109
Reserved for Notes Receivable	0	0	0	0	1,454,785
Unreserved (Deficit)	116,719	171,231	105,514	708,476	4,741,505
Total Fund Balance (Deficit)	117,398	171,970	105,514	708,836	6,307,399
Total Liabilities and Fund Balance	\$117,940	\$176,414	\$105,514	\$711,420	\$7,846,473

City of Sandusky
Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2004

	<u>General Bond Retirement</u>	<u>Special Assessment Bond Retirement</u>	<u>Total</u>
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$486,489	\$177,994	\$664,483
Due from Other Governments	18,433	0	18,433
Municipal Income Taxes Receivable	161,558	0	161,558
Property Taxes Receivable	344,459	0	344,459
Special Assessments Receivable	0	2,285,971	2,285,971
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$1,010,939</u>	<u>\$2,463,965</u>	<u>\$3,474,904</u>
 <u>Liabilities and Fund Balance</u>			
<u>Liabilities</u>			
Accounts Payable	\$0	\$775	\$775
Deferred Revenue	516,341	2,285,971	2,802,312
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	516,341	2,286,746	2,803,087
 <u>Fund Balance</u>			
Unreserved	494,598	177,219	671,817
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balance	<u>\$1,010,939</u>	<u>\$2,463,965</u>	<u>\$3,474,904</u>

City of Sandusky
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2004

	<u>Capital Improvement</u>	<u>Redevelopment Tax Increment</u>	<u>Total</u>
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$34	\$21,725	\$21,759
Municipal Income Taxes Receivable	25,849	0	25,849
Total Assets	<u>\$25,883</u>	<u>\$21,725</u>	<u>\$47,608</u>
<u>Liabilities and Fund Balance</u>			
<u>Liabilities</u>			
Deferred Revenue	\$24,552	\$0	\$24,552
<u>Fund Balance</u>			
Unreserved	1,331	21,725	23,056
Total Liabilities and Fund Balance	<u>\$25,883</u>	<u>\$21,725</u>	<u>\$47,608</u>

City of Sandusky
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2004

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<u>Revenues</u>				
Property Taxes	\$275,978	\$317,913	\$0	\$593,891
Payment in Lieu of Taxes	0	0	21,177	21,177
Municipal Income Taxes	0	458,531	70,668	529,199
Other Local Taxes	466,247	0	0	466,247
Special Assessments	0	384,141	0	384,141
Charges for Services	863,492	0	0	863,492
Fees, Licenses, and Permits	44,176	0	0	44,176
Fines and Forfeitures	59,504	0	0	59,504
Intergovernmental	1,700,663	39,442	0	1,740,105
Interest	82,427	0	0	82,427
Other	239,609	0	49,896	289,505
Total Revenues	3,732,096	1,200,027	141,741	5,073,864
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	611,372	0	0	611,372
Fire	729,279	0	0	729,279
Public Health	50,976	0	0	50,976
Leisure Time Activities	387,892	0	0	387,892
Community Environment	434,093	0	0	434,093
Transportation	2,216,810	0	0	2,216,810
Other	31,706	0	0	31,706
Debt Service:				
Principal Retirement	35,000	1,094,455	0	1,129,455
Interest and Fiscal Charges	58,295	1,025,289	0	1,083,584
Total Expenditures	4,555,423	2,119,744	0	6,675,167
Excess of Revenues Over (Under) Expenditures	(823,327)	(919,717)	141,741	(1,601,303)
<u>Other Financing Sources (Uses)</u>				
General Obligation Bonds Issued	0	240,000	0	240,000
Special Assessment Bonds Issued	0	137,000	0	137,000
Transfers In	1,197,251	282,551	617,709	2,097,511
Transfers Out	(216,257)	0	(739,709)	(955,966)
Total Other Financing Sources (Uses)	980,994	659,551	(122,000)	1,518,545
Changes in Fund Balance	157,667	(260,166)	19,741	(82,758)
Fund Balance Beginning of Year	6,149,732	931,983	3,315	7,085,030
Fund Balance End of Year	\$6,307,399	\$671,817	\$23,056	\$7,002,272

City of Sandusky
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004

	Street Maintenance	State Highway	Public Transit	Parks and Recreational	Fire Pension
<u>Revenues</u>					
Property Taxes	\$0	\$0	\$0	\$0	\$137,989
Other Local Taxes	466,247	0	0	0	0
Charges for Services	0	0	598,137	235,152	0
Fees, Licenses, and Permits	0	0	0	0	0
Fines and Forfeitures	0	0	0	0	0
Intergovernmental	834,730	67,681	93,259	0	16,903
Interest	963	31	0	0	0
Other	10,325	95	2,050	14,791	0
Total Revenues	1,312,265	67,807	693,446	249,943	154,892
<u>Expenditures</u>					
Current:					
Security of Persons and Property					
Police	0	0	0	0	0
Fire	0	0	0	0	729,279
Public Health	0	0	0	0	0
Leisure Time Activities	0	0	0	379,775	0
Community Environment	0	0	0	0	0
Transportation	1,155,131	62,855	716,928	0	0
Other	0	0	0	0	0
Debt Service:					
Principal Retirement	0	0	0	0	20,078
Interest and Fiscal Charges	0	0	0	0	33,442
Total Expenditures	1,155,131	62,855	716,928	379,775	782,799
Excess of Revenues Over (Under) Expenditures	157,134	4,952	(23,482)	(129,832)	(627,907)
<u>Other Financing Sources (Uses)</u>					
Transfers In	0	0	0	129,599	610,853
Transfers Out	(100,000)	0	0	0	0
Total Other Financing Sources (Uses)	(100,000)	0	0	129,599	610,853
Changes in Fund Balance	57,134	4,952	(23,482)	(233)	(17,054)
Fund Balance (Deficit) Beginning of Year	162,993	7,923	73,260	(3,817)	(211,993)
Fund Balance (Deficit) End of Year	\$220,127	\$12,875	\$49,778	(\$4,050)	(\$229,047)

Police Pension	State Grants	Federal Grants	Indigent Drivers Alcohol	Enforcement and Education	Court Computerization	Indigent Telephone
\$137,989	\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0	0
0	75	0	0	0	0	0
0	0	0	20,699	0	0	506
0	0	0	0	12,249	30,917	0
16,903	229,147	434,977	7,063	0	0	0
0	44,907	25,188	0	0	0	0
0	190	0	0	0	0	0
<u>154,892</u>	<u>274,319</u>	<u>460,165</u>	<u>27,762</u>	<u>12,249</u>	<u>30,917</u>	<u>506</u>
566,017	0	10,392	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	5,500	0	0	0	0
0	236,247	105,265	0	0	0	0
0	0	281,896	0	0	0	0
0	0	0	5,293	1,481	14,416	2,667
14,922	0	0	0	0	0	0
24,853	0	0	0	0	0	0
<u>605,792</u>	<u>236,247</u>	<u>403,053</u>	<u>5,293</u>	<u>1,481</u>	<u>14,416</u>	<u>2,667</u>
<u>(450,900)</u>	<u>38,072</u>	<u>57,112</u>	<u>22,469</u>	<u>10,768</u>	<u>16,501</u>	<u>(2,161)</u>
456,799	0	0	0	0	0	0
0	0	(116,257)	0	0	0	0
<u>456,799</u>	<u>0</u>	<u>(116,257)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
5,899	38,072	(59,145)	22,469	10,768	16,501	(2,161)
<u>(154,720)</u>	<u>2,577,686</u>	<u>2,394,873</u>	<u>65,647</u>	<u>99,369</u>	<u>109,423</u>	<u>29,317</u>
<u>(\$148,821)</u>	<u>\$2,615,758</u>	<u>\$2,335,728</u>	<u>\$88,116</u>	<u>\$110,137</u>	<u>\$125,924</u>	<u>\$27,156</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, 2004
(continued)

	Municipal Probation	General Trust	Park Donations	Cemetery Donations	Total
<u>Revenues</u>					
Property Taxes	\$0	\$0	\$0	\$0	\$275,978
Other Local Taxes	0	0	0	0	466,247
Charges for Services	0	0	0	30,128	863,492
Fees, Licenses, and Permits	22,971	0	0	0	44,176
Fines and Forfeitures	0	16,338	0	0	59,504
Intergovernmental	0	0	0	0	1,700,663
Interest	0	0	545	10,793	82,427
Other	0	183,412	5,991	22,755	239,609
Total Revenues	22,971	199,750	6,536	63,676	3,732,096
<u>Expenditures</u>					
Current:					
Security of Persons and Property					
Police	0	34,963	0	0	611,372
Fire	0	0	0	0	729,279
Public Health	0	0	0	50,976	50,976
Leisure Time Activities	0	280	2,337	0	387,892
Community Environment	0	92,581	0	0	434,093
Transportation	0	0	0	0	2,216,810
Other	4,269	0	3,580	0	31,706
Debt Service:					
Principal Retirement	0	0	0	0	35,000
Interest and Fiscal Charges	0	0	0	0	58,295
Total Expenditures	4,269	127,824	5,917	50,976	4,555,423
Excess of Revenues Over (Under) Expenditures	18,702	71,926	619	12,700	(823,327)
<u>Other Financing Sources (Uses)</u>					
Transfers In	0	0	0	0	1,197,251
Transfers Out	0	0	0	0	(216,257)
Total Other Financing Sources (Uses)	0	0	0	0	980,994
Changes in Fund Balance	18,702	71,926	619	12,700	157,667
Fund Balance (Deficit) Beginning of Year	98,696	100,044	104,895	696,136	6,149,732
Fund Balance (Deficit) End of Year	\$117,398	\$171,970	\$105,514	\$708,836	\$6,307,399

City of Sandusky
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Debt Service Funds
For the Year Ended December 31, 2004

	General Bond Retirement	Special Assessment Bond Retirement	Total
<u>Revenues</u>			
Property Taxes	\$317,913	\$0	\$317,913
Municipal Income Taxes	458,531	0	458,531
Special Assessments	0	384,141	384,141
Intergovernmental	39,442	0	39,442
Total Revenues	815,886	384,141	1,200,027
<u>Expenditures</u>			
Debt Service:			
Principal Retirement	674,867	419,588	1,094,455
Interest and Fiscal Charges	878,939	146,350	1,025,289
Total Expenditures	1,553,806	565,938	2,119,744
Excess of Revenues Under Expenditures	(737,920)	(181,797)	(919,717)
<u>Other Financing Sources</u>			
General Obligation Bonds Issued	240,000	0	240,000
Special Assessment Bonds Issued	0	137,000	137,000
Transfers In	241,257	41,294	282,551
Total Other Financing Sources	481,257	178,294	659,551
Changes in Fund Balance	(256,663)	(3,503)	(260,166)
Fund Balance Beginning of Year	751,261	180,722	931,983
Fund Balance End of Year	\$494,598	\$177,219	\$671,817

City of Sandusky
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2004

	Capital Improvement	Redevelopment Tax Increment	Total
<u>Revenues</u>			
Payment in Lieu of Taxes	\$0	\$21,177	\$21,177
Municipal Income Taxes	70,668	0	70,668
Other	49,896	0	49,896
Total Revenues	120,564	21,177	141,741
<u>Expenditures</u>			
	0	0	0
Excess of Revenues Over Expenditures	120,564	21,177	141,741
<u>Other Financing Sources (Uses)</u>			
Transfers In	617,709	0	617,709
Transfers Out	(739,709)	0	(739,709)
Total Other Financing Sources (Uses)	(122,000)	0	(122,000)
Changes in Fund Balance	(1,436)	21,177	19,741
Fund Balance Beginning of Year	2,767	548	3,315
Fund Balance End of Year	\$1,331	\$21,725	\$23,056

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, 2004

	State Patrol Transfer	Guaranteed Deposits	Sandusky Municipal Court	BSF Assessment	Income Tax Garnishment
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$6,135	\$33,535	\$87,054	\$300	\$65
<u>Liabilities</u>					
Due to Other Governments	\$0	\$0	\$0	\$0	\$0
Undistributed Assets	6,135	33,535	87,054	300	65
Total Liabilities	\$6,135	\$33,535	\$87,054	\$300	\$65

<u>Payroll</u>	<u>Employee Series E Bonds</u>	<u>Police Temporary Deposit</u>	<u>Section 125 Plan</u>	<u>Total</u>
<u>\$96,829</u>	<u>\$245</u>	<u>\$1,903</u>	<u>\$2,276</u>	<u>\$228,342</u>
\$96,829	\$0	\$0	\$0	\$96,829
<u>0</u>	<u>245</u>	<u>1,903</u>	<u>2,276</u>	<u>131,513</u>
<u>\$96,829</u>	<u>\$245</u>	<u>\$1,903</u>	<u>\$2,276</u>	<u>\$228,342</u>

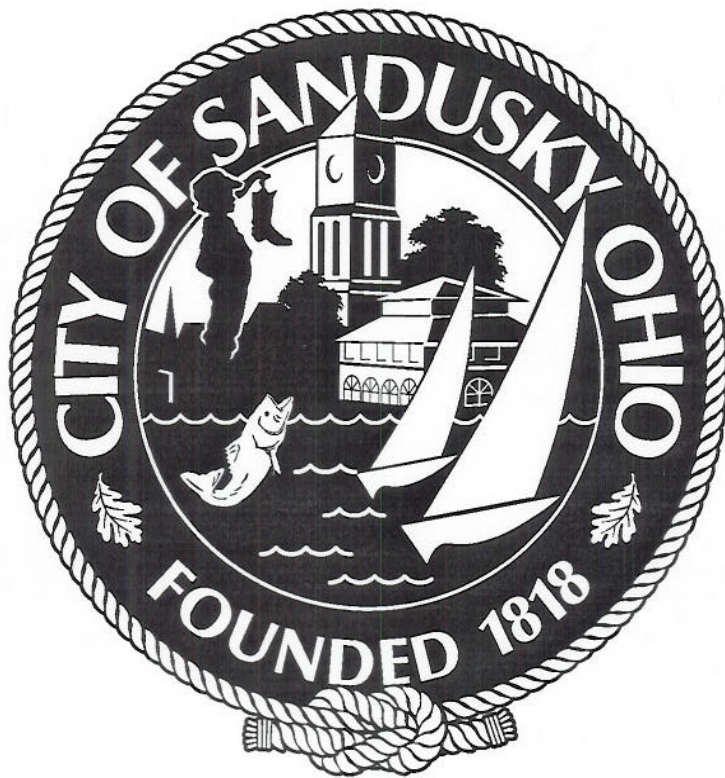
City of Sandusky
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2004

	Balance January 1, 2004	Additions	Reductions	Balance December 31, 2004
<u>State Patrol Transfer</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$6,048	\$37,777	\$37,690	\$6,135
<u>Liabilities</u>				
Undistributed Assets	\$6,048	\$37,777	\$37,690	\$6,135
<u>Guaranteed Deposits</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$23,202	\$10,383	\$50	\$33,535
<u>Liabilities</u>				
Undistributed Assets	\$23,202	\$10,383	\$50	\$33,535
<u>Sandusky Municipal Court</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$156,432	\$2,905,901	\$2,975,279	\$87,054
<u>Liabilities</u>				
Undistributed Assets	\$156,432	\$2,905,901	\$2,975,279	\$87,054
<u>BSF Assessment</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$608	\$3,406	\$3,714	\$300
<u>Liabilities</u>				
Undistributed Assets	\$608	\$3,406	\$3,714	\$300
<u>Income Tax Garnishment</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$74	\$0	\$9	\$65
<u>Liabilities</u>				
Undistributed Assets	\$74	\$0	\$9	\$65
<u>Payroll</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$42,169	\$96,829	\$42,169	\$96,829
<u>Liabilities</u>				
Due to Other Governments	\$42,169	\$96,829	\$42,169	\$96,829
<u>Employee Series E Bonds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$535	\$8,610	\$8,900	\$245
<u>Liabilities</u>				
Undistributed Assets	\$535	\$8,610	\$8,900	\$245

(continued)

City of Sandusky
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2004
(continued)

	Balance January 1, 2004	Additions	Reductions	Balance December 31, 2004
<u>Police Temporary Deposit</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$7,485	\$17,449	\$23,031	\$1,903
<u>Liabilities</u>				
Undistributed Assets	\$7,485	\$17,449	\$23,031	\$1,903
<u>Section 125 Plan</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$623	\$17,556	\$15,903	\$2,276
<u>Liabilities</u>				
Undistributed Assets	\$623	\$17,556	\$15,903	\$2,276
<u>Total - All Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$237,176	\$3,097,911	\$3,106,745	\$228,342
<u>Liabilities</u>				
Due to Other Governments	\$42,169	\$96,829	\$42,169	\$96,829
Undistributed Assets	195,007	3,001,082	3,064,576	131,513
Total Liabilities	\$237,176	\$3,097,911	\$3,106,745	\$228,342



**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, 2004

	Original	Budget	Actual	Variance with Final Budget Over (Under)
<u>Revenues</u>				
Property Taxes	\$1,837,254	\$1,788,652	\$1,678,863	(\$109,789)
Municipal Income Taxes	6,998,276	6,705,188	6,700,114	(5,074)
Other Local Taxes	3,655,779	3,528,082	3,527,477	(605)
Charges for Services	677,584	845,507	844,416	(1,091)
Fees, Licenses, and Permits	535,317	497,147	495,669	(1,478)
Fines and Forfeitures	919,271	940,422	943,792	3,370
Intergovernmental	1,278,018	1,694,370	1,780,699	86,329
Interest	302,650	282,650	279,405	(3,245)
Other	264,681	211,604	211,357	(247)
Total Revenues	16,468,830	16,493,622	16,461,792	(31,830)
<u>Expenditures</u>				
Current:				
Security of Persons and Property-Police				
Police Patrol	3,692,468	3,646,007	3,630,699	15,308
Police Records	762,124	694,854	669,724	25,130
Police Reserve	117,518	118,437	79,331	39,106
Police Marine Patrol	56,739	60,805	49,627	11,178
Total Security of Persons and Property-Police	4,628,849	4,520,103	4,429,381	90,722
Security of Persons and Property-Fire Fire Suppression	3,849,625	3,829,625	3,747,964	81,661
Security of Persons and Property-Other Street Lighting	113,220	113,220	103,847	9,373
Public Health Oakland Cemetery	264,191	292,620	286,203	6,417
Community Environment Community Development Planning Community Development Building Division Horticulture Services	706,521 274,061 975,027	631,630 271,089 972,041	594,875 266,821 963,072	36,755 4,268 8,969
Total Community Environment	1,955,609	1,874,760	1,824,768	49,992
General Government-Municipal Court Court - Criminal	819,534	870,411	860,603	9,808
General Government-Other City Manager Personnel Labor Relations Information Services Purchasing Finance Income Tax Data Processing Law Director City Commission City Commission Clerk Municipal Buildings and Lands Engineering Traffic and Electrical Maintenance Mechanic Administrative Support	146,621 221,529 0 56,972 190,092 282,015 127,023 322,198 33,219 68,810 634,112 343,608 0 293,577 654,241	217,801 165,200 98 56,398 207,542 279,515 140,312 302,237 38,670 68,809 597,545 306,349 231 327,656 1,171,066	211,018 162,012 98 55,880 206,871 274,676 137,802 295,156 37,830 66,948 586,802 297,838 231 312,511 1,163,997	6,783 3,188 0 518 671 4,839 2,510 7,081 840 1,861 10,743 8,511 0 15,145 7,069
Total General Government-Other	3,374,017	3,879,429	3,809,670	69,759
Total Expenditures	15,005,045	15,380,168	15,062,436	317,732

(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, 2004
(continued)

	<u>Original</u>	<u>Budget</u>	<u>Actual</u>	Variance with Final Budget Over (Under)
Excess of Revenues Over Expenditures	\$1,463,785	\$1,113,454	\$1,399,356	\$285,902
<u>Other Financing Sources (Uses)</u>				
Other Financing Sources	210,561	117,328	82,722	(34,606)
Transfers Out	<u>(1,333,407)</u>	<u>(2,334,764)</u>	<u>(1,939,960)</u>	<u>394,804</u>
Total Other Financing Sources (Uses)	<u>(1,122,846)</u>	<u>(2,217,436)</u>	<u>(1,857,238)</u>	<u>360,198</u>
Changes in Fund Balance	340,939	(1,103,982)	(457,882)	646,100
Fund Balance Beginning of Year	3,075,792	3,075,792	3,075,792	0
Prior Year Encumbrances Appropriated	<u>71,274</u>	<u>71,274</u>	<u>71,274</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$3,488,005</u></u>	<u><u>\$2,043,084</u></u>	<u><u>\$2,689,184</u></u>	<u><u>\$646,100</u></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, 2004

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Charges for Services	\$9,175	\$9,175	\$0
Fees, Licenses, and Permits	150,998	197,628	46,630
Intergovernmental	411,964	400,370	(11,594)
Other	610,558	381,795	(228,763)
Total Revenues	1,182,695	988,968	(193,727)
<u>Expenditures</u>			
Current:			
Security of Persons and Property-Fire Fire	383,280	383,280	0
Leisure Time Activities			
West Battery Launch	59	59	0
Sandusky Fishing Stations	4,905	3,693	1,212
Total Leisure Time Activities	4,964	3,752	1,212
Community Environment			
City Wide Economic Development	14,148	14,148	0
Clean Ohio Phase I	9,924	9,924	0
Total Community Environment	24,072	24,072	0
Transportation			
West End Grade Separation	64	64	0
Urban Curb Ramp	5,405	5,405	0
Perkins Avenue	329	329	0
First Street Cleveland Road	83	83	0
Total Transportation	5,881	5,881	0
General Government-Municipal Court			
Municipal Court	349	349	0
General Government-Other			
City Hall	101	101	0
Paper District	46,654	46,654	0
Amtrak Station	1,439	1,439	0
Court/Law Renovation	190	190	0
Administrative Support	9,840	9,840	0
Total General Government-Other	58,224	58,224	0
Capital Outlay	6,158,446	5,603,352	555,094
Debt Service:			
Principal Retirement	4,155,000	4,155,000	0
Interest and Fiscal Charges	47,175	47,175	0
Total Debt Service	4,202,175	4,202,175	0
Total Expenditures	10,837,391	10,281,085	556,306

(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, 2004
(continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Excess of Revenues Under Expenditures	(\$9,654,696)	(\$9,292,117)	\$362,579
<u>Other Financing Sources</u>			
Other Financing Sources	43,381	43,294	(87)
Proceeds of Notes	7,425,000	7,156,000	(269,000)
Transfers In	842,967	779,724	(63,243)
Total Other Financing Sources	8,311,348	7,979,018	(332,330)
Changes in Fund Balance	(1,343,348)	(1,313,099)	30,249
Fund Balance Beginning of Year	325,893	325,893	0
Prior Year Encumbrances Appropriated	1,130,335	1,130,335	0
Fund Balance End of Year	<u>\$112,880</u>	<u>\$143,129</u>	<u>\$30,249</u>

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, 2004

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Charges for Services	\$60,054	\$49,050	(\$11,004)
Fees, Licenses, and Permits	76,029	74,946	(1,083)
Interest	1,865	3,231	1,366
Other	26,067	25,185	(882)
Total Revenues	164,015	152,412	(11,603)
<u>Expenditures</u>			
Current:			
Community Environment			
Remove Unsafe Buildings	1,635	1,635	0
Nuisance Removal	30,964	30,964	0
Rental Registration Fee	17,128	17,128	0
Inspection Fee	901	901	0
Total Community Environment	50,628	50,628	0
Transportation			
Coldcreek Crossing	15,729	15,729	0
Sidewalk-Curb-Gutter-2001	228	228	0
Sidewalk-Curb-Gutter-2003	2,362	2,362	0
Sidewalk-Curb-Gutter-2004	258,152	50,979	207,173
Total Transportation	276,471	69,298	207,173
Capital Outlay	2,349,408	2,349,408	0
Debt Service:			
Principal Retirement	5,575,000	5,575,000	0
Interest and Fiscal Charges	72,500	72,500	0
Total Debt Service	5,647,500	5,647,500	0
Total Expenditures	8,324,007	8,116,834	207,173
Excess of Revenues Under Expenditures	(8,159,992)	(7,964,422)	195,570
<u>Other Financing Sources</u>			
Proceeds of Notes	3,019,000	3,019,000	0
Transfers In	59,985	59,985	0
Total Other Financing Sources	3,078,985	3,078,985	0
Changes in Fund Balance	(5,081,007)	(4,885,437)	195,570
Fund Balance Beginning of Year	2,953,148	2,953,148	0
Prior Year Encumbrances Appropriated	2,172,427	2,172,427	0
Fund Balance End of Year	\$44,568	\$240,138	\$195,570

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, 2004

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Charges for Services	\$17,596,200	\$6,215,917	(\$11,380,283)
Proceeds of Notes	632,664	179,000	(453,664)
Proceeds of OWDA Loans	3,083,869	2,415,360	(668,509)
Interest	485	485	0
Other	7,902	7,902	0
Total Revenues	21,321,120	8,818,664	(12,502,456)
<u>Expenses</u>			
Personal Services			
Water Office	110,625	88,995	21,630
Waterworks Filtration	1,006,264	898,846	107,418
Waterworks Distribution	740,489	661,567	78,922
Administrative Support	487,456	459,374	28,082
Total Personal Services	2,344,834	2,108,782	236,052
Travel and Transportation			
Water Office	126	126	0
Waterworks Filtration	22,840	12,283	10,557
Waterworks Distribution	8,471	2,736	5,735
Administrative Support	4,694	4,354	340
Total Travel and Transportation	36,131	19,499	16,632
Contractual Services			
Water Office	28,445	20,028	8,417
Waterworks Filtration	342,634	342,634	0
Waterworks Distribution	59,095	38,155	20,940
Administrative Support	147,761	147,761	0
Total Contractual Services	577,935	548,578	29,357
Materials and Supplies			
Water Office	3,135	2,879	256
Waterworks Filtration	354,924	333,616	21,308
Waterworks Distribution	125,937	121,137	4,800
Administrative Support	41,381	41,381	0
Total Materials and Supplies	525,377	499,013	26,364
Other			
Water Office	15	15	0
Administrative Support	2,245	760	1,485
Total Other	2,260	775	1,485
Capital Outlay			
Waterworks Distribution	15,203,880	14,706,513	497,367
Administrative Support	27,808	27,808	0
Total Capital Outlay	15,231,688	14,734,321	497,367

(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, 2004
(continued)

	Budget	Actual	Variance Over (Under)
Debt Service:			
Principal Retirement	\$1,203,845	\$765,314	\$438,531
Interest Expense	375,356	375,356	0
Total Debt Service	<u>1,579,201</u>	<u>1,140,670</u>	<u>438,531</u>
Total Expenses	<u>20,297,426</u>	<u>19,051,638</u>	<u>1,245,788</u>
Changes in Fund Balance	1,023,694	(10,232,974)	(11,256,668)
Fund Balance Beginning of Year	3,914,366	3,914,366	0
Prior Year Encumbrances Appropriated	<u>3,699,139</u>	<u>3,699,139</u>	<u>0</u>
Fund Balance (Deficit) End of Year	<u><u>\$8,637,199</u></u>	<u><u>(\$2,619,469)</u></u>	<u><u>(\$11,256,668)</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, 2004

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Charges for Services	\$6,284,494	\$6,284,494	\$0
Proceeds of Notes	1,671,000	1,671,000	0
Proceeds of Bonds	353,000	353,000	0
Proceeds of OWDA Loans	2,802,034	2,092,409	(709,625)
Grants	184,117	184,117	0
Interest	1,045	1,045	0
Other	53,033	53,033	0
Total Revenues	11,348,723	10,639,098	(709,625)
<u>Expenses</u>			
<u>Personal Services</u>			
Sewer Office	159,716	137,816	21,900
Water Pollution Control	1,166,078	1,092,100	73,978
Sewer Maintenance	636,795	585,213	51,582
Administrative Support	489,115	460,870	28,245
Total Personal Services	2,451,704	2,275,999	175,705
<u>Travel and Transportation</u>			
Sewer Office	1,126	430	696
Water Pollution Control	24,200	9,644	14,556
Sewer Maintenance	8,000	2,841	5,159
Administrative Support	4,694	4,308	386
Total Travel and Transportation	38,020	17,223	20,797
<u>Contractual Services</u>			
Sewer Office	29,416	23,431	5,985
Water Pollution Control	834,926	834,926	0
Sewer Maintenance	136,745	122,989	13,756
Administrative Support	219,298	219,298	0
Total Contractual Services	1,220,385	1,200,644	19,741
<u>Materials and Supplies</u>			
Sewer Office	16,129	12,945	3,184
Water Pollution Control	226,968	177,410	49,558
Sewer Maintenance	142,169	102,010	40,159
Administrative Support	43,088	43,088	0
Total Materials and Supplies	428,354	335,453	92,901
<u>Other</u>			
Sewer Office	15	15	0
Administrative Support	3,765	2,485	1,280
Total Other	3,780	2,500	1,280
<u>Capital Outlay</u>			
Sewer Office	101,706	250,352	(148,646)
Water Pollution Control	3,827,655	3,827,630	25
Sewer Maintenance	694,164	693,229	935
Administrative Support	27,258	27,258	0
Total Capital Outlay	4,650,783	4,798,469	(147,686)

(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, 2004
(continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Debt Service:			
Principal Retirement	\$4,576,099	\$4,573,538	\$2,561
Interest Expense	842,375	849,918	(7,543)
	<u>5,418,474</u>	<u>5,423,456</u>	<u>(4,982)</u>
Total Debt Service			
	<u>5,418,474</u>	<u>5,423,456</u>	<u>(4,982)</u>
Total Expenses	<u>14,211,500</u>	<u>14,053,744</u>	<u>157,756</u>
Changes in Fund Balance	(2,862,777)	(3,414,646)	(551,869)
Fund Balance Beginning of Year	2,111,988	2,111,988	0
Prior Year Encumbrances Appropriated	<u>3,509,781</u>	<u>3,509,781</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$2,758,992</u></u>	<u><u>\$2,207,123</u></u>	<u><u>(\$551,869)</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, 2004

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Other Local Taxes	\$655,009	\$470,416	(\$184,593)
Intergovernmental	843,375	836,144	(7,231)
Interest	4,820	627	(4,193)
Other	6,547	6,547	0
Total Revenues	1,509,751	1,313,734	(196,017)
<u>Expenditures</u>			
Current:			
Transportation			
Public Works	749,824	744,313	5,511
Traffic and Electrical Maintenance	333,036	292,141	40,895
Street Cleaning, Snow, and Ice Removal	48,600	47,725	875
Administrative Support	77,811	77,811	0
Total Expenditures	1,209,271	1,161,990	47,281
Excess of Revenues Over Expenditures	300,480	151,744	(148,736)
<u>Other Financing Sources (Uses)</u>			
Other Financing Sources	3,778	3,778	0
Transfers Out	(100,000)	(100,000)	0
Total Other Financing Sources (Uses)	(96,222)	(96,222)	0
Changes in Fund Balance	204,258	55,522	(148,736)
Fund Balance Beginning of Year	0	0	0
Prior Year Encumbrances Appropriated	19,488	19,488	0
Fund Balance End of Year	\$223,746	\$75,010	(\$148,736)

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, 2004

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Intergovernmental	\$61,482	\$67,796	\$6,314
Interest	0	15	15
Total Revenues	61,482	67,811	6,329
<u>Expenditures</u>			
Current:			
Transportation			
State Highway Maintenance and Repair	67,040	65,156	1,884
Excess of Revenues Over (Under) Expenditures	(5,558)	2,655	8,213
<u>Other Financing Sources</u>			
Other Financing Sources	0	95	95
Changes in Fund Balance	(5,558)	2,750	8,308
Fund Balance Beginning of Year	5,558	5,558	0
Fund Balance End of Year	<u>\$0</u>	<u>\$8,308</u>	<u>\$8,308</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, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Revenues</u>			
Charges for Services	\$645,649	\$645,649	\$0
Intergovernmental	385,508	99,826	(285,682)
Total Revenues	1,031,157	745,475	(285,682)
<u>Expenditures</u>			
Current:			
Transportation			
Public Transit System	1,033,207	711,669	321,538
Excess of Revenues Over (Under) Expenditures	(2,050)	33,806	35,856
<u>Other Financing Sources</u>			
Other Financing Sources	2,050	2,050	0
Changes in Fund Balance	0	35,856	35,856
Fund Balance Beginning of Year	76,793	76,793	0
Prior Year Encumbrances Appropriated	3,161	3,161	0
Fund Balance End of Year	<u>\$79,954</u>	<u>\$115,810</u>	<u>\$35,856</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, 2004

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Charges for Services	\$238,405	\$235,152	(\$3,253)
Other	10,008	9,684	(324)
Total Revenues	248,413	244,836	(3,577)
<u>Expenditures</u>			
Current:			
Leisure Time Activities			
Aquatic Center	37,622	35,036	2,586
Mills Creek Golf Course Recreation	191,932	189,413	2,519
Boat Launch Ramp	126,804	122,853	3,951
Administrative Support	45,031	43,230	1,801
	4,600	1,109	3,491
Total Expenditures	405,989	391,641	14,348
Excess of Revenues Under Expenditures	(157,576)	(146,805)	10,771
<u>Other Financing Sources</u>			
Other Financing Sources	5,107	5,107	0
Transfers In	141,719	129,599	(12,120)
Total Other Financing Sources	146,826	134,706	(12,120)
Changes in Fund Balance	(10,750)	(12,099)	(1,349)
Fund Balance Beginning of Year	0	0	0
Prior Year Encumbrances Appropriated	12,099	12,099	0
Fund Balance End of Year	\$1,349	\$0	(\$1,349)

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, 2004

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Property Taxes	\$147,664	\$137,989	(\$9,675)
Intergovernmental	7,926	16,903	8,977
Total Revenues	155,590	154,892	(698)
<u>Expenditures</u>			
Current:			
Security of Persons and Property-Fire Fire Pension	766,443	765,745	698
Excess of Revenues Under Expenditures	(610,853)	(610,853)	0
<u>Other Financing Sources</u>			
Transfers In	610,853	610,853	0
Changes 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, 2004

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Property Taxes	\$147,336	\$137,989	(\$9,347)
Intergovernmental	7,926	16,903	8,977
Total Revenues	155,262	154,892	(370)
<u>Expenditures</u>			
Current:			
Security of Persons and Property-Police			
Police Pension	612,061	611,691	370
Excess of Revenues Under Expenditures	(456,799)	(456,799)	0
<u>Other Financing Sources</u>			
Transfers In	456,799	456,799	0
Changes 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, 2004

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Charges for Services	\$75	\$75	\$0
Intergovernmental	224,204	249,367	25,163
Interest	44,340	44,330	(10)
Other	202,347	233,502	31,155
Total Revenues	470,966	527,274	56,308
<u>Expenditures</u>			
Current:			
Community Environment			
OH Home Inv Prt Prg A-C-04-172	3,655	3,655	0
Local Law Enforcement Block 02	28,246	28,246	0
SG AT-T-02-172-1 DTR	18,588	18,588	0
Local Law Enforcement Block 03	7,814	7,791	23
A-F-02 172-02-03 CDBG	21,973	21,973	0
A-F-03-172 03-04 CDBG	65,944	65,944	0
A-E-03 172-1 CDBG	2,800	2,800	0
Court Security	1,400	1,400	0
Revolving Loan Rehabilitation	18,861	18,824	37
Revolving Loan Economic Development	435,789	271,758	164,031
DRC Probation	64,398	64,398	0
Total Expenditures	669,468	505,377	164,091
Excess of Revenues Over (Under) Expenditures	(198,502)	21,897	220,399
<u>Other Financing Sources</u>			
Other Financing Sources	34	190	156
Changes in Fund Balance	(198,468)	22,087	220,555
Fund Balance Beginning of Year	938,504	938,504	0
Prior Year Encumbrances Appropriated	17,440	17,440	0
Fund Balance End of Year	\$757,476	\$978,031	\$220,555

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, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Revenues</u>			
Intergovernmental	\$269,332	\$378,367	\$109,035
Interest	37,668	37,668	0
Total Revenues	<u>307,000</u>	<u>416,035</u>	<u>109,035</u>
<u>Expenditures</u>			
Current:			
Security of Persons and Property-Police Police Patrol	10,392	10,392	0
Leisure Time Activities Bayfront Corridor Extension	14,750	14,750	0
Community Environment HUD Entitlement	118,678	118,672	6
Transportation Public Transit System	<u>317,738</u>	<u>281,604</u>	<u>36,134</u>
Total Expenditures	<u>461,558</u>	<u>425,418</u>	<u>36,140</u>
Excess of Revenues Under Expenditures	(154,558)	(9,383)	145,175
<u>Other Financing Uses</u>			
Transfers Out	<u>(116,257)</u>	<u>(116,257)</u>	<u>0</u>
Changes in Fund Balance	(270,815)	(125,640)	145,175
Fund Balance Beginning of Year	<u>2,369,777</u>	<u>2,369,777</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$2,098,962</u></u>	<u><u>\$2,244,137</u></u>	<u><u>\$145,175</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, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Revenues</u>			
Intergovernmental	\$7,063	\$7,063	\$0
Fees, Licenses, and Permits	13,537	12,719	(818)
Total Revenues	20,600	19,782	(818)
<u>Expenditures</u>			
Current:			
Other			
Indigent Drivers Alcohol	29,300	6,521	22,779
Changes in Fund Balance	(8,700)	13,261	21,961
Fund Balance Beginning of Year	61,535	61,535	0
Prior Year Encumbrances Appropriated	3,340	3,340	0
Fund Balance End of Year	<u>\$56,175</u>	<u>\$78,136</u>	<u>\$21,961</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, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Revenues</u>			
Fines and Forfeitures	\$13,200	\$12,278	(\$922)
<u>Expenditures</u>			
Current:			
Other			
Enforcement and Education	<u>10,000</u>	<u>1,481</u>	<u>8,519</u>
Changes in Fund Balance	3,200	10,797	7,597
Fund Balance Beginning of Year	<u>98,572</u>	<u>98,572</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$101,772</u></u>	<u><u>\$109,369</u></u>	<u><u>\$7,597</u></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, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Revenues</u>			
Fines and Forfeitures	\$21,200	\$31,153	\$9,953
<u>Expenditures</u>			
Current:			
Other			
Court Computerization	21,200	19,924	1,276
Changes in Fund Balance	0	11,229	11,229
Fund Balance Beginning of Year	112,678	112,678	0
Fund Balance End of Year	<u>\$112,678</u>	<u>\$123,907</u>	<u>\$11,229</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, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Revenues</u>			
Fees, Licenses, and Permits	\$10,200	\$582	(\$9,618)
<u>Expenditures</u>			
Current:			
Other			
Indigent Telephone	<u>10,200</u>	<u>3,134</u>	<u>7,066</u>
Changes in Fund Balance	0	(2,552)	(2,552)
Fund Balance Beginning of Year	<u>29,241</u>	<u>29,241</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$29,241</u></u>	<u><u>\$26,689</u></u>	<u><u>(\$2,552)</u></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, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Revenues</u>			
Fees, Licenses, and Permits	\$19,000	\$25,520	\$6,520
<u>Expenditures</u>			
Current:			
Other			
Municipal Probation	19,000	4,414	14,586
Changes in Fund Balance	0	21,106	21,106
Fund Balance Beginning of Year	95,479	95,479	0
Prior Year Encumbrances Appropriated	668	668	0
Fund Balance End of Year	<u>\$96,147</u>	<u>\$117,253</u>	<u>\$21,106</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, 2004

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Fines and Forfeitures	\$0	\$16,338	\$16,338
Other	0	120,455	120,455
Total Revenues	0	136,793	136,793
<u>Expenditures</u>			
Current:			
Security of Persons and Property-Police			
Police Patrol	14,641	11,060	3,581
Contraband Trust	44,736	22,015	22,721
Police DARE	2,147	2,147	0
Drug Law Enforcement	14,000	0	14,000
Police Dive Team	6,000	0	6,000
Total Security of Persons and Property-Police	81,524	35,222	46,302
Leisure Time Activities			
Tierney Foundation Trust	598	598	0
Green Trust	11,000	392	10,608
Total Leisure Time Activities	11,598	990	10,608
Community Environment			
Downtown Economic Development	97,307	75,048	22,259
Park Trust	19,372	18,945	427
Total Community Environment	116,679	93,993	22,686
Total Expenditures	209,801	130,205	79,596
Excess of Revenues Over (Under) Expenditures	(209,801)	6,588	216,389
<u>Other Financing Sources</u>			
Other Financing Sources	0	62,957	62,957
Changes in Fund Balance	(209,801)	69,545	279,346
Fund Balance Beginning of Year	98,548	98,548	0
Prior Year Encumbrances Appropriated	5,145	5,145	0
Fund Balance End of Year	(\$106,108)	\$173,238	\$279,346

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, 2004

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Interest	\$0	\$545	\$545
Other	0	5,991	5,991
Total Revenues	<u>0</u>	<u>6,536</u>	<u>6,536</u>
<u>Expenditures</u>			
Current:			
Leisure Time Activities			
Lions Park Trust	2,337	2,337	0
Other			
Fred Epple Trust	<u>3,580</u>	<u>3,580</u>	<u>0</u>
Total Expenditures	<u>5,917</u>	<u>5,917</u>	<u>0</u>
Changes in Fund Balance	(5,917)	619	6,536
Fund Balance Beginning of Year	102,495	102,495	0
Prior Year Encumbrances Appropriated	<u>2,400</u>	<u>2,400</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$98,978</u></u>	<u><u>\$105,514</u></u>	<u><u>\$6,536</u></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, 2004

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Charges for Services	\$28,094	\$28,094	\$0
Interest	10,435	10,424	(11)
Other	12,186	10,349	(1,837)
Total Revenues	50,715	48,867	(1,848)
<u>Expenditures</u>			
Current:			
Public Health			
Oakland Cemetery	47,106	22,397	24,709
Chapel Restoration	6,888	6,888	0
Garden Mausoleum	1,901	1,901	0
Perpetual Care	660	660	0
Special Care	10,375	10,375	0
Memorial Paintings	2,445	2,445	0
Mausoleum	3,274	6,064	(2,790)
Dorn Endowment	0	500	(500)
Total Expenditures	72,649	51,230	21,419
Excess of Revenues Under Expenditures	(21,934)	(2,363)	19,571
<u>Other Financing Sources</u>			
Other Financing Sources	12,406	12,406	0
Changes in Fund Balance	(9,528)	10,043	19,571
Fund Balance Beginning of Year	696,314	696,314	0
Prior Year Encumbrances Appropriated	56	56	0
Fund Balance End of Year	\$686,842	\$706,413	\$19,571

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, 2004

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Property Taxes	\$371,495	\$317,913	(\$53,582)
Municipal Income Taxes	401,517	401,517	0
Intergovernmental	18,494	39,442	20,948
Total Revenues	<u>791,506</u>	<u>758,872</u>	<u>(32,634)</u>
<u>Expenditures</u>			
Debt Service:			
Principal Retirement	688,503	674,867	13,636
Interest and Fiscal Charges	878,945	878,939	6
Total Expenditures	<u>1,567,448</u>	<u>1,553,806</u>	<u>13,642</u>
Excess of Revenues Under Expenditures	<u>(775,942)</u>	<u>(794,934)</u>	<u>(18,992)</u>
<u>Other Financing Sources</u>			
Proceeds of Bonds	240,000	240,000	0
Transfers In	241,257	241,257	0
Total Other Financing Sources	<u>481,257</u>	<u>481,257</u>	<u>0</u>
Changes in Fund Balance	(294,685)	(313,677)	(18,992)
Fund Balance Beginning of Year	<u>800,166</u>	<u>800,166</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$505,481</u></u>	<u><u>\$486,489</u></u>	<u><u>(\$18,992)</u></u>

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, 2004

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Special Assessments	\$384,141	\$384,141	\$0
<u>Expenditures</u>			
Current:			
General Government-Other			
Administrative Support	4,245	0	4,245
Debt Service:			
Principal Retirement	405,775	405,775	0
Interest and Fiscal Charges	118,978	118,969	9
Total Debt Service	524,753	524,744	9
Total Expenditures	528,998	524,744	4,254
Excess of Revenues Under Expenditures	(144,857)	(140,603)	4,254
<u>Other Financing Sources</u>			
Proceeds of Bonds	48,836	137,000	88,164
Changes in Fund Balance	(96,021)	(3,603)	92,418
Fund Balance Beginning of Year	181,597	181,597	0
Fund Balance End of Year	\$85,576	\$177,994	\$92,418

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, 2004

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Municipal Income Taxes	\$72,138	\$72,138	\$0
Other	7,862	49,896	42,034
Total Revenues	80,000	122,034	42,034
<u>Expenditures</u>			
	0	0	0
Excess of Revenues Over Expenditures	80,000	122,034	42,034
<u>Other Financing Sources (Uses)</u>			
Transfers In	447,393	617,709	170,316
Transfers Out	(1,080,393)	(739,709)	340,684
Total Other Financing Sources (Uses)	(633,000)	(122,000)	511,000
Changes in Fund Balance	(553,000)	34	553,034
Fund Balance Beginning of Year	0	0	0
Fund Balance End of Year	(\$553,000)	\$34	\$553,034

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, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Revenues</u>			
Payment in Lieu of Taxes	\$21,177	\$21,177	\$0
<u>Expenditures</u>			
	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues Over Expenditures	21,177	21,177	0
<u>Other Financing Uses</u>			
Transfers Out	<u>(21,000)</u>	<u>0</u>	<u>21,000</u>
Changes in Fund Balance	177	21,177	21,000
Fund Balance Beginning of Year	<u>548</u>	<u>548</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$725</u></u>	<u><u>\$21,725</u></u>	<u><u>\$21,000</u></u>

Statistical

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

City of Sandusky
 Governmental Activities Expenses by Program
 Last Three Years

Year	Security of Persons and Property	Public Health	Leisure Time Activities	Community Environment	Transportation	General Government
2002	\$10,257,507	\$348,886	\$681,746	\$2,845,508	\$3,582,466	\$4,978,300
2003	10,441,422	355,557	863,510	2,517,823	3,418,979	5,162,406
2004	10,499,896	374,751	509,107	2,470,765	4,100,037	5,049,652

Source: City Records

<u>Interest and Fiscal Charges</u>	<u>Total</u>
\$1,186,757	\$23,881,170
1,180,234	23,939,931
1,222,879	24,227,087

City of Sandusky
 Governmental Activities Revenues by Source
 Last Three Years

Year	Program Revenues			General Revenues		
	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest	Property Taxes	Payment in Lieu of Taxes	Municipal Income Taxes
2002	\$4,377,643	\$1,577,529	\$129,520	\$2,257,085	\$19,286	\$7,343,607
2003	3,823,555	2,085,948	558,798	2,213,507	20,949	7,109,826
2004	3,866,384	1,938,688	2,181,599	2,293,291	21,177	7,021,290

Source: City Records

Other Local Taxes	Franchise Fees	Intergovernmental	Interest	Other	Total
\$4,000,787	\$0	\$1,430,527	\$479,135	\$842,572	\$22,457,691
3,918,022	233,695	1,415,311	268,808	400,167	22,048,586
3,546,079	232,129	1,724,926	376,479	644,316	23,846,358

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
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
2004	9,556,849	338,665	387,892	2,257,296	2,216,810	4,649,367	31,706

Source: City Records

<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
\$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
6,373,458	2,380,019	28,192,062

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
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
2004	2,272,754	21,177	7,308,576	4,011,666	384,141	1,751,391	811,379

Source: City Records

<u>Fines and Forfeitures</u>	<u>Inter- Governmental</u>	<u>Interest</u>	<u>Other</u>	<u>Total</u>
\$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
1,000,227	5,192,973	416,103	1,033,919	24,204,306

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
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
2004	2,494,817	2,376,827	95.27	270,627	101,548	2,478,375	99.34

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	
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	1,285,795,846
2004	421,591,450	17,514,670	64,275,034	503,381,154	1,438,231,868

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	
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
2004	503,381,154	3.65	0.30	0.30	0.70	4.95

Source: Erie County Auditor

<u>School</u>	<u>County</u>	<u>Total</u>
\$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
70.55	8.80	84.30

City of Sandusky
Principal Taxpayers
December 31, 2004

Taxpayer	Type of Business	Total Assessed Valuation	Percent of Total City Assessed Valuation
Cedar Point, Inc.	Theme Park	\$56,904,050	11.30%
Ohio Edison Company	Electric Utility	7,371,860	1.46
Sandusky International	Central Fugal Castings	7,039,060	1.40
Fort James Operating Company	Thermaformed Container	6,141,470	1.22
FMC Corporation	Food Equipment	5,401,560	1.07
Sandusky Limited	Port Facilities	5,066,790	1.01
Firelands Regional Health System	Hospital	4,687,550	0.93
SBC Communications	Telephone	3,995,310	0.79
S & S Realty	Realty	3,905,460	0.78
Norfolk & Southern Railroad	Railroad	3,303,500	0.66
Total Top Ten Taxpayers		<u>\$103,816,610</u>	<u>20.62%</u>
Total City		<u>\$503,381,154</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)
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	522,518	430,500	82.39	394,571
2002	517,285	423,490	81.87	473,152
2003	477,462	387,696	81.20	525,522
2004	448,225	362,381	80.85	560,374

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, 2004

Total Assessed Valuation		\$503,381,154
Overall Debt Limitation - 10.5% of Assessed Valuation		52,855,021
Gross Indebtedness	63,458,254	
Less Debt Outside Limitation:		
Bond Anticipation Notes	1,850,000	
General Obligation Bonds	1,200,000	
Special Assessment Bonds	2,304,512	
General Obligation Revenue Bonds	1,153,000	
OWDA Loans	32,388,142	
Net Indebtedness	24,562,600	
Less: General Bond Retirement Fund Balance	494,598	
Net Debt Margin Within 10.5% Limitation		24,068,002
Legal Debt Margin Within 10.5% Limitation		\$28,787,019

Unvoted Debt Limitation - 5.5% of Assessed Valuation		\$27,685,963
Gross Indebtedness	63,458,254	
Less Debt Outside Limitation:		
Bond Anticipation Notes	1,850,000	
General Obligation Bonds	1,200,000	
Special Assessment Bonds	2,304,512	
General Obligation Revenue Bonds	1,153,000	
OWDA Loans	32,388,142	
Net Indebtedness	24,562,600	
Less: General Bond Retirement Fund Balance	494,598	
Net Debt Margin Within 5.5% Limitation		24,068,002
Legal Debt Margin Within 5.5% Limitation		\$3,617,961

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
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
2004	27,844	503,381,154	18,287,600	494,598	17,793,002	3.53	639.02

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		
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
2004	709,867	930,874	1,640,741	28,192,062	5.82

Source: City Records

City of Sandusky
 Computation of Direct and Overlapping Debt
 December 31, 2004

	Assessed Valuation	General Obligation Debt (1)	Percent Applicable to City of Sandusky (2)	Amount Applicable to City of Sandusky
City of Sandusky	\$503,381,154	\$18,047,600	100.00%	\$18,047,600
Erie County	1,934,470,212	57,716,477	6.17	3,561,107
Sandusky City School District	503,381,154	695,000	0.00	0
Subtotal	2,437,851,366	58,411,477		3,561,107
Total	\$2,941,232,520	\$76,459,077		\$21,608,707

Source: City Records and Erie County Auditor

(1) Includes only general obligation bonded debt payable from property taxes.

(2) 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 2004 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	
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
2004	6,571,450	3,062,778	3,508,672	200,000	56,342	256,342	13.69

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	
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
2004	6,493,910	4,542,126	1,951,784	400,000	22,444	422,444	4.62

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	
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
2004	421,591,450	137	30,400,109	355	9,358,763	389,029,000

(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
1968-2004

Income Tax Rate 1 Percent

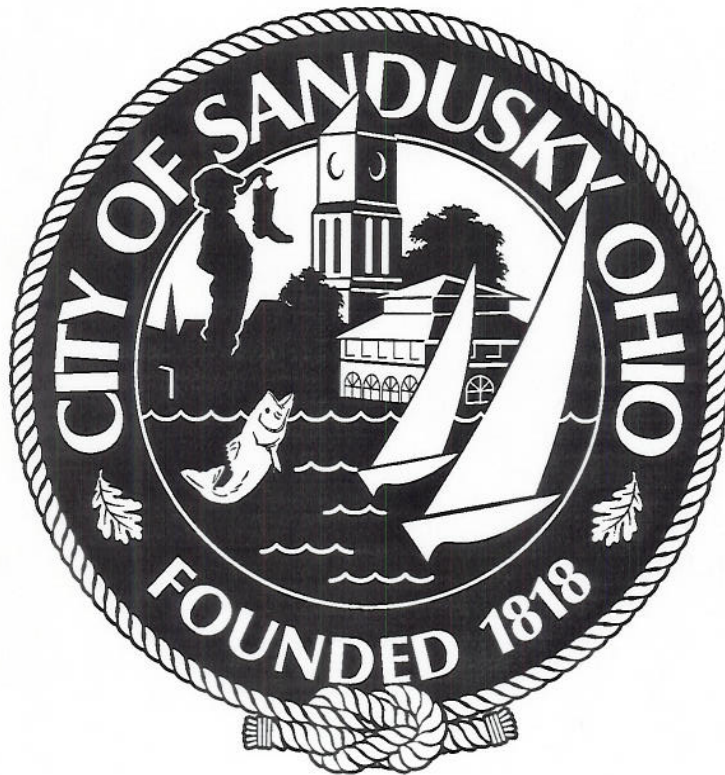
Year	General Fund	Street Maintenance Fund	General Bond Retirement Fund	Capital Improvement Fund	Total Collections (1)
1968	60.00%	0.00%	0.00%	40.00%	\$873,898
1969	60.00	0.00	0.00	40.00	1,354,131
1970	60.00	0.00	0.00	40.00	1,456,024
1971	60.00	0.00	0.00	40.00	1,507,636
1972	60.00	0.00	0.00	40.00	1,636,918
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
2004	92.75	0.00	6.25	1.00	7,308,576

Source: City Records

(1) 1968 - 1984 cash basis; 1985 - 2004 GAAP basis.

City of Sandusky
Miscellaneous Statistics
December 31, 2004

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)	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:		Castaway Bay Indoor Waterpark
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	55	Port
Number of Fire Hydrants	1,000	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	52	Ohio Edison Company/First Energy
Hospitals	1, Total 494 beds, 22 bassinets	Columbia Gas Company of Ohio
Education:		SBC
Public		Water Supply
Elementary Schools	7	Capacity of filtration plant 18 million gal./day
Middle Schools	2	Water Supply - Lake Erie
Secondary Schools	1	Water Pollution Control
Total	10	Capacity of plant 25 million gal./day
Enrollment		Transportation
Elementary Schools	2,151	Griffing Sandusky Airport
Middle Schools	592	Freight - Conrail
Secondary Schools	1,221	Norfolk & Southern Railroad
Total Enrollment	3,964	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 - Goodtime I
Television Stations		Sandusky Transit System
Register Cable News Ch 41 (T.W. Teleproductions)		
Showtime, HBO, and Movie Channels available		





**Auditor of State
Betty Montgomery**

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Facsimile 614-466-4490

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 23, 2005**