



**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, 2005**

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Number	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Direct Assistance</i>			
Community Development Block Grants - Entitlement Grants	14.218		\$ 192,368
<i>Passed Through Ohio Department of Development:</i>			
HOME Investment Partnerships Program	14.239	A-C-04-172	495,117
		A-C-05-172	<u>1,240</u>
Total HOME Investment Partnerships Program			<u>496,357</u>
Community Development Block Grant - State's Program	14.228	A-E-03-172	97,799
		A-F-02-172	144
		A-F-03-172	177,573
		A-T-02-172	369,726
		A-X-03-172	<u>11,557</u>
Total Community Development Block Grant - State's Program			<u>656,799</u>
Total U.S. Department of Housing and Urban Development			<u>1,345,524</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Direct Assistance</i>			
Federal Transit Formula Grants	20.507		635,928
U.S. DEPARTMENT OF JUSTICE			
<i>Direct Assistance</i>			
Local Law Enforcement Block Grants Program	16.592		17,882
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Direct Assistance</i>			
Assistance to Firefighters Grant	97.044		32,884
			<u>232,804</u>
Total U.S. Department of Homeland Security			<u>265,688</u>
Total Federal Financial Assistance			<u>\$ 2,265,022</u>

The accompanying notes are an integral part of this schedule.

**CITY OF SANDUSKY
ERIE COUNTY**

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

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

These loans are collateralized by equipment or other assets acquired or improved through the loan proceeds. At December 31, 2005, the gross amount of loans outstanding under this program was \$2,303,944. Delinquent amounts due are \$89,803 inclusive of loans in default of \$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 the 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, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 30, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. 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, 2006, 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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the City's management dated June 30, 2006, we reported other matters related to noncompliance we deemed immaterial.

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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

We intend this report solely for the information and use of the audit committee, management, the 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, 2006



**Auditor of State
Betty Montgomery**

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

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

To the 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 each of its major federal programs for the year ended December 31, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal programs. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the 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 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 each of its major federal programs for the year ended December 31, 2005.

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 the City of Sandusky as of and for the year ended December 31, 2005, and have issued our report thereon dated June 30, 2006. 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, the 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, 2006

CITY OF SANDUSKY
ERIE COUNTY

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

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)?	Yes.
<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):	HOME Investments Partnership Program (CFDA #14.239) Community Development Block Grant – State's Program (CFDA #14.228)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes.

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

FINDING NUMBER 2005-001

Noncompliance Citation

Ohio Revised Code §5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated.

As of December 31, 2005, expenditures of \$7,759,338 exceeded appropriations of \$1,313,025 in the General Bond Retirement Fund by \$6,446,363. The City refunded a debt issue during the current year and did not modify appropriations and estimated resources for the refunding transactions resulting in noncompliance. The Finance Director should request the City Commission amend estimated receipts and appropriations to account for the additional other financing sources and uses provided through a debt refunding.

Officials' Response:

Due to the complexity of this transaction, the City overlooked the budgetary impact in the City's financial records. The City will ensure that budgetary items are considered during future debt refunding issues.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

CITY OF SANDUSKY, OHIO

COMPREHENSIVE

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2005

Introductory

CITY OF SANDUSKY, OHIO

COMPREHENSIVE

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2005

Prepared By:

Department of Finance

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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, 2005

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

222 MEIGS STREET
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Phone (419) 627-5888
FAX (419) 627-5892

June 30, 2006

To the City Commission and Citizens of Sandusky:

The Comprehensive Annual Financial Report of the City of Sandusky for the year ended December 31, 2005, 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 2004 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, 2005. 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.

Management's Discussion and Analysis (MD&A) immediately follows the independent accountants' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

The State of Ohio Auditor's Office has issued an unqualified opinion on the City of Sandusky's basic financial statements for the year ended December 31, 2005. The Independent Accountant's Report is located at the front of the financial section of this report.

PROFILE OF THE CITY OF SANDUSKY

The City of Sandusky, located in Erie County, is a home rule municipal corporation founded in 1818 under the laws of the State of Ohio and, as such, operates under its own Charter adopted in 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 the State of Ohio. 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.

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. The population of the City of Sandusky is 27,844 based on the 2000 Census conducted by the U.S. Census Bureau.

The City is served by diversified transportation facilities, including five State and Interstate highways and is located near the Ohio Turnpike. It is served by CSX and Norfolk Southern Railroad for freight service and Amtrak for daily passenger service. Passenger air service is provided at Griffing-Sandusky Airport located in the City. Cleveland Hopkins International Airport and the Toledo Express Airport are each within a one hour drive of the City. Lake freighters load or unload coal, salt, and other products from shipping docks in the City.

Sandusky Transit System public transportation has been serving the Sandusky and Erie County community since 1992. STS is largely supported through Federal and State grants. STS provides over 83,000 rides annually, with 54 percent being work related. STS is demand-responsive with a curb-to-curb assistance policy.

Two daily newspapers serve the City. The City is within the broadcast area of television stations in the Cleveland and Toledo areas and numerous AM and FM radio stations. Multi-channel cable TV service, including educational, governmental, and public access channels, is provided by Erie County Cablevision.

Within commuting distance are several public and private two-year and four-year colleges and universities, including Firelands College, University of Toledo, Bowling Green State University, and Lorain County Community College. Public education for grades K through 12 is provided by the Sandusky City School District whose boundaries are coterminous with those of the City.

The Firelands Regional Medical Center is located in the City. This organization is the result of the recent merging of Firelands and Providence Hospitals. The Firelands Regional Center Main Campus contains over 300 beds, and provides the majority of its medical services. The former Providence Hospital location is called the Firelands Regional Center South Campus. It contains an 84 bed skilled-care and rehabilitation unit, along with a family practice and outpatient physical therapy units.

With the City being located on the shores of Sandusky Bay and Lake Erie, many of the commercial and recreational activities are associated with its waterfront location, including ferry lines that provide service to certain Lake Erie islands and Canada. Cedar Point Amusement Park, one of the premier amusement parks in the United States, is located on 364 acres on a peninsula within the City limits and includes over 67 rides and attractions, along with hotels, marinas, and a campground.

The construction of several indoor waterpark resorts over the past several years has made the area a year round tourist destination. In 2001, Great Bear Lodge completed the construction of a 271-room resort near the City with a 22,000 square foot indoor water amusement park. In 2004, Cedar Point completed construction of Castaway Bay, a 35,000 square foot indoor, year-round, waterpark. Castaway Bay is located at the entrance to the Cedar Point Causeway within the City. Finally, the Kalahari Resort and Convention Center, located near the City, opened in 2005 and includes an 80,000 square foot indoor waterpark.

A public library and several museums are located within the City and other cultural and sporting activities are available in Cleveland and Toledo, which are each within a one hour drive of the City.

The City of Sandusky provides a full range of services to its citizens, including police and fire protection; planning and 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. The City also owns and operates the Mills Creek Golf Course.

The City Commission is required to adopt the original budget by no later than March 31 of each year and final budget amendments must be made prior to the close of the year. The annual budget serves as the foundation for the City of Sandusky's financial planning and control. All funds, except agency funds, are required to be budgeted. 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 budgeted funds.

The City maintains a bond rating of A2 with Moody's Investor Services.

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. These agreements expire on December 31, 2006.

LOCAL ECONOMY

Major industries located within the City's boundaries or in close proximity include manufacturers of automotives and automotive components. The City also has a theme park, hospital, and local governments such as Erie County.

During the past five years, the unemployment rate (not seasonally adjusted) has slowly risen from 5.8 percent in December 2001 to 6.7 percent in December 2005. Unemployment is expected to increase due to plans to close one of the local automotive component plants. In addition, an automobile manufacturer located in Lorain County closed in 2005. This will impact many City and County residents that were employed at that plant. There has been relatively no growth in total income tax collections from 2001 to 2005. Total income tax collections in 2001 were \$7,404,105 while collections in 2005 were \$7,156,052.

The median household income for the City based on the 2000 Census is \$37,749, compared to county, state, and national medians of \$42,746, \$40,956, and \$41,994, respectively. The median house value for the City based on the 2000 Census is \$75,400, compared to county, state, and national medians of \$109,800, \$103,700, and \$119,600, respectively.

LONG-TERM FINANCIAL PLANNING

The City Commission approved the City Strategic Plan in February 2005. The Strategic Plan is a tool that will be used by the City Commission and staff to guide decisions made on behalf of the citizens of the City. If implemented successfully, the strategy will result in growth and overall positive results in the City. The overall purpose of the Strategic Plan is making the City a place where people choose to live, work, and play.

The Strategic Plan contains the following general goals that will be the focus of the City's resources:

- Development of Housing
- Development of Business
- Promotion of the City
- Relationships with Other Local Organizations
- Cultural Diversity
- Customer-Focused Organization

The general goals are supported by a list of action plans that will define the paths to accomplishing the goals. Each action plan will:

- Identify the general goal that it supports;
- Define the steps to complete the plan;
- Identify the City staff responsible for its completion;
- Contain an estimate of resources necessary to complete the plan;
- Contain a timeline;
- Contain an estimate of the impact; and
- Define how success is measured.

The City recognizes the importance of long-term strategic planning, as evidenced by the Strategic Plan. Similarly, the City recognizes that prudent financial planning considers the multi-year implications of financial decisions. The City will maintain a long-term focus in its financial planning that is mindful of the long-term objectives of the City.

A five-year financial plan will be updated on an annual basis by the City Manager. The plan shall include all major operating funds along with the capital needs of the Strategic Plan of the City. The purpose of this plan is to:

- Identify major policy issues for City Commission consideration prior to the preparation of the annual budget;
- Establish capital project priorities and make advance preparation for the funding of projects within the five-year horizon;
- Make conservative financial projections for all major operating funds and all capital needs related to the Strategic Plan to provide assurance that adequate funding exists for proposed projects and services;
- Identify financial trends in advance or in the early stages so that timely corrective action can be taken, if needed; and
- Communicate the City's plans to the public and provide an opportunity for the public to offer input.

RELEVANT FINANCIAL POLICIES

The City of Sandusky has a responsibility to its citizens to carefully account for public funds, to manage municipal finances wisely, and to plan for the provision of services desired by the public. Sound financial policies are necessary to carry out that responsibility.

The City has established relevant financial policies for investments, capital assets, and the budget. The purpose of the investment policy is to provide for the complete safety of the portfolio's principal value, assure adequate liquidity, and earn a market rate of return. The investment policy is reviewed annually for compliance and to assure the flexibility necessary to effectively manage the investment portfolio.

The goal of the capital assets inventory system and policy is to provide control and accountability over the City's capital assets and to assist departments in gathering and maintaining information needed for the preparation of the annual financial statements. The City recognizes the importance of preserving the community's capital assets and to ensure that future needs are met.

Finally, the budget policy is designed to provide conceptual standards for financial decision-making, enhance consistency in financial decisions, and establish parameters for administration to use in directing the day-to-day financial affairs of the City. One-time or special purpose revenues will be used to finance capital projects or for expenditures required by the revenue, and not to subsidize recurring personnel costs or other operating costs.

MAJOR INITIATIVES

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 construction beginning in 2005. The pathway provides a route that offers a means of exercise, relaxation, and access to public parks and facilities and provides a scenic view of Sandusky Bay.

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 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 have aggregated over \$85 million during the last few years. Cedar Point opened "Breakers Express" hotel in 2001. In 2003, they opened another new roller coaster, its 16th, called the "Top Thrill Dragster" which is one of the tallest and fastest in the world. In 2004, they completed their first year-round attraction - Castaway Bay Indoor Water Park Resort. In 2005, Cedar Point unveiled its latest thrillride, "maXair." Riders on the super-sized "maXair" sit in outward-facing suspended seats that form a giant circle of 50 passengers; their legs dangle freely, and each seat has an individual shoulder restraint and restraining belt. This was a \$12 million investment by Cedar Point.

In 2006, Cedar Point will add a world-record-breaking thrill ride - "Skyhawk." Skyhawk will be the tallest ride of its kind in the world, standing 103 feet above the ground. Skyhawk will feature two giant swinging arms, each 84 feet in length, with 20 seats on each arm. Each set of 20 seats will consist of two rows of 10 seats, positioned back to back, that will provide each rider with a "front row" view. Using pneumatic technology, riders will be thrilled as they are pushed toward the sky, then experience weightlessness as they reverse direction and rush back toward the ground - just like the drop side of a roller coaster - with no ride structure in their path. At the peak of the arc, riders on "Skyhawk" will be more than 125 feet in the air and will reach speeds of 60 mph in both directions. The \$6 million ride will give nearly 800 rides an hour and each ride will be approximately two minutes long.

In 2004, the Firelands Regional Medical Center began planning for the construction project to ease parking constraints, to expand capacity for increasing admissions and outpatient visits, and to focus concerns on one of the top health issues in Sandusky and Erie County, the prevention and treatment of cancer. A 600-space parking garage, which features free parking, has been completed and opened December 19, 2005. Construction of a new 90 bed patient tower has begun and the medical center's new Firelands Professional Center I, which houses the new Cancer Center, will open in August 2006, along with physician offices. These three structures and accompanying services will address the three major needs identified by the hospital's Board. Their planning included input from HarleyEllis Deveraux, a top healthcare architectural firm, area physicians, hospital employees, community leaders, and patients.

The City 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 federal funds directly from the Department of Housing and Urban Development.

In 1999, the City purchased the Chesapeake Building and adopted an urban renewal plan to revitalize about forty acres of the waterfront, including the Chesapeake property, an area now referred to as the "Paper District." In 2002, the Bayfront 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 (Mid-States) to develop the properties. The City has entered into a development agreement with Mid-States for that purpose. The City received a State grant to pay for acquisition, environmental cleanup, and demolition of part of the project site and also issued its urban revitalization notes for that purpose. Mid-States plans to invest over \$130 million to revitalize the Paper District, including the Chesapeake Building. Over 190 condominiums units have been reserved by prospective buyers and Mid-States estimates that the first tenants should be moved in by the end of 2006.

The City strives to improve existing housing by obtaining housing improvement grants. The City received a Community Housing Improvement Program (CHIP) grant in 2005 for owner occupied rehabilitation and has applied for a 2006 grant. In addition, the City received a Distress Grant for infrastructure improvements targeted to the City's south side neighborhood. In 2004, the Cold Creek Subdivision broke ground on the City's west side which will contain ninety-five single family homes and one hundred two condominiums.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded for the fourteenth 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, 2004. 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 CAFR that satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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 of the City of Sandusky. 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 CAFR.

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 Division of the Office of the Auditor of State for their continued guidance in the preparation of this report.

Respectfully submitted,



Michael J. Will
City Manager



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, 2004

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.



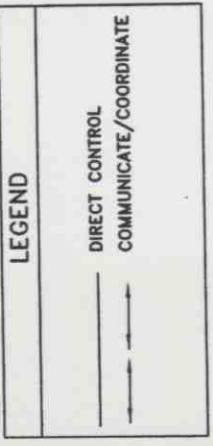
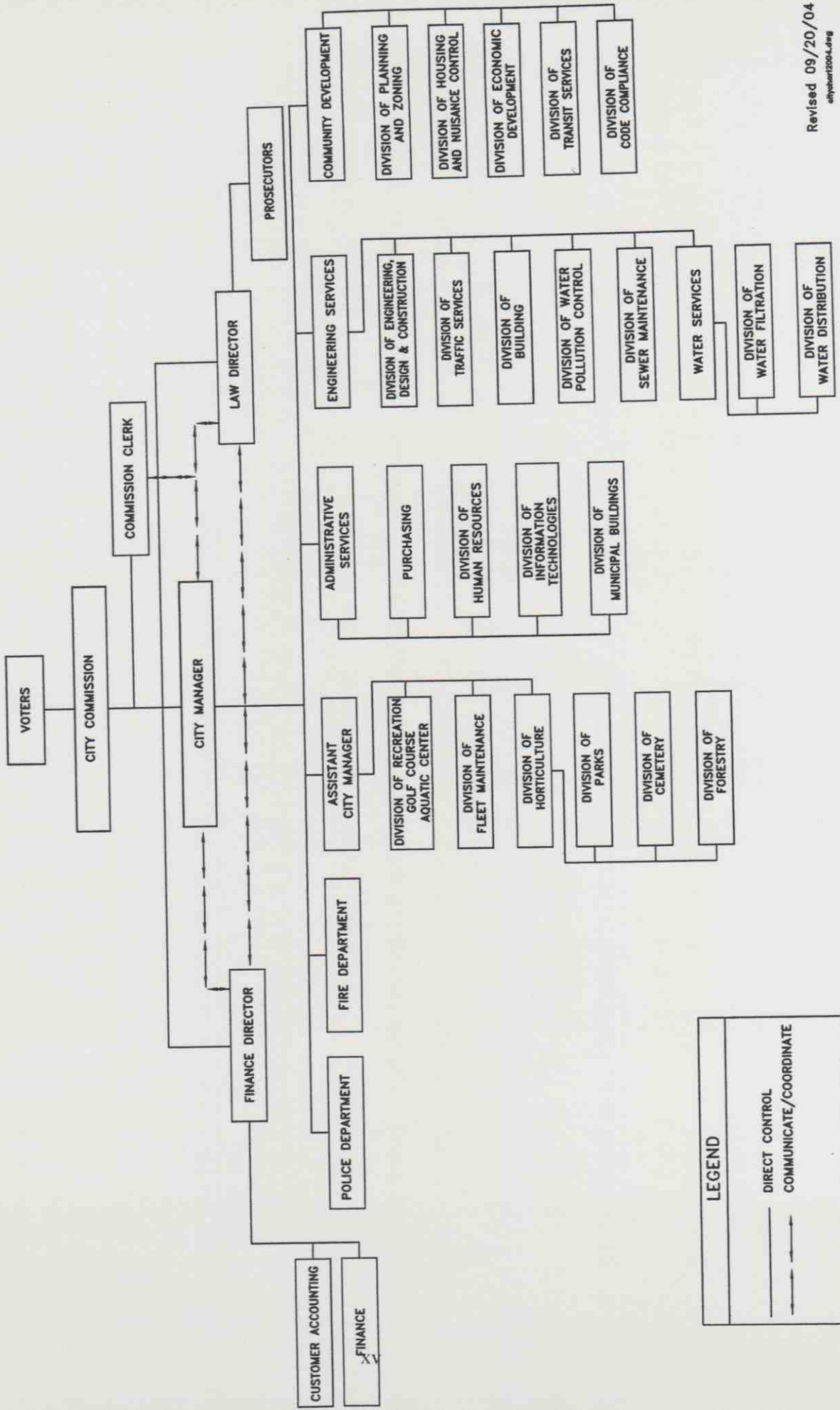
Carla E. Perry

President

Jeffrey R. Emmer

Executive Director

ORGANIZATIONAL CHART City of Sandusky



CITY OF SANDUSKY, OHIO

ELECTED PUBLIC OFFICIALS

December 31, 2005

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, 2005

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, Ohio (the City), as of and for the year ended December 31, 2005, 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, 2005, and the respective changes in financial position and where applicable, cash flows, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2006, 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.

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

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, individual fund 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 individual fund 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.

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, 2006

CITY OF SANDUSKY
Management's Discussion and Analysis
For the Year Ended December 31, 2005
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, 2005. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

HIGHLIGHTS

Highlights for 2005 are as follows:

In total, the City's net assets increased \$4,334,195, or 6.6 percent (which is generally not significant). The increase for governmental activities was less than 2 percent, and indicates no significant change from the prior year. Business-type activities increased by \$3,607,440, or 15 percent. Business-type activities consist of the City's Water and Sewer funds. These activities are supported by charges for services. The increase in net assets can primarily be attributed to the fact that revenues for business-type activities exceeded expenses in 2005 by over \$5.6 million.

Various contracts for improvements to the City's water and sewer treatment facilities were awarded in 2002. Construction activities on these facilities continued in 2005 and change orders were approved by the City Commissioners on these projects. Both projects were funded by charges for services and with resources borrowed from the Ohio Water Development Authority (OWDA).

Both of the City's enterprise funds had operating income in 2005, 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 anticipated by the City.

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 2005. 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, 2005
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, 2005
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 2005 and 2004.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<u>Assets</u>						
Current and Other Assets	\$24,044,491	\$23,034,876	\$16,748,305	\$14,920,865	\$40,792,796	\$37,955,741
Capital Assets, Net	52,155,265	53,061,391	52,360,715	47,221,035	104,515,980	100,282,426
Total Assets	<u>76,199,756</u>	<u>76,096,267</u>	<u>69,109,020</u>	<u>62,141,900</u>	<u>145,308,776</u>	<u>138,238,167</u>
<u>Liabilities</u>						
Current and Other Liabilities	10,701,120	12,069,015	1,555,465	3,646,002	12,256,585	15,715,017
Long-Term Liabilities	23,403,077	22,658,448	39,628,886	34,178,669	63,031,963	56,837,117
Total Liabilities	<u>34,104,197</u>	<u>34,727,463</u>	<u>41,184,351</u>	<u>37,824,671</u>	<u>75,288,548</u>	<u>72,552,134</u>
<u>Net Assets</u>						
Invested in Capital Assets, Net of Related Debt	31,671,586	31,969,703	13,366,444	11,829,893	45,038,030	43,799,596
Restricted	10,452,732	10,706,080	0	0	10,452,732	10,706,080
Unrestricted (Deficit)	(28,759)	(1,306,979)	14,558,225	12,487,336	14,529,466	11,180,357
Total Net Assets	<u>\$42,095,559</u>	<u>\$41,368,804</u>	<u>\$27,924,669</u>	<u>\$24,317,229</u>	<u>\$70,020,228</u>	<u>\$65,686,033</u>

Total net assets for governmental activities increased \$726,755, or less than 2 percent, an insignificant change from the prior year. Total assets increased just less than 2 percent; however, there were several notable changes. Cash and cash equivalents increased by \$1.2 million, primarily due to unspent debt proceeds. The flip side of this activity is also reflected in the increase in long-term liabilities. Other cash related increases were realized due to better earnings on investments (increased over \$196,000). This increase is also reflected in the increase in unrestricted net assets.

CITY OF SANDUSKY
Management's Discussion and Analysis
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Unaudited

Total net assets for business-type activities increased \$3,607,440, or 15 percent. Revenues exceeded expenses by a significant amount for both enterprise funds. In addition, a review of the table above reveals an increase in net capital assets of \$5.1 million. Additions included electrical improvements and clearwell filter improvements at the water treatment plant as well as sewer plant expansion improvements. As much of this work was provided through additional debt proceeds, a corresponding increase is reflected in long-term liabilities. Finally, there was also a sizable decrease in current and other liabilities with the retirement of \$1.8 million in bond anticipation notes. This activity also contributed to the increase in invested in capital assets.

Table 2 reflects the changes in net assets for 2005 and 2004.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$4,000,080	\$3,658,858	\$13,140,634	\$13,004,425	\$17,140,714	\$16,663,283
Operating Grants, Contributions, and Interest	3,912,640	1,938,688	0	0	3,912,640	1,938,688
Capital Grants and Contributions	755,345	2,181,599	162,675	184,117	918,020	2,365,716
Total Program Revenues	<u>8,668,065</u>	<u>7,779,145</u>	<u>13,303,309</u>	<u>13,188,542</u>	<u>21,971,374</u>	<u>20,967,687</u>
General Revenues						
Property Taxes	2,264,658	2,293,291	0	0	2,264,658	2,293,291
Payment in Lieu of Taxes	21,793	21,177	0	0	21,793	21,177
Municipal Income Taxes	7,156,052	7,021,290	0	0	7,156,052	7,021,290
Other Local Taxes	3,573,094	3,546,079	0	0	3,573,094	3,546,079
Franchise Fees	238,015	232,129	0	0	238,015	232,129
Grants and Entitlements not Restricted to Specific Programs	2,002,142	1,724,926	0	0	2,002,142	1,724,926
Interest	572,828	376,479	1,191	1,530	574,019	378,009
Other	420,467	644,316	75,022	60,935	495,489	705,251
Total General Revenues	<u>16,249,049</u>	<u>15,859,687</u>	<u>76,213</u>	<u>62,465</u>	<u>16,325,262</u>	<u>15,922,152</u>
Total Revenues	<u>24,917,114</u>	<u>23,638,832</u>	<u>13,379,522</u>	<u>13,251,007</u>	<u>38,296,636</u>	<u>36,889,839</u>

(continued)

CITY OF SANDUSKY
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Table 2
Changes in Net Assets
(continued)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<u>Program Expenses</u>						
Security of Persons and Property						
Police	\$5,266,496	\$5,136,481	\$0	\$0	\$5,266,496	\$5,136,481
Fire	5,144,980	5,255,572	0	0	5,144,980	5,255,572
Other	98,338	107,843	0	0	98,338	107,843
Public Health	371,995	374,751	0	0	371,995	374,751
Leisure Time Activities	532,317	509,107	0	0	532,317	509,107
Community Environment	3,089,728	2,470,765	0	0	3,089,728	2,470,765
Transportation	4,107,524	4,100,037	0	0	4,107,524	4,100,037
General Government						
Municipal Court	829,951	888,857	0	0	829,951	888,857
Other	3,633,634	4,160,795	0	0	3,633,634	4,160,795
Interest and Fiscal Charges	1,171,585	1,222,879	0	0	1,171,585	1,222,879
Water	0	0	4,257,055	3,495,790	4,257,055	3,495,790
Sewer	0	0	5,458,838	5,396,945	5,458,838	5,396,945
Total Expenses	<u>24,246,548</u>	<u>24,227,087</u>	<u>9,715,893</u>	<u>8,892,735</u>	<u>33,962,441</u>	<u>33,119,822</u>
Increase (Decrease) in						
Net Assets before Transfers	670,566	(588,255)	3,663,629	4,358,272	4,334,195	3,770,017
Transfers	56,189	(1,527,286)	(56,189)	1,527,286	0	0
Increase (Decrease) in Net Assets	726,755	(2,115,541)	3,607,440	5,885,558	4,334,195	3,770,017
Net Assets Beginning of Year	41,368,804	43,484,345	24,317,229	18,431,671	65,686,033	61,916,016
Net Assets End of Year	<u>\$42,095,559</u>	<u>\$41,368,804</u>	<u>\$27,924,669</u>	<u>\$24,317,229</u>	<u>\$70,020,228</u>	<u>\$65,686,033</u>

In 2005, total revenues exceeded expenses for governmental activities which resulted in an increase in net assets. A review of both program revenues and general revenues reveals little change from the prior year, with the exception of operating grants and contributions and capital grants and contributions. The increase in operating grants and contributions is related to the increase in housing, fire, and transit grants. The major decrease in capital grants and contributions is related to the "Clean Ohio Grant" for the Bayfront Urban Revitalization Project. The majority of the proceeds for that project were received in 2004. Program expenses were also very comparable to the prior year. The police and fire departments continue to be the largest share of governmental expenses. These departments comprise 43 percent of all governmental activities.

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. Revenues generated through charges for services continue to be sufficient to cover costs.

CITY OF SANDUSKY
Management's Discussion and Analysis
For the Year Ended December 31, 2005
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	
	2005	2004	2005	2004
Security of Persons and Property				
Police	\$5,266,496	\$5,136,481	\$4,881,194	\$4,731,517
Fire	5,144,980	5,255,572	4,226,141	4,593,281
Other	98,338	107,843	98,338	107,843
Public Health	371,995	374,751	246,443	183,778
Leisure Time Activities	532,317	509,107	175,851	270,755
Community Environment	3,089,728	2,470,765	796,384	300,198
Transportation	4,107,524	4,100,037	1,031,884	1,335,210
General Government				
Municipal Court	829,951	888,857	(245,073)	(207,795)
Other	3,633,634	4,160,795	3,195,736	3,910,276
Interest and Fiscal Charges	1,171,585	1,222,879	1,171,585	1,222,879
Total Expenses	<u>\$24,246,548</u>	<u>\$24,227,087</u>	<u>\$15,578,483</u>	<u>\$16,447,942</u>

It should be noted that for all governmental activities, over 64 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 2004, support from general revenues was 68 percent, so the burden on general revenues decreased slightly in 2005.

Although the dependence on general revenues is substantial, there are several programs which were well supported through program revenues in 2005. Leisure time activities received over 67 percent of its support through program revenues, with the majority of these revenues generated by charges for services in the City's park and recreation programs. Community environment activities received 74 percent of its support through program revenues in 2005. This is the result of the various community development block grants and transit grants received from both state and federal sources. 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 \$245,073 negative net cost of services. At the same time, over \$320,000 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, 2005
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. For the General Fund, fund balance increased \$816,368 (33 percent). While revenues remained similar to the prior year, expenditures and transfers out were reduced. The reduction in expenditures is related to a reduction in the City workforce in 2005 through retirements and attrition. The reduction in transfers out indicates the reliance on the General Fund subsidizing other funds was lower than in the previous year.

The increase in fund balance in the Capital Projects Fund of \$1,163,165 (58 percent) is due to the decrease in construction activity related to the Bayfront Urban Revitalization Project. The majority of the costs associated with this project were incurred in the prior year.

The change in fund balance in the Various Improvement Fund was not significant.

BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

The City's enterprise funds are the Water and Sewer funds. As can be seen on the statement of revenues, expenses, and changes in fund net assets, 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 appropriations ordinance 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.

CITY OF SANDUSKY
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets for governmental and business-type activities as of December 31, 2005, was \$31,671,586 and \$13,366,444, 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 primary additions for governmental activities were related to construction in progress for improvements to the Hayes Avenue Underpass, the Westend Grade Separation, and construction of a new fire boat; as well as additions to Streets for various improvements. The primary additions for business-type activities were related to construction in progress for improvements at the water and sewer treatment facilities, and for water and sewer line additions at the Cold Creek Subdivision. For further information on the City's capital assets, refer to Note 11 to the basic financial statements.

Debt - At December 31, 2005, the City had \$6,130,000 in bond anticipation notes payable from governmental activities.

The City also has a number of long-term obligations outstanding. These obligations included \$19,607,733 in general obligation bonds, \$2,123,266 in special assessment bonds, \$2,896,000 in general obligation revenue bonds, and \$36,097,777 in Ohio Water Development Authority loans. Of the total long-term obligations, \$38,993,777 will be repaid from business-type activities.

In addition to the debt discussed above, the City's long-term obligations also include compensated absences and capital leases. For further information on the City's debt, refer to Notes 18, 19, and 20 to the basic financial statements.

CURRENT ISSUES

The City of Sandusky has been designated as an Entitlement Community, which allows the City to access 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 2006 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 2005, the City Commission authorized the issuance of \$6,130,000 in various improvement notes. The 2005 various improvement notes were issued to retire notes previously issued and to replace the air conditioning unit at the Municipal Building, complete street improvements, roof repairs, sidewalk, curb, and gutter improvements, 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 January 2006, the City Commission approved changes in the membership, roles, and duties of the City Audit/Finance Committee. Membership of the Committee includes the City Manager, Finance Director, one member of the City Commission, and seven additional members nominated by the President of the City Commission and confirmed by the City Commission for two-year terms.

CITY OF SANDUSKY
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

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, 2005

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$11,592,917	\$13,647,554	\$25,240,471
Cash and Cash Equivalents with Escrow Agent	275,258	30,576	305,834
Accounts Receivable	527,664	1,678,567	2,206,231
Accrued Interest Receivable	51,417	0	51,417
Due from Other Governments	2,095,950	915,918	3,011,868
Municipal Income Taxes Receivable	2,313,147	0	2,313,147
Other Local Taxes Receivable	54,946	0	54,946
Prepaid Items	159,551	64,144	223,695
Materials and Supplies Inventory	215,916	357,879	573,795
Property Taxes Receivable	2,455,137	0	2,455,137
Notes Receivable	2,253,561	0	2,253,561
Special Assessments Receivable	1,959,429	0	1,959,429
Unamortized Bond Issuance Costs	89,598	53,667	143,265
Nondepreciable Capital Assets	14,873,727	32,101,660	46,975,387
Depreciable Capital Assets, Net	37,281,538	20,259,055	57,540,593
Total Assets	76,199,756	69,109,020	145,308,776
<u>Liabilities</u>			
Accrued Wages Payable	482,702	143,311	626,013
Accounts Payable	238,624	161,972	400,596
Contracts Payable	413,100	211,546	624,646
Matured Compensated Absences Payable	1,697	0	1,697
Due to Other Governments	770,980	90,752	861,732
Accrued Interest Payable	111,282	910,752	1,022,034
Notes Payable	6,130,000	0	6,130,000
Retainage Payable	279,756	37,132	316,888
Deferred Revenue	2,272,979	0	2,272,979
Long-Term Liabilities			
Due Within One Year	1,283,640	772,872	2,056,512
Due in More Than One Year	22,119,437	38,856,014	60,975,451
Total Liabilities	34,104,197	41,184,351	75,288,548
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt Restricted for	31,671,586	13,366,444	45,038,030
Capital Projects	2,204,456	0	2,204,456
Debt Service	323,278	0	323,278
Street Maintenance	656,342	0	656,342
State Grants	3,095,406	0	3,095,406
Federal Grants	2,502,172	0	2,502,172
Other Purposes	1,671,078	0	1,671,078
Unrestricted (Deficit)	(28,759)	14,558,225	14,529,466
Total Net Assets	\$42,095,559	\$27,924,669	\$70,020,228

See Accompanying Notes to the Basic Financial Statements

City of Sandusky
Statement of Activities
For the Year Ended December 31, 2005

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	
<u>Governmental Activities</u>				
Security of Persons and Property				
Police	\$5,266,496	\$309,073	\$76,229	\$0
Fire	5,144,980	629,573	289,266	0
Other	98,338	0	0	0
Public Health	371,995	125,552	0	0
Leisure Time Activities	532,317	275,319	27,143	54,004
Community Environment	3,089,728	277,330	1,520,092	495,922
Transportation	4,107,524	989,425	1,906,019	180,196
General Government				
Municipal Court	829,951	982,508	92,516	0
Other	3,633,634	411,300	1,375	25,223
Interest and Fiscal Charges	1,171,585	0	0	0
Total Governmental Activities	24,246,548	4,000,080	3,912,640	755,345
<u>Business-Type Activities</u>				
Water	4,257,055	6,551,510	0	0
Sewer	5,458,838	6,589,124	0	162,675
Total Business-Type Activities	9,715,893	13,140,634	0	162,675
Total	\$33,962,441	\$17,140,714	\$3,912,640	\$918,020

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
(\$4,881,194)	\$0	(\$4,881,194)
(4,226,141)	0	(4,226,141)
(98,338)	0	(98,338)
(246,443)	0	(246,443)
(175,851)	0	(175,851)
(796,384)	0	(796,384)
(1,031,884)	0	(1,031,884)
245,073	0	245,073
(3,195,736)	0	(3,195,736)
(1,171,585)	0	(1,171,585)
(15,578,483)	0	(15,578,483)
0	2,294,455	2,294,455
0	1,292,961	1,292,961
0	3,587,416	3,587,416
(15,578,483)	3,587,416	(11,991,067)
1,672,894	0	1,672,894
274,996	0	274,996
316,768	0	316,768
21,793	0	21,793
7,156,052	0	7,156,052
3,573,094	0	3,573,094
238,015	0	238,015
2,002,142	0	2,002,142
572,828	1,191	574,019
420,467	75,022	495,489
16,249,049	76,213	16,325,262
56,189	(56,189)	0
726,755	3,607,440	4,334,195
41,368,804	24,317,229	65,686,033
\$42,095,559	\$27,924,669	\$70,020,228

City of Sandusky
Balance Sheet
Governmental Funds
December 31, 2005

	General	Capital Projects	Various Improvement	Other Governmental	Total Governmental Funds
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$3,091,939	\$1,802,711	\$1,214,344	\$5,423,087	\$11,532,081
Accounts Receivable	221,573	0	302,792	3,299	527,664
Accrued Interest Receivable	42,211	0	0	9,206	51,417
Interfund Receivable	83,556	0	0	0	83,556
Due from Other Governments	1,083,444	284,029	0	728,477	2,095,950
Municipal Income Taxes Receivable	2,052,962	0	0	260,185	2,313,147
Other Local Taxes Receivable	23,336	0	0	31,610	54,946
Prepaid Items	141,180	47	0	18,324	159,551
Materials and Supplies Inventory	118,100	0	0	97,816	215,916
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	60,836	0	0	0	60,836
Cash and Cash Equivalents with Escrow Agent	0	275,258	0	0	275,258
Property Taxes Receivable	1,810,561	0	0	644,576	2,455,137
Notes Receivable	0	0	0	2,253,561	2,253,561
Special Assessments Receivable	0	0	0	1,959,429	1,959,429
Total Assets	\$8,729,698	\$2,362,045	\$1,517,136	\$11,429,570	\$24,038,449
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accrued Wages Payable	\$449,290	\$0	\$3,064	\$30,348	\$482,702
Accounts Payable	88,354	5,814	529	143,927	238,624
Contracts Payable	0	314,578	98,522	0	413,100
Matured Compensated Absences Payable	1,697	0	0	0	1,697
Interfund Payable	0	0	83,556	0	83,556
Due to Other Governments	344,158	715	4,614	421,493	770,980
Accrued Interest Payable	0	16,398	27,023	0	43,421
Notes Payable	0	2,315,000	3,815,000	0	6,130,000
Retainage Payable	0	4,498	0	0	4,498
Deferred Revenue	4,548,579	276,268	302,792	3,344,691	8,472,330
Liabilities Payable from Restricted Assets:					
Retainage Payable	0	275,258	0	0	275,258
Total Liabilities	5,432,078	3,208,529	4,335,100	3,940,459	16,916,166
<u>Fund Balance</u>					
Reserved for Encumbrances	62,772	842,606	748,129	93,962	1,747,469
Reserved for Unclaimed Monies	60,836	0	0	0	60,836
Reserved for Notes Receivable	0	0	0	2,049,229	2,049,229
Unreserved, Reported in					
General Fund	3,174,012	0	0	0	3,174,012
Special Revenue Funds	0	0	0	4,839,344	4,839,344
Debt Service Funds	0	0	0	425,019	425,019
Capital Projects Funds (Deficit)	0	(1,689,090)	(3,566,093)	81,557	(5,173,626)
Total Fund Balance (Deficit)	3,297,620	(846,484)	(2,817,964)	7,489,111	7,122,283
Total Liabilities and Fund Balance	\$8,729,698	\$2,362,045	\$1,517,136	\$11,429,570	\$24,038,449

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, 2005

Total Governmental Fund Balance		\$7,122,283
<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, are not reported in the funds.		52,155,265
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accounts Receivable	467,028	
Accrued Interest Receivable	47,376	
Due from Other Governments	1,375,150	
Municipal Income Taxes Receivable	2,167,543	
Other Local Taxes Receivable	667	
Property Taxes Receivable	182,158	
Special Assessments Receivable	1,959,429	
		6,199,351
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.		89,598
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued Interest Payable	(67,861)	
General Obligation Bonds Payable	(19,064,812)	
Special Assessment Bonds Payable	(2,127,766)	
Compensated Absences Payable	(2,031,659)	
Capital Leases Payable	(178,840)	
		(23,470,938)
Net Assets of Governmental Activities		\$42,095,559

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, 2005

	General	Capital Projects	Various Improvement	Other Governmental	Total Governmental Funds
<u>Revenues</u>					
Property Taxes	\$1,668,369	\$0	\$0	\$590,152	\$2,258,521
Payment in Lieu of Taxes	0	0	0	21,793	21,793
Municipal Income Taxes	6,651,755	0	0	791,944	7,443,699
Other Local Taxes	3,573,087	0	0	454,076	4,027,163
Special Assessments	0	0	95,468	360,966	456,434
Charges for Services	425,442	443,269	91,650	466,142	1,426,503
Fees, Licenses, and Permits	659,045	152,094	115,641	45,221	972,001
Fines and Forfeitures	930,478	0	0	47,891	978,369
Intergovernmental	1,934,541	233,225	0	3,630,600	5,798,366
Interest	569,409	0	6,286	120,201	695,896
Other	284,561	265,145	24,162	447,979	1,021,847
Total Revenues	16,696,687	1,093,733	333,207	6,976,965	25,100,592
<u>Expenditures</u>					
Current:					
Security of Persons and Property					
Police	4,431,702	0	0	573,911	5,005,613
Fire	3,941,799	0	0	981,336	4,923,135
Other	98,338	0	0	0	98,338
Public Health	289,168	0	0	82,667	371,835
Leisure Time Activities	0	0	0	419,758	419,758
Community Environment	1,750,110	0	0	1,099,242	2,849,352
Transportation	340	0	5,595	2,482,657	2,488,592
General Government					
Municipal Court	849,310	0	0	0	849,310
Other	3,158,999	0	0	0	3,158,999
Other	0	0	0	60,324	60,324
Capital Outlay	0	1,375,802	552,227	0	1,928,029
Debt Service:					
Principal Retirement	0	29,901	0	866,000	895,901
Interest and Fiscal Charges	14,973	134,832	100,988	913,317	1,164,110
Issuance Costs	0	0	0	86,721	86,721
Total Expenditures	14,534,739	1,540,535	658,810	7,565,933	24,300,017
Excess of Revenues Over (Under) Expenditures	2,161,948	(446,802)	(325,603)	(588,968)	800,575
<u>Other Financing Sources (Uses)</u>					
General Obligation Refunding Bonds Issued	0	0	0	6,410,000	6,410,000
General Obligation Bonds Issued	0	0	0	1,295,000	1,295,000
Special Assessment Bonds Issued	0	0	0	185,000	185,000
Premium on General Obligation Bonds Issued	0	0	0	46,591	46,591
Payment to Refunded Bond Escrow Agent	0	0	0	(6,369,870)	(6,369,870)
Inception of Capital Lease	0	48,499	0	0	48,499
Transfers In	0	1,561,468	331,215	1,505,350	3,398,033
Transfers Out	(1,345,580)	0	0	(1,996,264)	(3,341,844)
Total Other Financing Sources (Uses)	(1,345,580)	1,609,967	331,215	1,075,807	1,671,409
Changes in Fund Balance	816,368	1,163,165	5,612	486,839	2,471,984
Fund Balance (Deficit) Beginning of Year - Restated (Note 3)	2,481,252	(2,009,649)	(2,823,576)	7,002,272	4,650,299
Fund Balance (Deficit) End of Year	<u>\$3,297,620</u>	<u>(\$846,484)</u>	<u>(\$2,817,964)</u>	<u>\$7,489,111</u>	<u>\$7,122,283</u>

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, 2005

Change in Fund Balance - Total Governmental Funds \$2,471,984

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 depreciation exceeded capital outlays in the current year.

Capital Outlay	1,679,022	
Depreciation	<u>(2,467,485)</u>	(788,463)

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. (117,663)

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

Property Taxes	6,137	
Municipal Income Taxes	(287,647)	
Other Local Taxes	7	
Special Assessments	(326,542)	
Charges for Services	27,418	
Fees, Licenses, and Permits	(230)	
Intergovernmental	423,150	
Interest	<u>(25,771)</u>	(183,478)

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	6,384,867	
Special Assessment Bonds Payable	251,133	
Capital Leases Payable	<u>29,901</u>	6,665,901

The accounting loss on refunded debt is reported as an expense at the time of refunding, but is amortized over the life of the new debt on the statement of activities.

Accounting Loss	599,870	
Amortization of Accounting Loss	<u>(11,230)</u>	588,640

Bond proceeds are other financing sources in the governmental funds, but the issuance increases long-term liabilities on the statement of net assets. Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of net assets.

General Obligation Bonds Issued	(7,705,000)	
Special Assessment Bonds Issued	(185,000)	
Premium on Bonds Issued	(46,591)	
Amortization of Premium	<u>1,472</u>	(7,935,119)

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. (48,499)

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

Accrued Interest Payable		4,506
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(continued)

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, 2005
 (continued)

Issuance costs are reported as an expenditure when paid in the governmental funds, but is accrued on outstanding debt on the statement of net assets.

Unamortized Issuance Costs	\$86,721	
Amortization of Issuance Costs	<u>(2,223)</u>	
		84,498

Compensated absences 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.

(15,552)

Change in Net Assets of Governmental Activities

\$726,755

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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
<u>Revenues</u>				
Property Taxes	\$1,837,254	\$1,679,527	\$1,668,369	(\$11,158)
Municipal Income Taxes	6,528,150	6,642,821	6,642,821	0
Other Local Taxes	3,880,911	3,575,045	3,575,045	0
Charges for Services	376,529	323,297	401,310	78,013
Fees, Licenses, and Permits	612,599	584,130	657,329	73,199
Fines and Forfeitures	1,021,641	926,029	947,682	21,653
Intergovernmental	1,130,340	1,617,649	1,638,318	20,669
Interest	400,000	595,105	657,626	62,521
Other	135,435	199,345	211,485	12,140
Total Revenues	15,922,859	16,142,948	16,399,985	257,037
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	4,416,114	4,476,114	4,413,664	62,450
Fire	3,996,555	4,036,555	3,980,353	56,202
Other	110,153	110,153	102,842	7,311
Public Health	279,406	301,766	292,557	9,209
Community Environment	1,859,573	1,818,231	1,774,287	43,944
Transportation	0	340	340	0
General Government				
Municipal Court	827,972	901,972	859,890	42,082
Other	3,460,708	3,519,550	3,405,378	114,172
Total Expenditures	14,950,481	15,164,681	14,829,311	335,370
Excess of Revenues Over Expenditures	972,378	978,267	1,570,674	592,407
<u>Other Financing Sources (Uses)</u>				
Other Financing Sources	277,474	57,909	71,360	13,451
Advances In	31,557	31,557	31,557	0
Transfers Out	(1,441,825)	(1,383,625)	(1,345,580)	38,045
Total Other Financing Sources (Uses)	(1,132,794)	(1,294,159)	(1,242,663)	51,496
Changes in Fund Balance	(160,416)	(315,892)	328,011	643,903
Fund Balance Beginning of Year	2,574,071	2,574,071	2,574,071	0
Prior Year Encumbrances Appropriated	143,588	143,588	143,588	0
Fund Balance End of Year	\$2,557,243	\$2,401,767	\$3,045,670	\$643,903

See Accompanying Notes to the Basic Financial Statements

City of Sandusky
Statement of Fund Net Assets
Enterprise Funds
December 31, 2005

	Water	Sewer	Total
<u>Assets</u>			
<u>Current Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$9,190,948	\$4,456,606	\$13,647,554
Accounts Receivable	508,895	1,169,672	1,678,567
Due from Other Governments	781,280	134,638	915,918
Prepaid Items	30,389	33,755	64,144
Materials and Supplies Inventory	249,124	108,755	357,879
Restricted Assets:			
Cash and Cash Equivalents with Escrow Agent	16	30,560	30,576
Total Current Assets	<u>10,760,652</u>	<u>5,933,986</u>	<u>16,694,638</u>
<u>Non-Current Assets</u>			
Unamortized Bond Issuance Costs	24,608	29,059	53,667
Nondepreciable Capital Assets	16,219,440	15,882,220	32,101,660
Depreciable Capital Assets, Net	4,836,273	15,422,782	20,259,055
Total Non-Current Assets	<u>21,080,321</u>	<u>31,334,061</u>	<u>52,414,382</u>
Total Assets	<u>31,840,973</u>	<u>37,268,047</u>	<u>69,109,020</u>
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accrued Wages Payable	71,961	71,350	143,311
Accounts Payable	46,684	115,288	161,972
Contracts Payable	168,987	42,559	211,546
Due to Other Governments	89,134	1,618	90,752
Accrued Interest Payable	337,324	573,428	910,752
Retainage Payable	2,871	34,261	37,132
General Obligation Revenue Bonds Payable	205,000	92,000	297,000
OWDA Loans Payable	0	280,040	280,040
Compensated Absences Payable	103,334	92,498	195,832
Total Current Liabilities	<u>1,025,295</u>	<u>1,303,042</u>	<u>2,328,337</u>
<u>Non-Current Liabilities</u>			
General Obligation Revenue Bonds Payable	594,608	2,058,553	2,653,161
OWDA Loans Payable	13,343,935	22,473,802	35,817,737
Compensated Absences Payable	234,295	150,821	385,116
Total Non-Current Liabilities	<u>14,172,838</u>	<u>24,683,176</u>	<u>38,856,014</u>
Total Liabilities	<u>15,198,133</u>	<u>25,986,218</u>	<u>41,184,351</u>
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	6,936,778	6,429,666	13,366,444
Unrestricted	9,706,062	4,852,163	14,558,225
Total Net Assets	<u>\$16,642,840</u>	<u>\$11,281,829</u>	<u>\$27,924,669</u>

See Accompanying Notes to the Basic Financial Statements

City of Sandusky
Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Enterprise Funds
For the Year Ended December 31, 2005

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<u>Operating Revenues</u>			
Charges for Services	\$6,551,510	\$6,589,124	\$13,140,634
Other	23,175	51,847	75,022
Total Operating Revenues	<u>6,574,685</u>	<u>6,640,971</u>	<u>13,215,656</u>
<u>Operating Expenses</u>			
Personal Services	2,081,793	2,105,530	4,187,323
Travel and Transportation	21,185	23,827	45,012
Contractual Services	600,911	1,121,933	1,722,844
Materials and Supplies	445,737	326,193	771,930
Depreciation	255,158	608,071	863,229
Other	2,350	1,321	3,671
Total Operating Expenses	<u>3,407,134</u>	<u>4,186,875</u>	<u>7,594,009</u>
Operating Income	<u>3,167,551</u>	<u>2,454,096</u>	<u>5,621,647</u>
<u>Non-Operating Revenues (Expenses)</u>			
Interest Revenue	391	800	1,191
Interest Expense	(849,921)	(1,271,963)	(2,121,884)
Total Non-Operating Revenues (Expenses)	<u>(849,530)</u>	<u>(1,271,163)</u>	<u>(2,120,693)</u>
Income before Contributions and Transfers	2,318,021	1,182,933	3,500,954
Capital Contributions	0	162,675	162,675
Transfers Out	(7,833)	(48,356)	(56,189)
Changes in Net Assets	2,310,188	1,297,252	3,607,440
Net Assets Beginning of Year - Restated (Note 3)	<u>14,332,652</u>	<u>9,984,577</u>	<u>24,317,229</u>
Net Assets End of Year	<u>\$16,642,840</u>	<u>\$11,281,829</u>	<u>\$27,924,669</u>

See Accompanying Notes to the Basic Financial Statements

City of Sandusky
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2005

	<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	\$6,141,057	\$6,143,769	\$12,284,826
Cash Payments for Personal Services	(2,085,234)	(2,219,499)	(4,304,733)
Cash Payments for Contractual Services	(503,211)	(1,170,389)	(1,673,600)
Cash Payments to Vendors	(902,912)	(305,260)	(1,208,172)
Cash Received from Other Revenues	22,546	51,847	74,393
Cash Payments for Other Expenses	(2,305)	(1,233)	(3,538)
Net Cash Provided by Operating Activities	<u>2,669,941</u>	<u>2,499,235</u>	<u>5,169,176</u>
<u>Cash Flows from Noncapital Financing Activities</u>			
Transfers Out	<u>(7,833)</u>	<u>(48,356)</u>	<u>(56,189)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Principal Paid on Bond Anticipation Notes	(179,000)	(1,671,000)	(1,850,000)
Principal Paid on General Obligation Revenue Bonds	(200,000)	(47,000)	(247,000)
Principal Paid on OWDA Loans	(364,421)	(778,403)	(1,142,824)
Interest Paid on Bond Anticipation Notes	(5,370)	(50,130)	(55,500)
Interest Paid on General Obligation Revenue Bonds	(43,944)	(18,314)	(62,258)
Interest Paid on OWDA Loans	(709,853)	(1,213,627)	(1,923,480)
General Obligation Bonds Issued	175,000	1,815,000	1,990,000
OWDA Loans Issued	4,400,271	452,188	4,852,459
Issuance Costs	0	(29,059)	(29,059)
Premium on Bonds Issued	0	51,048	51,048
Discount on Bonds Issued	0	(21,495)	(21,495)
Acquisition of Capital Assets	(5,013,101)	(989,808)	(6,002,909)
Capital Contributions	<u>0</u>	<u>162,675</u>	<u>162,675</u>
Net Cash Used for Capital and Related Financing Activities	<u>(1,940,418)</u>	<u>(2,337,925)</u>	<u>(4,278,343)</u>
<u>Cash Flows from Investing Activities</u>			
Interest	<u>391</u>	<u>800</u>	<u>1,191</u>
Net Increase in Cash and Cash Equivalents	722,081	113,754	835,835
Cash and Cash Equivalents Beginning of Year	<u>8,468,883</u>	<u>4,373,412</u>	<u>12,842,295</u>
Cash and Cash Equivalents End of Year	<u>\$9,190,964</u>	<u>\$4,487,166</u>	<u>\$13,678,130</u>

(continued)

City of Sandusky
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2005
(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	\$3,167,551	\$2,454,096	\$5,621,647
<u>Adjustments to Reconcile Operating Income to Net</u>			
<u>Cash Provided by Operating Activities</u>			
Depreciation	255,158	608,071	863,229
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(128,342)	(369,819)	(498,161)
Increase in Due from Other Governments	(285,315)	(78,111)	(363,426)
Increase in Prepaid Items	(23,859)	(29,008)	(52,867)
Increase in Materials and Supplies Inventory	(37,515)	(14,679)	(52,194)
Decrease in Accrued Wages Payable	(2,467)	(6,052)	(8,519)
Increase (Decrease) in Accounts Payable	(5,298)	30,605	25,307
Increase (Decrease) in Contracts Payable	(168,769)	42,559	(126,210)
Increase (Decrease) in Due to Other Governments	4,737	(89,628)	(84,891)
Decrease in Retainage Payable	(98,302)	(28,568)	(126,870)
Decrease in Compensated Absences Payable	(7,638)	(20,231)	(27,869)
Net Cash Provided by Operating Activities	<u>\$2,669,941</u>	<u>\$2,499,235</u>	<u>\$5,169,176</u>

See Accompanying Notes to the Basic Financial Statements

City of Sandusky
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2005

<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$228,171</u>
 <u>Liabilities</u>	
Due to Other Governments	\$48,514
Undistributed Assets	<u>179,657</u>
 Total Liabilities	 <u>\$228,171</u>

See Accompanying Notes to the Basic Financial Statements

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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 2005.

The City of Sandusky participates in the Buckeye Ohio Risk Management Agency (BORMA), a public entity shared risk pool. This organization is presented in Note 23 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, 2005
(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, 2005
(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, 2005
(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 2005. 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, 2005
(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, 2005, but were levied to finance 2006 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, 2005
(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 appropriations 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 2005, the City's investments included nonnegotiable certificates of deposit, federal agency securities, and Star Ohio. Nonnegotiable certificates of deposit are reported at cost. Other 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, 2005.

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 2005 was \$569,409, which includes \$387,463 assigned from other City funds.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(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, 2005, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expensed/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 Discounts and Premiums

For governmental funds, issuance costs and bond premiums are recognized in the current period on the fund financial statements. For the entity-wide and enterprise fund financial statements, issuance costs, bond discounts, and 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 discounts and premiums are presented as a reduction of or addition to the face amount of the bonds, as applicable.

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, 2005
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All capital assets are capitalized at 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. The City reports all infrastructure, including that acquired prior to the implementation of GASB Statement No. 34. 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. Interfund Receivables/Payables

On fund financial statements, receivables and payables resulting from interfund loans are reported as "Interfund Receivables/Payables". Interfund balances are eliminated on the statement of net assets, except for any net residual amounts due between governmental and business-type activities. These amounts are presented as "Internal Balances".

M. 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.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the enterprise funds, the entire amount of compensated absences is reported as a fund liability.

N. 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.

O. 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.

P. 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 by the City 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, 2005, net assets restricted by enabling legislation was \$398,576 for governmental activities.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. 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.

R. 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.

S. Capital Contributions

Capital contributions on the enterprise fund financial statements arise from contributions from other governments.

T. 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.

U. 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.

V. 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.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(continued)

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

A. Change in Accounting Principles

For 2005, the City has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosure", GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", and GASB Statement No. 44, "Economic Condition Reporting: The Statistical Section".

GASB Statement No. 40 establishes and modifies the disclosure requirements related to deposit and investment risks. The implementation of this statement did not result in any change to the City's financial statements.

GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets. The implementation of this statement did not result in any change to the City's financial statements.

GASB Statement No. 44 establishes and modifies requirements related to the supplementary information presented in a statistical section.

B. Correction of an Error

Permissive motor vehicle license taxes and capital assets were recorded incorrectly in the prior year. As a result, net assets of governmental activities decreased \$1,789,618 from \$43,158,422 to \$41,368,804 and net assets of business-type activities increased \$1,582,092 from \$22,735,137 to \$24,317,229 as of December 31, 2004.

In prior years, the City recorded the acquisition of its own debt as an investment; however, this activity should be recorded as an interfund loan.

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

	<u>General</u>	<u>Capital Projects</u>	<u>Various Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Fund Balance (Deficit)					
December 31, 2004	\$2,481,252	(\$2,009,649)	(2,708,463)	\$7,002,272	\$4,765,412
Manuscript Debt	<u>0</u>	<u>0</u>	<u>(115,113)</u>	<u>0</u>	<u>(115,113)</u>
Restated Fund Balance (Deficit)					
December 31, 2004	<u>\$2,481,252</u>	<u>(\$2,009,649)</u>	<u>(\$2,823,576)</u>	<u>\$7,002,272</u>	<u>\$4,650,299</u>

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(continued)

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At December 31, 2005, the Public Transit, Parks and Recreational, Fire Pension, and Police Pension special revenue funds had deficit fund balances, in the amount of \$78,752, \$3,427, \$215,858, and \$149,024, 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 \$846,484 and \$2,817,964, respectively, due to reporting the bond anticipation note liability in the fund receiving the note proceeds. The deficit will be alleviated when the notes are paid.

B. Compliance

For the year ended December 31, 2005, the General Bond Retirement debt service fund had expenditures in excess of appropriations, in the amounts of \$86,721 and \$6,369,870, respectively, for issuance costs and payment to refunded bond escrow agent. In the future, the City finance director will monitor budgetary transactions closely to avoid similar issues.

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).

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(continued)

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

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:

Changes in Fund Balance

GAAP Basis	\$816,368
<u>Increases (Decreases) Due To</u>	
Revenue Accruals:	
Accrued 2004, Received in Cash 2005	411,796
Accrued 2005, Not Yet Received in Cash	(699,077)
Expenditure Accruals:	
Accrued 2004, Paid in Cash 2005	(962,039)
Accrued 2005, Not Yet Paid in Cash	897,068
Cash Adjustments:	
Unrecorded Activity 2004	84,382
Unrecorded Activity 2005	(22,443)
Prepaid Items	(119,192)
Materials and Supplies Inventory	(25,747)
Advances In	31,557
Encumbrances Outstanding at Year End (Budget Basis)	(84,662)
Budget Basis	\$328,011

NOTE 6 - DEPOSITS AND INVESTMENTS

Monies held by the City are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the City treasury. Active 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.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(continued)

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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.

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 or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio), and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.

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, 2005
(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.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$6,635,221 of the City's bank balance of \$9,600,501 was exposed to custodial credit risk because it 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 has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments

As of December 31, 2005, the City had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Federal National Mortgage Association Notes	\$990,489	3/22/06
Federal National Mortgage Association Notes	993,397	4/15/06
Federal National Mortgage Association Debentures	992,901	6/30/06
Federal Home Loan Bank Notes	498,501	1/27/06
Federal Home Loan Bank Bonds	1,296,555	2/13/06
Federal Home Loan Bank Bonds	994,796	3/24/06
Federal Home Loan Bank Bonds	98,723	8/14/06
Federal Home Loan Bank Bonds	1,480,951	10/19/06
Federal Home Loan Mortgage Corporation Notes	989,419	3/31/06
Federal Home Loan Mortgage Corporation Notes	987,219	4/18/06
Federal Home Loan Mortgage Corporation Notes	493,251	4/24/06
Federal Home Loan Mortgage Corporation Notes	983,613	5/16/06
Federal Home Loan Mortgage Corporation Notes	981,913	5/30/06
Federal Home Loan Mortgage Corporation Notes	489,493	6/20/06
STAR Ohio	4,370,573	39.41 days
Total Investments	<u>\$16,641,794</u>	

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(continued)

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The investment policy restricts the Finance Director from investing in anything other than as identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the City.

The federal agency securities all carry a rating of AAA by Moodys. STAR Ohio carries a rating of AAA by Standard and Poor's. The City has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

The City places no limit on the amount of its interim monies it may invest in a particular security. The following table indicates the percentage of investments to the City's total portfolio:

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Federal National Mortgage Association	\$2,976,787	17.9%
Federal Home Loan Bank	4,369,526	26.3
Federal Home Loan Mortgage Corporation	4,924,908	29.6

NOTE 7 - RECEIVABLES

Receivables at December 31, 2005, consisted of accounts (billings for user charged services, including unbilled utility services); accrued interest; interfund; 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 \$2,049,229, will not be received within one year. Special assessments, in the amount of \$1,571,001, will not be received within one year. At December 31, 2005, the amount of delinquent special assessments was \$309,951.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(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	\$71,525
Local Government	395,234
Local Government Revenue Assistance	59,637
Beer and Liquor Permits	30,146
Estate Tax	489,093
Erie County	150
Safety Belt Grant	70
Fines and Forfeitures	37,589
Total General Fund	1,083,444
Capital Projects Fund	
Fees, Licenses, and Permits	7,761
Clean Ohio Phase I	276,268
Total Capital Projects Fund	284,029
Total Major Funds	1,367,473
Nonmajor Funds	
Street Maintenance	
Gasoline Tax	355,979
Motor Vehicle License Tax	88,786
Permissive Motor Vehicle License Tax	202
Total Street Maintenance	444,967
State Highway	
Gasoline Tax	28,863
Motor Vehicle License Tax	7,199
Total State Highway	36,062
Fire Pension	
Homestead and Rollback	5,879
Police Pension	
Homestead and Rollback	5,879

(continued)

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(continued)

NOTE 7 - RECEIVABLES (continued)

	Amount
Governmental Activities (continued)	
Nonmajor Funds (continued)	
State Grants	
Housing Grants	\$38,246
Community Corrections Grant	30,172
Total State Grants	68,418
Federal Grants	
Housing Grants	42,221
Local Law Enforcement Block Grant	13,433
Bulletproof Vest Grant	2,160
Federal Transit Administration Grant	90,998
Total Federal Grants	148,812
Indigent Drivers Alcohol	
Fees, Licenses, and Permits	505
Enforcement and Education	
Fines and Forfeitures	650
Court Computerization	
Fines and Forfeitures	686
Indigent Telephone	
Fees, Licenses, and Permits	64
Municipal Probation	
Fees, Licenses, and Permits	2,838
General Bond Retirement	
Homestead and Rollback	13,717
Total Nonmajor Funds	728,477
Total Governmental Activities	\$2,095,950
Business-Type Activities	
Water	
Erie County	\$781,280
Sewer	
Erie County	134,638
Total Business-Type Activities	\$915,918

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(continued)

NOTE 8 - MUNICIPAL INCOME TAXES

The City levies and collects an income tax of 1 percent based on all income earned within the City as well as on incomes of residents earned outside the City. 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.

For 2005, income taxes were allocated as follows: 88.75 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 5 percent to the Capital Improvement capital projects fund to be used for the capital improvement program.

NOTE 9 - PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the City. Real property tax revenues received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, 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 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2003, were levied after October 1, 2004, 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 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2005, 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 2005 operations.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(continued)

NOTE 9 - PROPERTY TAXES (continued)

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.

The full tax rate for all City operations for the year ended December 31, 2005, was \$4.95 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Category	Amount
Real Property	\$424,172,000
Public Utility Personal Property	16,655,000
Tangible Personal Property	68,206,114
Total Assessed Value	\$509,033,114

NOTE 10 - NOTES RECEIVABLE

A summary of the changes in notes receivable during 2005 follows:

	Balance January 1, 2005	New Loans	Repayments	Balance December 31, 2005
Special Revenue Fund				
State Grants				
CDBG	\$238,893	\$0	\$59,152	\$179,741
Revolving Loans	695,572	243,610	115,536	823,646
MICRO - Enterprise Loans	11,921	0	0	11,921
Rehabilitation Revolving Loans	735,361	609,267	55,992	1,288,636
	\$1,681,747	\$852,877	\$230,680	2,303,944
Less Allowance for Uncollectible Accounts				50,383
				\$2,253,561

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

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(continued)

NOTE 11 - CAPITAL ASSETS

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

	Restated Balance January 1, 2005	Additions	Reductions	Balance December 31, 2005
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$5,507,432	\$0	(\$117,663)	\$5,389,769
Construction in Progress	9,578,906	823,980	(918,928)	9,483,958
Total Nondepreciable Capital Assets	15,086,338	823,980	(1,036,591)	14,873,727
Depreciable Capital Assets				
Buildings	18,102,052	0	0	18,102,052
Improvements Other Than Buildings	8,530,877	468,412	0	8,999,289
Streets	40,012,328	854,382	0	40,866,710
Bridges	229,802	0	0	229,802
Equipment	8,635,730	451,176	0	9,086,906
Total Depreciable Capital Assets	75,510,789	1,773,970	0	77,284,759
Less Accumulated Depreciation for				
Buildings	(5,723,226)	(599,566)	\$0	(6,322,792)
Improvements Other Than Buildings	(4,629,396)	(189,424)	0	(4,818,820)
Streets	(21,789,703)	(1,094,749)	0	(22,884,452)
Bridges	(55,152)	(4,596)	0	(59,748)
Equipment	(5,338,259)	(579,150)	0	(5,917,409)
Total Accumulated Depreciation	(37,535,736)	(2,467,485)	0	(40,003,221)
Total Depreciable Capital Assets, Net	37,975,053	(693,515)	0	37,281,538
Governmental Activities Capital Assets, Net	\$53,061,391	\$130,465	(\$1,036,591)	\$52,155,265
	Restated Balance January 1, 2005	Additions	Reductions	Balance December 31, 2005
Business-Type Activities:				
Nondepreciable Capital Assets				
Land	\$614,754	\$0	\$0	\$614,754
Construction in Progress	27,441,498	5,627,500	1,582,092	31,486,906
Total Nondepreciable Capital Assets	28,056,252	5,627,500	1,582,092	32,101,660

(continued)

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(continued)

NOTE 11 - CAPITAL ASSETS (continued)

	Restated Balance January 1, 2005	Additions	Reductions	Balance December 31, 2005
Business-Type Activities (continued):				
Depreciable Capital Assets				
Buildings	\$18,991,505	\$0	\$0	\$18,991,505
Improvements Other Than Buildings	3,513,884	5,945	0	3,519,829
Utility Plant	5,265,678	0	0	5,265,678
Water and Sewer Lines	15,267,144	1,895,910	0	17,163,054
Equipment	2,112,057	55,646	0	2,167,703
Total Depreciable Capital Assets	<u>45,150,268</u>	<u>1,957,501</u>	<u>0</u>	<u>47,107,769</u>
Less Accumulated Depreciation for				
Buildings	(13,143,284)	(235,221)	0	(13,378,505)
Improvements Other Than Buildings	(1,925,882)	(92,655)	0	(2,018,537)
Utility Plant	(1,764,350)	(201,474)	0	(1,965,824)
Water and Sewer Lines	(7,705,446)	(217,161)	0	(7,922,607)
Equipment	(1,446,523)	(116,718)	0	(1,563,241)
Total Accumulated Depreciation	<u>(25,985,485)</u>	<u>(863,229)</u>	<u>0</u>	<u>(26,848,714)</u>
Total Depreciable Capital Assets, Net	<u>19,164,783</u>	<u>1,094,272</u>	<u>0</u>	<u>20,259,055</u>
Business-Type Activities Capital Assets, Net	<u>\$47,221,035</u>	<u>\$6,721,772</u>	<u>\$1,582,092</u>	<u>\$52,360,715</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Security of Persons and Property - Police	\$169,824
Security of Persons and Property - Fire	342,325
Public Health	62,088
Leisure Time Activities	133,610
Community Environment	116,133
Transportation	1,352,809
General Government - Municipal Court	8,743
General Government - Other	281,953
Total Depreciation Expense - Governmental Activities	<u>\$2,467,485</u>

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(continued)

NOTE 12 - INTERFUND RECEIVABLES/PAYABLES

At December 31, 2005, the General Fund had an interfund receivable, in the amount of \$83,556, for a loan made to the Various Improvement capital projects fund.

NOTE 13 - 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 2005, the City contracted with BORMA for the following coverage:

<u>Type of Coverage</u>	<u>Coverage</u>
Property (building and contents)	\$110,548,000
Inland Marine	2,080,000
Earthquake	21,000,000
Flood	21,000,000
General Liability	10,000,000
Employee Benefit Liability	10,000,000
Auto Uninsured-Underinsured	1,000,000
Boiler and Machinery	50,000,000
Public Official Liability	10,000,000

There has been no significant reduction in insurance coverage from 2004, 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.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(continued)

NOTE 14 - SIGNIFICANT CONTRACTUAL COMMITMENTS

The City has outstanding contracts for professional services. The following amounts remain on these contracts as of December 31, 2005:

Contract	Remaining Commitment
All-Phase Power and Light	\$1,476,763
Arcadis G&M	19,895
Bay Mechanical	43,847
Blaze Building	194,381
Bridgeway Power	463,625
Brohl & Appell	18,696
Ed Burdue	1,012,747
Cedar Bay Construction	1,109,075
Erie Blacktop	17,490
Fire Safety Services	25,028
Foster Chevrolet	70,516
Inland Waters of Ohio	16,191
K S Associates	218,360
Kokosing Construction	176,283
Lutz Concrete	73,550
LVI Services of Michigan	44,975
Malcolm Pirnie	72,272
Montgomery Watson Harza	988,700
Mosser Construction	2,008,378
Nutting HC Inc.	10,927
Ohio Edison	22,249
Partners Environmental Consulting	86,763
Proudfoot Associates	12,914
Regent Electric	74,463
Resource International	20,540
Sensus Metering Systems	214,262
Smith Paving	13,347
South Shore Electric	177,895
University of Toledo	23,170

(continued)

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(continued)

NOTE 14 - SIGNIFICANT CONTRACTUAL COMMITMENTS (continued)

Contract	Remaining Commitment
Transystems Corp	\$119,392
Marlin White & Sons	2,138,419
Wilkes and Co.	398,039
Total	\$11,363,152

NOTE 15 - 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, 2005, 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 2005 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, 2005, 2004, and 2003 were \$721,776, \$725,646, and \$646,510, respectively; 71 percent has been contributed for 2005 and 100 percent has been contributed for 2004 and 2003. The unpaid contribution for 2005, in the amount of \$210,562, is recorded as a liability. There were no contributions to the member-directed plan in 2005.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(continued)

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to OPF for the years ended December 31, 2005, 2004, and 2003 were \$895,772, \$902,594, and \$885,141, respectively; 73 percent has been contributed for 2005 and 100 percent has been contributed for 2004 and 2003. The unpaid contribution for 2005, in the amount of \$242,662, is recorded as a liability.

NOTE 16 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by 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 2005 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, 2004, 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.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(continued)

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits was \$302,315. 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, 2004 (the latest information available), was \$10.8 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

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 2005. 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 2005 that were used to fund postemployment benefits were \$263,304 for police and \$236,825 for firefighters. The OPF's total health care expense for the year ended December 31, 2004 (the latest information available), was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OPF participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 for firefighters.

NOTE 17 - 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, 2005
(continued)

NOTE 17 - 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 18 - NOTES PAYABLE

The City's note transactions for the year ended December 31, 2005, were as follows:

	<u>Interest Rate</u>	<u>Balance January 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2005</u>
<u>Governmental Activities</u>					
<u>Bond Anticipation Notes</u>					
Capital Projects Funds					
2004 Various Improvement	3.00%	\$7,475,000	\$0	\$7,475,000	\$0
2005 Various Improvement	3.75	0	6,130,000	0	6,130,000
Total Governmental Activities		\$7,475,000	\$6,130,000	\$7,475,000	\$6,130,000

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(continued)

NOTE 18 - NOTES PAYABLE (continued)

	Interest Rate	Balance January 1, 2005	Additions	Reductions	Balance December 31, 2005
<u>Business-Type Activities</u>					
<u>Bond Anticipation Notes</u>					
Enterprise Funds					
Water					
2004 Various Improvement	3.00%	\$179,000	\$0	\$179,000	\$0
Sewer					
2004 Various Improvement	3.00	1,671,000	0	1,671,000	0
Total Business-Type Activities		<u>\$1,850,000</u>	<u>\$0</u>	<u>\$1,850,000</u>	<u>\$0</u>

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

The City has issued bond anticipation notes with a maturity of one year which will be reissued until paid in full or until bonds are issued. The liability for all notes is presented in the fund receiving the proceeds.

For governmental activities, the 2004 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, sidewalk, curb, and gutter improvements, and to revitalize the Bayfront Urban Revitalization Area. The 2005 various improvement notes were issued to retire notes previously issued to replace the air conditioning unit at the Municipal Building, street improvements, roof repairs, sidewalk, curb, and gutter improvements, and to 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, 2005, the total amount of various improvement notes outstanding was \$6,130,000, of which \$5,100,344 has been expended for construction.

For business-type activities, the 2004 various improvement notes were 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, 2005
(continued)

NOTE 19 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2005, was as follows:

	Interest Rate	Balance January 1, 2005	Additions	Reductions	Balance December 31, 2005	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds						
2000 City Complex	4.35-6.25%	\$5,955,000	\$0	\$5,790,000	\$165,000	\$20,000
2001 Library	3.00	5,360,000	0	225,000	5,135,000	230,000
2001 Police Pension	3.00	511,596	0	14,922	496,674	14,922
2001 Fire Pension	3.00	688,404	0	20,078	668,326	20,078
2001 Various Purpose	3.00	5,532,600	0	184,867	5,347,733	194,867
2004 Judgement-Refunded	4.15	240,000	0	30,000	210,000	30,000
2005 Various Purpose	3.50-5.13	0	1,295,000	0	1,295,000	105,000
2005 City Complex Refunding	4.28	0	6,410,000	120,000	6,290,000	40,000
Bond Premium		0	46,591	872	45,719	0
Accounting Loss		0	(599,870)	(11,230)	(588,640)	0
Total General Obligation Bonds		18,287,600	7,151,721	6,374,509	19,064,812	654,867
Special Assessment Bonds with Government Commitment						
Special Assessment Bonds	3.00-7.75	2,189,399	185,000	251,133	2,123,266	257,133
Bond Premium		5,100	0	600	4,500	0
Total Special Assessment Bonds		2,194,499	185,000	251,733	2,127,766	257,133
Other Long-Term Obligations						
Compensated Absences		2,016,107	134,601	119,049	2,031,659	336,861
Capital Leases		160,242	48,499	29,901	178,840	34,779
Total Other Long-Term Obligations		2,176,349	183,100	148,950	2,210,499	371,640
Total Governmental Activities		\$22,658,448	\$7,519,821	\$6,775,192	\$23,403,077	\$1,283,640
<u>Business-Type Activities</u>						
General Obligation Revenue Bonds						
1986 Waterworks Improvement	7.38%	\$240,000	\$0	\$120,000	\$120,000	\$120,000
2002 Waterworks Improvement Refunding	4.50	560,000	0	80,000	480,000	80,000
Bond Premium		34,310	0	4,902	29,408	0
Accounting Loss		(5,600)	0	(800)	(4,800)	0
2004 Water Pollution Control Refunding	4.15	353,000	0	47,000	306,000	47,000
2005 Water System	3.50-5.13	0	175,000	0	175,000	5,000
2005 Wastewater System	3.50-5.13	0	1,815,000	0	1,815,000	45,000
Bond Premium		0	51,048	0	51,048	0
Bond Discount		0	(21,495)	0	(21,495)	0
Total General Obligation Revenue Bonds		1,181,710	2,019,553	251,102	2,950,161	297,000

(continued)

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(continued)

NOTE 19 - LONG-TERM OBLIGATIONS (continued)

	Interest Rate	Balance January 1, 2005	Additions	Reductions	Balance December 31, 2005	Due Within One Year
<u>Business-Type Activities</u> (continued)						
OWDA Loans						
Water	4.60-5.20	\$9,308,085	\$4,400,271	\$364,421	\$13,343,935	\$0
Sewer	4.65-6.39	23,080,057	452,188	778,403	22,753,842	280,040
Total OWDA Loans		<u>32,388,142</u>	<u>4,852,459</u>	<u>1,142,824</u>	<u>36,097,777</u>	<u>280,040</u>
Other Long-Term Obligations						
Compensated Absences Payable		608,817	36,858	64,727	580,948	195,832
Total Business-Type Activities		<u>\$34,178,669</u>	<u>\$6,908,870</u>	<u>\$1,458,653</u>	<u>\$39,628,886</u>	<u>\$772,872</u>

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. During 2005, \$5,770,000, of the outstanding balance of \$5,955,000, was refunded.

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) 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.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(continued)

NOTE 19 - LONG-TERM OBLIGATIONS (continued)

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.

The proceeds from the bonds were used to fully extinguish the old debt on December 1, 2004.

2005 Various Purpose General Obligation Bonds

In 2005, the City issued \$1,295,000 in unvoted general obligation bonds for acquiring two fire pumper trucks, the grade separation project, and improving the boat launch ramp. The bonds were issued for a twenty year period with maturity beginning December 1, 2006. The bonds will be paid from the General Bond Retirement debt service fund.

2005 City Complex General Obligation Refunding Bonds

On March 22, 2005, the City issued \$6,410,000 in unvoted general obligation refunding bonds to refund \$5,770,000, of the outstanding balance of \$5,955,000, in unvoted general obligation bonds for the construction of a city service complex. The bonds were issued for a fifteen year period with maturity beginning December 1, 2005. The bonds will be paid from the General Bond Retirement debt service fund. During 2005, principal, in the amount of \$20,000, was retired.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt (accounting loss) of \$599,870. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through 2020 using the bonds-outstanding method, which approximates the effective interest rate. The City completed the refunding to reduce its total debt service payments over the next nine years by \$426,447 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$303,684. The proceeds from the bonds were used to fully extinguish the refunded debt on December 1, 2005.

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 proceeds from the bonds were used to fully extinguish the old debt on December 1, 2004.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(continued)

NOTE 19 - LONG-TERM OBLIGATIONS (continued)

Compensated Absences

The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund, the Street Maintenance, Parks and Recreational, and General Trust special revenue funds, the Various Improvement capital projects fund, and the Water and Sewer enterprise funds.

Capital Leases Payable

Capital lease obligations will be paid from the fund that maintains custody of the related asset.

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.

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 proceeds from the bonds were used to fully extinguish the old debt on December 1, 2004.

2005 Water System Bonds

In 2005, the City issued \$175,000 in unvoted general obligation revenue bonds for improvements to the Big Island water works building. The bonds were issued for a twenty-five year period with maturity beginning December 1, 2006. The bonds will be retired from the Water enterprise fund.

2005 Wastewater System Bonds

In 2005, the City issued \$1,815,000 in unvoted general obligation revenue bonds for improvements to the municipal wastewater system. The bonds were issued for a twenty-five year period with maturity beginning December 1, 2006. The bonds will be retired from the Sewer enterprise fund.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(continued)

NOTE 19 - LONG-TERM OBLIGATIONS (continued)

OWDA Loans

The City entered into agreements with the Ohio Water Development Authority for loans for ultraviolet treatment, sewer rehabilitation, flow monitors, sludge digestion system improvements, Cedar Point pump station, wastewater system modeling, settling tank improvements, wastewater treatment plant expansion, water plant improvement, and water treatment plant electrical improvements. OWDA loans will be paid from resources of the water and sewer enterprise funds.

The City's legal debt margin was \$29,132,153 at December 31, 2005.

The wastewater system modeling, the wastewater treatment plant expansion, the water plant improvement, 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.

Principal and interest requirements to retire governmental activities general long-term obligations outstanding at December 31, 2005, were as follows:

Year	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2006	\$654,867	\$896,569	\$257,133	\$111,910
2007	684,867	860,356	244,134	96,243
2008	589,867	966,791	250,133	82,704
2009	644,867	955,850	230,134	68,829
2010	714,867	936,313	202,133	55,903
2011-2015	5,709,332	3,329,868	619,667	141,354
2016-2020	7,281,766	1,892,184	312,232	24,737
2021-2025	2,982,300	473,708	7,700	389
2026	345,000	17,681	0	0
	<u>\$19,607,733</u>	<u>\$10,329,320</u>	<u>\$2,123,266</u>	<u>\$582,069</u>

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(continued)

NOTE 19 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2005, from the enterprise funds were as follows:

Year	1986 Waterworks Improvement		2002 Waterworks Improvement Refunding		2004 Water Pollution Control Refunding	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$120,000	\$8,850	\$80,000	\$22,400	\$47,000	\$12,699
2007	0	0	80,000	18,800	42,000	10,749
2008	0	0	80,000	15,200	42,000	9,005
2009	0	0	80,000	11,400	42,000	7,263
2010	0	0	80,000	7,600	42,000	5,519
2011-2012	0	0	80,000	3,800	91,000	5,810
	<u>\$120,000</u>	<u>\$8,850</u>	<u>\$480,000</u>	<u>\$79,200</u>	<u>\$306,000</u>	<u>\$51,045</u>

Year	2005 Water System		2005 Wastewater System		OWDA Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$5,000	\$8,592	\$45,000	\$88,575	\$280,040	\$459,365
2007	5,000	7,179	45,000	74,345	295,309	444,096
2008	5,000	6,923	45,000	72,039	311,417	427,988
2009	5,000	6,666	45,000	69,732	328,410	410,995
2010	5,000	6,410	50,000	67,426	346,337	393,068
2011-2015	25,000	28,287	270,000	298,819	2,037,077	1,659,949
2016-2020	25,000	23,250	335,000	240,045	2,658,841	1,038,186
2021-2025	50,000	16,400	425,000	168,525	2,030,376	330,413
2026-2030	50,000	6,270	555,000	72,140	171,825	5,540
	<u>\$175,000</u>	<u>\$109,977</u>	<u>\$1,815,000</u>	<u>\$1,151,646</u>	<u>\$8,459,632</u>	<u>\$5,169,600</u>

Long-term obligations at December 31, 2005, consisted of the following issues:

Long Term Obligations	Term	Percent	Original Issue	Outstanding 12/31/05
General Obligation Bonds				
2000 City Complex	2000-2009	4.90 to 5.10%	\$6,000,000	\$165,000
2001 Library	2001-2021	3.00	6,340,000	5,135,000
2001 Police Pension	2001-2026	3.00	552,098	496,674

(continued)

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(continued)

NOTE 19 - LONG-TERM OBLIGATIONS (continued)

Long Term Obligations	Term	Percent	Original Issue	Outstanding 12/31/05
General Obligation Bonds (continued)				
2001 Fire Pension	2001-2026	3.00%	\$742,902	\$668,326
2001 Various Purpose	2001-2026	3.00	6,037,200	5,347,733
2004 Judgement Refunding	2004-2012	4.15	240,000	210,000
2005 Various Purpose	2005-2025	3.50 to 5.13	1,295,000	1,295,000
2005 City Complex Refunding	2005-2020	4.28	6,410,000	6,290,000
			<u>\$27,617,200</u>	<u>\$19,607,733</u>
Special Assessment Bonds				
1989 PP Street	1989-2009	7.75	\$136,640	\$28,000
1990 Street	1990-2010	7.40	87,675	25,000
1995 PP McDonough Street	1995-2015	5.23	2,963	1,403
1995 PP Street	1995-2014	5.23	120,974	57,304
1995 PP Dutch Street	1995-2013	5.23	35,512	15,782
1995 Filmore	1995-2014	5.23	247,677	210,508
1996 Perry Street	1996-2016	5.72	40,000	22,000
1996 Sidewalk 1995	1996-2006	5.72	166,400	16,640
1996 Shoreline Walkway	1996-2006	5.72	13,600	1,361
1996 Perry Street - City Port	1996-2016	5.72	350,000	260,000
1998 Sidewalk	1998-2008	4.87	201,000	61,000
1998 PP Street	1998-2008	4.87	48,894	31,831
1998 PP Street	1998-2008	4.87	31,000	20,182
1998 PP Street	1998-2008	4.87	69,106	44,987
1999 Sidewalk	1999-2009	5.50	227,000	89,000
1999 Winnebago	1999-2019	5.50	81,000	57,000
1999 Wilbert	1999-2019	5.50	143,000	101,000
1999 Streetscape	1999-2019	5.50	329,000	233,000
2000 Curb, Sidewalk, and Gutter	2000-2010	6.10	254,000	129,000
2001 Remington	2001-2026	5.86	107,800	87,268
2001 PP Sidewalk	2001-2026	5.86	280,000	180,000
2002 Curb, Sidewalk, and Gutter	2002-2012	4.50	102,000	75,000
2003 Curb, Sidewalk, and Gutter	2003-2013	4.00	89,900	72,000
2004 PP St. Clair Street Refunding	2004-2012	4.15	80,000	70,000

(continued)

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(continued)

NOTE 19 - LONG-TERM OBLIGATIONS (continued)

Long Term Obligations	Term	Percent	Original Issue	Outstanding 12/31/05
Special Assessment Bonds (continued)				
2004 PP First Street Refunding	2004-2011	4.15%	\$30,700	\$26,400
2004 PP Water Refunding	2004-2011	4.15	26,300	22,600
2005 Sidewalk	2005-2015	3.50-5.13	185,000	185,000
			\$3,487,141	\$2,123,266
General Obligation Revenue Bonds				
Water				
1986 Waterworks Improvement	1987-2006	7.38	\$2,400,000	\$120,000
2002 Waterworks Improvement Refunding	2002-2011	4.50	720,000	480,000
2005 Water System	2005-2030	3.50-5.13	175,000	175,000
			3,295,000	775,000
Sewer				
2004 Water Pollution Control Refunding	2004-2012	4.15	\$353,000	\$306,000
2005 Wastewater System	2005-2030	3.50-5.13	1,815,000	1,815,000
			2,168,000	2,121,000
			\$5,463,000	\$2,896,000
OWDA Loans				
Water				
2003 Water Plant Improvements	2004-2024	5.20	\$19,993,686	\$9,042,489
2005 WTP Electrical Improvements	2006-2026	4.60	4,301,446	4,301,446
			24,295,132	13,343,935
Sewer				
1998 Ultraviolet Treatment	2001-2026	5.56	2,110,930	1,909,895
1999 Sewer Rehabilitation	2001-2025	6.13	350,878	315,791
2000 Sewer Rehabilitation	2001-2026	6.39	713,436	599,134
2000 CSO Flow Monitors	2001-2026	6.39	306,536	283,572
2000 Sludge Digestion System	2001-2026	6.03	1,409,888	1,111,224
2001 Cedar Point Pump Station	2002-2022	5.05	4,393,697	3,977,578
2001 Final Settling Tank Improv	2002-2022	5.05	383,484	262,438
2001 Wastewater System Model	2002-2007	5.55	162,394	162,394

(continued)

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(continued)

NOTE 19 - LONG-TERM OBLIGATIONS (continued)

Long Term Obligations	Term	Percent	Original Issue	Outstanding 12/31/05
OWDA Loans (continued)				
Sewer (continued)				
2002 WWTP Expansion	2003-2023	4.65	\$25,841,600	\$14,131,816
			<u>35,672,843</u>	<u>22,753,842</u>
			<u>\$59,967,975</u>	<u>\$36,097,777</u>

NOTE 20 - 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 2005 were \$29,901.

	Governmental Activities
Equipment	\$233,453
Less Accumulated Depreciation	(63,983)
Carrying Value, December 31, 2005	<u>\$169,470</u>

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, 2005.

Year	Governmental Activities	
	Principal	Interest
2006	\$34,779	\$8,578
2007	34,386	6,374
2008	36,128	4,631
2009	37,959	2,801
2010	34,674	877
2011	914	4
Total	<u>\$178,840</u>	<u>\$23,265</u>

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(continued)

NOTE 21 - 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 2005, the City received payments, in the amount of \$25,000. Future annual lease payments to be received are as follows:

Year	Annual Lease Payment	Total Lease for Period
2006-2009	\$25,000	\$100,000
2010-2014	25,000	125,000
2015-2024	30,000	300,000
Total minimum future rentals		\$525,000

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

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

The City did not receive any additional rent in 2005.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(continued)

NOTE 22 - INTERFUND TRANSFERS

During 2005, the General Fund made transfers to other governmental funds, in the amount of \$1,345,580, to subsidize various activities in other funds. Other governmental funds made transfers to the Capital Projects fund, in the amount of \$1,545,802, to fund various capital activities, to the Various Improvement fund, in the amount of \$331,215, to fund sidewalk, curb, and gutter projects, and to other governmental funds, in the amount of \$119,247, to move receipts as debt payments became due.

The Sewer enterprise fund transferred \$40,523 to other governmental funds to move receipts as debt payments became due. The Water and Sewer funds transferred \$7,833 each to the Capital Projects fund to pay for capital projects activities within the fund.

NOTE 23 - 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, 2005. Financial information may be obtained from Arthur J. Gallagher & Co. - Cleveland, Gallagher Pipino, Inc., M-K Ferguson Plaza, 1500 West Third Street, Suite 405, Cleveland, Ohio 44113.

NOTE 24 - 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, 2005, to December 31, 2005, 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.

**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 fire department and EMS operations, 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, 2005

	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	\$4,932,097	\$416,693	\$74,297	\$5,423,087
Accounts Receivable	3,299	0	0	3,299
Accrued Interest Receivable	9,206	0	0	9,206
Due from Other Governments	714,760	13,717	0	728,477
Municipal Income Taxes Receivable	0	144,549	115,636	260,185
Other Local Taxes Receivable	31,610	0	0	31,610
Prepaid Items	18,324	0	0	18,324
Materials and Supplies Inventory	97,816	0	0	97,816
Property Taxes Receivable	297,700	346,876	0	644,576
Notes Receivable	2,253,561	0	0	2,253,561
Special Assessments Receivable	0	1,959,429	0	1,959,429
Total Assets	\$8,358,373	\$2,881,264	\$189,933	\$11,429,570
<u>Liabilities and Fund Balance</u>				
<u>Liabilities</u>				
Accrued Wages Payable	\$30,348	\$0	\$0	\$30,348
Accounts Payable	143,177	750	0	143,927
Due to Other Governments	421,493	0	0	421,493
Deferred Revenue	780,820	2,455,495	108,376	3,344,691
Total Liabilities	1,375,838	2,456,245	108,376	3,940,459
<u>Fund Balance</u>				
Reserved for Encumbrances	93,962	0	0	93,962
Reserved for Notes Receivable	2,049,229	0	0	2,049,229
Unreserved, Reported in				
Special Revenue Funds	4,839,344	0	0	4,839,344
Debt Service Funds	0	425,019	0	425,019
Capital Projects Funds	0	0	81,557	81,557
Total Fund Balance	6,982,535	425,019	81,557	7,489,111
Total Liabilities and Fund Balance	\$8,358,373	\$2,881,264	\$189,933	\$11,429,570

City of Sandusky
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2005

	Street Maintenance	State Highway	Public Transit	Parks and Recreational	Fire Pension
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$167,099	\$28,266	\$25,629	\$10,394	\$0
Accounts Receivable	3,299	0	0	0	0
Accrued Interest Receivable	0	0	0	0	0
Due from Other Governments	444,967	36,062	0	0	5,879
Other Local Taxes Receivable	31,610	0	0	0	0
Prepaid Items	15,207	714	0	64	0
Materials and Supplies Inventory	97,816	0	0	0	0
Property Taxes Receivable	0	0	0	0	148,850
Notes Receivable	0	0	0	0	0
Total Assets	\$759,998	\$65,042	\$25,629	\$10,458	\$154,729
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accrued Wages Payable	\$25,425	\$0	\$0	\$2,500	\$0
Accounts Payable	7,024	0	104,290	2,349	0
Due to Other Governments	34,699	961	91	9,036	215,858
Deferred Revenue	374,006	30,324	0	0	154,729
Total Liabilities	441,154	31,285	104,381	13,885	370,587
<u>Fund Balance</u>					
Reserved for Encumbrances	32,868	0	0	7,816	0
Reserved for Notes Receivable	0	0	0	0	0
Unreserved (Deficit)	285,976	33,757	(78,752)	(11,243)	(215,858)
Total Fund Balance (Deficit)	318,844	33,757	(78,752)	(3,427)	(215,858)
Total Liabilities and Fund Balance	\$759,998	\$65,042	\$25,629	\$10,458	\$154,729

Police Pension	State Grants	Federal Grants	Indigent Drivers Alcohol	Enforcement and Education	Court Computerization	Indigent Telephone
\$0	\$799,129	\$2,357,460	\$110,820	\$117,183	\$125,621	\$34,683
0	0	0	0	0	0	0
0	0	5,723	0	0	0	0
5,879	68,418	148,812	505	650	686	64
0	0	0	0	0	0	0
0	0	0	0	0	2,339	0
0	0	0	0	0	0	0
148,850	0	0	0	0	0	0
0	2,253,561	0	0	0	0	0
<u>\$154,729</u>	<u>\$3,121,108</u>	<u>\$2,511,995</u>	<u>\$111,325</u>	<u>\$117,833</u>	<u>\$128,646</u>	<u>\$34,747</u>
\$0	\$0	\$0	\$0	\$0	\$115	\$0
0	23,392	3,683	0	0	939	0
149,024	2,310	6,140	0	0	139	0
154,729	42,233	21,316	0	0	0	0
<u>303,753</u>	<u>67,935</u>	<u>31,139</u>	<u>0</u>	<u>0</u>	<u>1,193</u>	<u>0</u>
0	17,571	34,932	0	0	0	0
0	2,049,229	0	0	0	0	0
(149,024)	986,373	2,445,924	111,325	117,833	127,453	34,747
<u>(149,024)</u>	<u>3,053,173</u>	<u>2,480,856</u>	<u>111,325</u>	<u>117,833</u>	<u>127,453</u>	<u>34,747</u>
<u>\$154,729</u>	<u>\$3,121,108</u>	<u>\$2,511,995</u>	<u>\$111,325</u>	<u>\$117,833</u>	<u>\$128,646</u>	<u>\$34,747</u>

(continued)

City of Sandusky
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2005
(continued)

	Municipal Probation	General Trust	Park Donations	Cemetery Donations	Total
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$113,736	\$194,120	\$114,200	\$733,757	\$4,932,097
Accounts Receivable	0	0	0	0	3,299
Accrued Interest Receivable	0	0	0	3,483	9,206
Due from Other Governments	2,838	0	0	0	714,760
Other Local Taxes Receivable	0	0	0	0	31,610
Prepaid Items	0	0	0	0	18,324
Materials and Supplies Inventory	0	0	0	0	97,816
Property Taxes Receivable	0	0	0	0	297,700
Notes Receivable	0	0	0	0	2,253,561
Total Assets	\$116,574	\$194,120	\$114,200	\$737,240	\$8,358,373
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accrued Wages Payable	\$0	\$2,308	\$0	\$0	\$30,348
Accounts Payable	58	898	0	544	143,177
Due to Other Governments	427	2,798	0	10	421,493
Deferred Revenue	0	0	0	3,483	780,820
Total Liabilities	485	6,004	0	4,037	1,375,838
<u>Fund Balance</u>					
Reserved for Encumbrances	0	496	0	279	93,962
Reserved for Notes Receivable	0	0	0	0	2,049,229
Unreserved (Deficit)	116,089	187,620	114,200	732,924	4,839,344
Total Fund Balance (Deficit)	116,089	188,116	114,200	733,203	6,982,535
Total Liabilities and Fund Balance	\$116,574	\$194,120	\$114,200	\$737,240	\$8,358,373

City of Sandusky
Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2005

	<u>General Bond Retirement</u>	<u>Special Assessment Bond Retirement</u>	<u>Total</u>
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$247,333	\$169,360	\$416,693
Due from Other Governments	13,717	0	13,717
Municipal Income Taxes Receivable	144,549	0	144,549
Property Taxes Receivable	346,876	0	346,876
Special Assessments Receivable	0	1,959,429	1,959,429
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$752,475</u>	<u>\$2,128,789</u>	<u>\$2,881,264</u>
<u>Liabilities and Fund Balance</u>			
<u>Liabilities</u>			
Accounts Payable	\$0	\$750	\$750
Deferred Revenue	496,066	1,959,429	2,455,495
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	496,066	1,960,179	2,456,245
<u>Fund Balance</u>			
Unreserved	<u>256,409</u>	<u>168,610</u>	<u>425,019</u>
Total Liabilities and Fund Balance	<u>\$752,475</u>	<u>\$2,128,789</u>	<u>\$2,881,264</u>

City of Sandusky
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2005

	Capital Improvement	Redevelopment Tax Increment	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$45,486	\$28,811	\$74,297
Municipal Income Taxes Receivable	115,636	0	115,636
Total Assets	\$161,122	\$28,811	\$189,933
<u>Liabilities and Fund Balance</u>			
<u>Liabilities</u>			
Deferred Revenue	\$108,376	\$0	\$108,376
<u>Fund Balance</u>			
Unreserved	52,746	28,811	81,557
Total Liabilities and Fund Balance	\$161,122	\$28,811	\$189,933

City of Sandusky
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2005

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<u>Revenues</u>				
Property Taxes	\$274,252	\$315,900	\$0	\$590,152
Payment in Lieu of Taxes	0	0	21,793	21,793
Municipal Income Taxes	0	437,086	354,858	791,944
Other Local Taxes	454,076	0	0	454,076
Special Assessments	0	360,966	0	360,966
Charges for Services	466,142	0	0	466,142
Fees, Licenses, and Permits	45,221	0	0	45,221
Fines and Forfeitures	47,891	0	0	47,891
Intergovernmental	3,591,735	38,865	0	3,630,600
Interest	120,201	0	0	120,201
Other	397,159	3,510	47,310	447,979
Total Revenues	5,396,677	1,156,327	423,961	6,976,965
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	573,911	0	0	573,911
Fire	981,336	0	0	981,336
Public Health	82,667	0	0	82,667
Leisure Time Activities	419,758	0	0	419,758
Community Environment	1,099,242	0	0	1,099,242
Transportation	2,482,657	0	0	2,482,657
Other	60,324	0	0	60,324
Debt Service:				
Principal Retirement	35,000	831,000	0	866,000
Interest and Fiscal Charges	62,979	850,338	0	913,317
Issuance Costs	0	86,721	0	86,721
Total Expenditures	5,797,874	1,768,059	0	7,565,933
Excess of Revenues Over (Under) Expenditures	(401,197)	(611,732)	423,961	(588,968)
<u>Other Financing Sources (Uses)</u>				
General Obligation Refunding Bonds Issued	0	6,410,000	0	6,410,000
General Obligation Bonds Issued	0	1,295,000	0	1,295,000
Special Assessment Bonds Issued	0	185,000	0	185,000
Premium on General Obligation Bonds Issued	0	46,591	0	46,591
Payment to Refunded Bond Escrow Agent	0	(6,369,870)	0	(6,369,870)
Transfers In	1,195,580	309,770	0	1,505,350
Transfers Out	(119,247)	(1,511,557)	(365,460)	(1,996,264)
Total Other Financing Sources (Uses)	1,076,333	364,934	(365,460)	1,075,807
Changes in Fund Balance	675,136	(246,798)	58,501	486,839
Fund Balance Beginning of Year	6,307,399	671,817	23,056	7,002,272
Fund Balance End of Year	<u>\$6,982,535</u>	<u>\$425,019</u>	<u>\$81,557</u>	<u>\$7,489,111</u>

City of Sandusky
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005

	Street Maintenance	State Highway	Public Transit	Parks and Recreational	Fire Pension
<u>Revenues</u>					
Property Taxes	\$0	\$0	\$0	\$0	\$137,126
Other Local Taxes	454,076	0	0	0	0
Charges for Services	0	0	167,812	275,319	0
Fees, Licenses, and Permits	0	0	0	0	0
Fines and Forfeitures	0	0	0	0	0
Intergovernmental	902,783	73,199	0	0	16,656
Interest	1,909	130	0	0	0
Other	8,602	96	228,937	13,777	0
Total Revenues	1,367,370	73,425	396,749	289,096	153,782
<u>Expenditures</u>					
Current:					
Security of Persons and Property					
Police	0	0	0	0	0
Fire	0	0	0	0	721,299
Public Health	0	0	0	0	0
Leisure Time Activities	0	0	0	401,367	0
Community Environment	0	0	0	0	0
Transportation	1,268,653	52,543	525,279	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	32,759
Total Expenditures	1,268,653	52,543	525,279	401,367	774,136
Excess of Revenues Over (Under) Expenditures	98,717	20,882	(128,530)	(112,271)	(620,354)
<u>Other Financing Sources (Uses)</u>					
Transfers In	0	0	0	112,894	633,543
Transfers Out	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	112,894	633,543
Changes in Fund Balance	98,717	20,882	(128,530)	623	13,189
Fund Balance (Deficit) Beginning of Year	220,127	12,875	49,778	(4,050)	(229,047)
Fund Balance (Deficit) End of Year	<u>\$318,844</u>	<u>\$33,757</u>	<u>(\$78,752)</u>	<u>(\$3,427)</u>	<u>(\$215,858)</u>

<u>Police Pension</u>	<u>State Grants</u>	<u>Federal Grants</u>	<u>Indigent Drivers Alcohol</u>	<u>Enforcement and Education</u>	<u>Court Computerization</u>	<u>Indigent Telephone</u>
\$137,126	\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0	0
0	575	0	0	0	0	0
0	0	0	2,305	0	0	7,772
0	0	0	0	7,696	25,159	0
16,656	1,179,380	1,382,157	20,904	0	0	0
0	45,977	52,712	0	0	0	0
0	194	1,816	0	0	0	0
<u>153,782</u>	<u>1,226,126</u>	<u>1,436,685</u>	<u>23,209</u>	<u>7,696</u>	<u>25,159</u>	<u>7,772</u>
563,860	0	0	0	0	0	0
0	0	257,922	0	0	0	0
0	6,259	39,011	0	0	0	0
0	0	8,577	0	0	0	0
0	782,452	225,916	0	0	0	0
0	0	636,182	0	0	0	0
0	0	0	0	0	23,630	181
14,922	0	0	0	0	0	0
24,346	0	4,702	0	0	0	0
<u>603,128</u>	<u>788,711</u>	<u>1,172,310</u>	<u>0</u>	<u>0</u>	<u>23,630</u>	<u>181</u>
<u>(449,346)</u>	<u>437,415</u>	<u>264,375</u>	<u>23,209</u>	<u>7,696</u>	<u>1,529</u>	<u>7,591</u>
449,143	0	0	0	0	0	0
0	0	(119,247)	0	0	0	0
<u>449,143</u>	<u>0</u>	<u>(119,247)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(203)	437,415	145,128	23,209	7,696	1,529	7,591
<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>(\$149,024)</u>	<u>\$3,053,173</u>	<u>\$2,480,856</u>	<u>\$111,325</u>	<u>\$117,833</u>	<u>\$127,453</u>	<u>\$34,747</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, 2005
(continued)

	Municipal Probation	General Trust	Park Donations	Cemetery Donations	Total
<u>Revenues</u>					
Property Taxes	\$0	\$0	\$0	\$0	\$274,252
Other Local Taxes	0	0	0	0	454,076
Charges for Services	0	0	0	22,436	466,142
Fees, Licenses, and Permits	35,144	0	0	0	45,221
Fines and Forfeitures	0	15,036	0	0	47,891
Intergovernmental	0	0	0	0	3,591,735
Interest	0	0	556	18,917	120,201
Other	60	113,964	8,130	21,583	397,159
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	35,204	129,000	8,686	62,936	5,396,677
<u>Expenditures</u>					
Current:					
Security of Persons and Property					
Police	0	10,051	0	0	573,911
Fire	0	2,115	0	0	981,336
Public Health	0	0	0	37,397	82,667
Leisure Time Activities	0	9,814	0	0	419,758
Community Environment	0	90,874	0	0	1,099,242
Transportation	0	0	0	0	2,482,657
Other	36,513	0	0	0	60,324
Debt Service:					
Principal Retirement	0	0	0	0	35,000
Interest and Fiscal Charges	0	0	0	1,172	62,979
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	36,513	112,854	0	38,569	5,797,874
Excess of Revenues Over (Under) Expenditures	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	(1,309)	16,146	8,686	24,367	(401,197)
<u>Other Financing Sources (Uses)</u>					
Transfers In	0	0	0	0	1,195,580
Transfers Out	0	0	0	0	(119,247)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	0	0	0	0	1,076,333
Changes in Fund Balance	(1,309)	16,146	8,686	24,367	675,136
Fund Balance (Deficit) Beginning of Year	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	117,398	171,970	105,514	708,836	6,307,399
Fund Balance (Deficit) End of Year	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$116,089	\$188,116	\$114,200	\$733,203	\$6,982,535

City of Sandusky
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Debt Service Funds
For the Year Ended December 31, 2005

	General Bond Retirement	Special Assessment Bond Retirement	Total
<u>Revenues</u>			
Property Taxes	\$315,900	\$0	\$315,900
Municipal Income Taxes	437,086	0	437,086
Special Assessments	0	360,966	360,966
Intergovernmental	38,865	0	38,865
Other	3,510	0	3,510
Total Revenues	795,361	360,966	1,156,327
<u>Expenditures</u>			
Debt Service:			
Principal Retirement	579,867	251,133	831,000
Interest and Fiscal Charges	722,930	127,408	850,338
Issuance Costs	86,721	0	86,721
Total Expenditures	1,389,518	378,541	1,768,059
Excess of Revenues Under Expenditures	(594,157)	(17,575)	(611,732)
<u>Other Financing Sources (Uses)</u>			
General Obligation Refunding Bonds Issued	6,410,000	0	6,410,000
General Obligation Bonds Issued	1,295,000	0	1,295,000
Special Assessment Bonds Issued	0	185,000	185,000
Premium on General Obligation Bonds Issued	46,591	0	46,591
Payment to Refunded Bond Escrow Agent	(6,369,870)	0	(6,369,870)
Transfers In	269,247	40,523	309,770
Transfers Out	(1,295,000)	(216,557)	(1,511,557)
Total Other Financing Sources (Uses)	355,968	8,966	364,934
Changes in Fund Balance	(238,189)	(8,609)	(246,798)
Fund Balance Beginning of Year	494,598	177,219	671,817
Fund Balance End of Year	\$256,409	\$168,610	\$425,019

City of Sandusky
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2005

	Capital Improvement	Redevelopment Tax Increment	Total
<u>Revenues</u>			
Payment in Lieu of Taxes	\$0	\$21,793	\$21,793
Municipal Income Taxes	354,858	0	354,858
Other	47,310	0	47,310
Total Revenues	402,168	21,793	423,961
<u>Expenditures</u>			
	0	0	0
Excess of Revenues Over Expenditures	402,168	21,793	423,961
Transfers Out	(350,753)	(14,707)	(365,460)
Changes in Fund Balance	51,415	7,086	58,501
Fund Balance Beginning of Year	1,331	21,725	23,056
Fund Balance End of Year	<u>\$52,746</u>	<u>\$28,811</u>	<u>\$81,557</u>

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, 2005

	State Patrol Transfer	Guaranteed Deposits	Sandusky Municipal Court	BSF Assessment	Income Tax Garnishment
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$6,036	\$43,874	\$121,634	\$257	\$65
<u>Liabilities</u>					
Due to Other Governments	\$0	\$0	\$0	\$0	\$0
Undistributed Assets	6,036	43,874	121,634	257	65
Total Liabilities	\$6,036	\$43,874	\$121,634	\$257	\$65

<u>Payroll</u>	<u>Employee Series E Bonds</u>	<u>Police Temporary Deposit</u>	<u>Section 125 Plan</u>	<u>Total</u>
<u>\$48,514</u>	<u>\$280</u>	<u>\$3,125</u>	<u>\$4,386</u>	<u>\$228,171</u>
\$48,514	\$0	\$0	\$0	\$48,514
<u>0</u>	<u>280</u>	<u>3,125</u>	<u>4,386</u>	<u>179,657</u>
<u>\$48,514</u>	<u>\$280</u>	<u>\$3,125</u>	<u>\$4,386</u>	<u>\$228,171</u>

City of Sandusky
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2005

	Balance January 1, 2005	Additions	Reductions	Balance December 31, 2005
<u>State Patrol Transfer</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$6,135	\$37,465	\$37,564	\$6,036
<u>Liabilities</u>				
Undistributed Assets	\$6,135	\$37,465	\$37,564	\$6,036
<u>Guaranteed Deposits</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$33,535	\$10,354	\$15	\$43,874
<u>Liabilities</u>				
Undistributed Assets	\$33,535	\$10,354	\$15	\$43,874
<u>Sandusky Municipal Court</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$87,054	\$2,398,856	\$2,364,276	\$121,634
<u>Liabilities</u>				
Undistributed Assets	\$87,054	\$2,398,856	\$2,364,276	\$121,634
<u>BSF Assessment</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$300	\$8,038	\$8,081	\$257
<u>Liabilities</u>				
Undistributed Assets	\$300	\$8,038	\$8,081	\$257
<u>Income Tax Garnishment</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$65	\$0	\$0	\$65
<u>Liabilities</u>				
Undistributed Assets	\$65	\$0	\$0	\$65
<u>Payroll</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$96,829	\$48,514	\$96,829	\$48,514
<u>Liabilities</u>				
Due to Other Governments	\$96,829	\$48,514	\$96,829	\$48,514
<u>Employee Series E Bonds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$245	\$8,335	\$8,300	\$280
<u>Liabilities</u>				
Undistributed Assets	\$245	\$8,335	\$8,300	\$280

(continued)

City of Sandusky
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2005
(continued)

	Balance January 1, 2005	Additions	Reductions	Balance December 31, 2005
<u>Police Temporary Deposit</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,903	\$11,073	\$9,851	\$3,125
<u>Liabilities</u>				
Undistributed Assets	\$1,903	\$11,073	\$9,851	\$3,125
<u>Section 125 Plan</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$2,276	\$17,530	\$15,420	\$4,386
<u>Liabilities</u>				
Undistributed Assets	\$2,276	\$17,530	\$15,420	\$4,386
<u>Total - All Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$228,342	\$2,540,165	\$2,540,336	\$228,171
<u>Liabilities</u>				
Due to Other Governments	\$96,829	\$48,514	\$96,829	\$48,514
Undistributed Assets	131,513	2,491,651	2,443,507	179,657
Total Liabilities	\$228,342	\$2,540,165	\$2,540,336	\$228,171



**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, 2005

	Original	Budget	Actual	Variance with Final Budget Over (Under)
<u>Revenues</u>				
Property Taxes	\$1,837,254	\$1,679,527	\$1,668,369	(\$11,158)
Municipal Income Taxes	6,528,150	6,642,821	6,642,821	0
Other Local Taxes	3,880,911	3,575,045	3,575,045	0
Charges for Services	376,529	323,297	401,310	78,013
Fees, Licenses, and Permits	612,599	584,130	657,329	73,199
Fines and Forfeitures	1,021,641	926,029	947,682	21,653
Intergovernmental	1,130,340	1,617,649	1,638,318	20,669
Interest	400,000	595,105	657,626	62,521
Other	135,435	199,345	211,485	12,140
Total Revenues	15,922,859	16,142,948	16,399,985	257,037
<u>Expenditures</u>				
Current:				
Security of Persons and Property-Police				
Police Patrol	3,616,474	3,646,854	3,627,038	19,816
Police Records	688,153	711,656	686,075	25,581
Police Reserve	64,456	68,565	55,767	12,798
Police Marine Patrol	47,031	48,830	44,575	4,255
Police DARE	0	209	209	0
Total Security of Persons and Property-Police	4,416,114	4,476,114	4,413,664	62,450
Security of Persons and Property-Fire				
Fire Suppression	3,996,555	4,036,555	3,980,353	56,202
Security of Persons and Property-Other				
Street Lighting	110,153	110,153	102,842	7,311
Public Health				
Oakland Cemetery	279,406	301,766	292,557	9,209
Community Environment				
Community Development Planning	538,285	478,285	472,712	5,573
City Wide Economic Development	51,534	54,987	52,030	2,957
Community Development Building Division	339,307	318,307	310,981	7,326
Horticulture Services	930,447	966,652	938,564	28,088
Total Community Environment	1,859,573	1,818,231	1,774,287	43,944
Transportation				
Jackson Street Pier	0	340	340	0
General Government-Municipal Court				
Court - Criminal	827,972	901,972	859,890	42,082

(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, 2005
(continued)

	Original	Budget	Actual	Variance with Final Budget Over (Under)
General Government-Other				
City Manager	\$139,849	\$150,849	\$148,074	\$2,775
Personnel Labor Relations	175,278	191,954	185,401	6,553
Purchasing	56,284	60,729	57,198	3,531
Finance	217,245	206,245	201,181	5,064
Income Tax	278,366	329,366	328,063	1,303
Data Processing	122,080	129,765	126,961	2,804
Law Director	277,453	246,453	242,376	4,077
City Commission	29,965	38,122	38,115	7
City Commission Clerk	69,225	72,068	71,886	182
Municipal Buildings and Lands	565,996	610,190	595,619	14,571
Engineering	282,829	282,764	278,536	4,228
Traffic and Electrical Maintenance	34	99	60	39
Mechanic	322,358	334,000	290,710	43,290
Administrative Support	923,746	866,946	841,198	25,748
Total General Government-Other	3,460,708	3,519,550	3,405,378	114,172
Total Expenditures	14,950,481	15,164,681	14,829,311	335,370
Excess of Revenues Over Expenditures	972,378	978,267	1,570,674	592,407
<u>Other Financing Sources (Uses)</u>				
Other Financing Sources	277,474	57,909	71,360	13,451
Advances In	31,557	31,557	31,557	0
Transfers Out	(1,441,825)	(1,383,625)	(1,345,580)	38,045
Total Other Financing Sources (Uses)	(1,132,794)	(1,294,159)	(1,242,663)	51,496
Changes in Fund Balance	(160,416)	(315,892)	328,011	643,903
Fund Balance Beginning of Year	2,574,071	2,574,071	2,574,071	0
Prior Year Encumbrances Appropriated	143,588	143,588	143,588	0
Fund Balance End of Year	\$2,557,243	\$2,401,767	\$3,045,670	\$643,903

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, 2005

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Charges for Services	\$667,196	\$443,295	(\$223,901)
Fees, Licenses, and Permits	0	154,510	154,510
Intergovernmental	1,420,000	1,545,485	125,485
Other	0	249,272	249,272
Total Revenues	2,087,196	2,392,562	305,366
<u>Expenditures</u>			
Current:			
Security of Persons and Property-Fire			
Fire	117,025	74,004	43,021
Leisure Time Activities			
Pedestrian/Bike Path Phase II	5,687	5,687	0
West Battery Launch Ramp	3,023	3,023	0
Sandusky Fishing Stations	36	36	0
Total Leisure Time Activities	8,746	8,746	0
Community Environment			
City Wide Economic Development	19,719	18,019	1,700
Ice House Phase I	500	500	
Rieger Lofts	12,377	12,377	
Clean Ohio Phase I	1,265	1,265	0
Total Community Environment	33,861	32,161	1,700
Transportation			
Hayes Avenue Underpass	99	99	0
West End Grade Separation	3,268	3,268	0
Urban Curb Ramp	75	75	0
Fifth Street Reconstruction	8	8	0
Cooke Street Realignment	12,417	12,417	0
Sidewalk-Curb-Gutter	3,610	3,610	0
Total Transportation	19,477	19,477	0
General Government-Municipal Court			
Municipal Court	729	729	0
General Government-Other			
City Hall Relocation	4,250	4,250	0
City Hall	1,073	1,073	0
Paper District	12,073	6,763	5,310
Paper District Phase I	19,779	19,779	0
Paper District Gradel Application	38,398	38,398	0
Paper District Gradel	2,283	2,283	0
Paper District Phase 2 Deep Water	5,333	5,333	0
Amtrak Station	308	0	308
Total General Government-Other	83,497	77,879	5,618
Capital Outlay	2,441,795	2,230,670	211,125

(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, 2005
(continued)

	Budget	Actual	Variance Over (Under)
Debt Service:			
Principal Retirement	\$4,456,000	\$4,456,000	\$0
Interest and Fiscal Charges	133,680	133,680	0
Total Debt Service	<u>4,589,680</u>	<u>4,589,680</u>	<u>0</u>
Total Expenditures	<u>7,294,810</u>	<u>7,033,346</u>	<u>261,464</u>
Excess of Revenues Under Expenditures	<u>(5,207,614)</u>	<u>(4,640,784)</u>	<u>566,830</u>
<u>Other Financing Sources</u>			
Other Financing Sources	0	15,873	15,873
Bond Anticipation Notes Issued	2,315,000	2,315,000	0
General Obligation Bonds Issued	1,296,000	1,295,000	(1,000)
Transfers In	307,342	250,802	(56,540)
Total Other Financing Sources	<u>3,918,342</u>	<u>3,876,675</u>	<u>(41,667)</u>
Changes in Fund Balance	(1,289,272)	(764,109)	525,163
Fund Balance Beginning of Year	143,129	143,129	0
Prior Year Encumbrances Appropriated	<u>1,359,480</u>	<u>1,359,480</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$213,337</u></u>	<u><u>\$738,500</u></u>	<u><u>\$525,163</u></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, 2005

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Charges for Services	\$44,000	\$91,650	\$47,650
Fees, Licenses, and Permits	84,000	115,641	31,641
Special Assessments	0	95,468	95,468
Interest	0	6,286	6,286
Other	0	24,111	24,111
Total Revenues	128,000	333,156	205,156
<u>Expenditures</u>			
Current:			
Community Environment			
Remove Unsafe Buildings	4,011	4,011	0
Nuisance Removal	35,054	35,048	6
Rental Registration Fee	58,500	58,454	46
Inspection Fee	3,527	3,527	0
Total Community Environment	101,092	101,040	52
Transportation			
Coldcreek Crossing	10,973	10,973	0
Filmore Street	30	30	0
Huntington Avenue	11,076	11,076	0
Seneca Street	750	750	0
Sidewalk-Curb-Gutter-2003	3,647	3,647	0
Sidewalk-Curb-Gutter-2004	3,422	3,422	0
Sidewalk-Curb-Gutter-2005	70,536	70,536	0
Total Transportation	100,434	100,434	0
Capital Outlay	1,211,544	1,073,096	138,448
Debt Service:			
Principal Retirement	3,019,000	3,019,000	0
Interest and Fiscal Charges	90,570	90,570	0
Total Debt Service	3,109,570	3,109,570	0
Total Expenditures	4,522,640	4,384,140	138,500
Excess of Revenues Under Expenditures	(4,394,640)	(4,050,984)	343,656
<u>Other Financing Sources</u>			
Other Financing Sources	0	51	51
Bond Anticipation Notes Issued	3,769,000	3,815,000	46,000
Special Assessment Bonds Issued	304,342	185,000	(119,342)
Transfers In	114,658	114,658	0
Total Other Financing Sources	4,188,000	4,114,709	(73,291)
Changes in Fund Balance	(206,640)	63,725	270,365
Fund Balance Beginning of Year	240,138	240,138	0
Prior Year Encumbrances Appropriated	95,217	95,217	0
Fund Balance End of Year	\$128,715	\$399,080	\$270,365

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, 2005

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Charges for Services	\$6,215,921	\$6,138,104	(\$77,817)
Bond Anticipation Notes Issued	179,000	0	(179,000)
General Obligation Revenue Bonds Issued	0	175,000	175,000
Proceeds of OWDA Loans	10,682,962	4,400,271	(6,282,691)
Interest	485	391	(94)
Other	7,903	22,546	14,643
Total Revenues	17,086,271	10,736,312	(6,349,959)
<u>Expenses</u>			
<u>Personal Services</u>			
Water Office	80,952	80,581	371
Waterworks Filtration	981,560	956,616	24,944
Waterworks Distribution	658,511	613,608	44,903
Administrative Support	469,232	436,193	33,039
Total Personal Services	2,190,255	2,086,998	103,257
<u>Travel and Transportation</u>			
Water Office	513	475	38
Waterworks Filtration	23,129	16,168	6,961
Waterworks Distribution	11,502	3,430	8,072
Administrative Support	4,773	3,911	862
Total Travel and Transportation	39,917	23,984	15,933
<u>Contractual Services</u>			
Water Office	22,904	22,867	37
Waterworks Filtration	357,496	353,076	4,420
Waterworks Distribution	34,963	24,002	10,961
Administrative Support	131,537	126,710	4,827
Total Contractual Services	546,900	526,655	20,245
<u>Materials and Supplies</u>			
Water Office	1,759	1,558	201
Waterworks Filtration	477,189	426,176	51,013
Waterworks Distribution	159,031	144,785	14,246
Administrative Support	33,714	28,720	4,994
Total Materials and Supplies	671,693	601,239	70,454
<u>Other</u>			
Water Office	20	20	0
Administrative Support	2,908	2,285	623
Total Other	2,928	2,305	623
<u>Capital Outlay</u>			
Waterworks Distribution	12,975,171	12,924,528	50,643
Water Pollution Control	24,900	24,900	0
Administrative Support	28,914	28,911	3
Total Capital Outlay	13,028,985	12,978,339	50,646

(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, 2005
(continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Debt Service:			
Principal Retirement	\$743,421	\$743,421	\$0
Interest Expense	672,223	759,167	(86,944)
Total Debt Service	<u>1,415,644</u>	<u>1,502,588</u>	<u>(86,944)</u>
Total Expenses	<u>17,896,322</u>	<u>17,722,108</u>	<u>174,214</u>
Changes in Fund Balance	(810,051)	(6,985,796)	(6,175,745)
Fund Balance (Deficit) Beginning of Year	(2,619,469)	(2,619,469)	0
Prior Year Encumbrances Appropriated	<u>10,992,886</u>	<u>10,992,886</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$7,563,366</u></u>	<u><u>\$1,387,621</u></u>	<u><u>(\$6,175,745)</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, 2005

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Charges for Services	\$6,284,498	\$6,139,579	(\$144,919)
Bond Anticipation Notes Issued	1,816,000	0	(1,816,000)
General Obligation Bonds Issued	0	1,815,000	1,815,000
Premium on Bonds Issued	0	51,048	51,048
Proceeds of OWDA Loans	485,332	452,188	(33,144)
Grants	184	162,675	162,491
Interest	1,045	800	(245)
Other	36,599	51,847	15,248
Total Revenues	8,623,658	8,673,137	49,479
<u>Expenses</u>			
Personal Services			
Sewer Office	87,061	86,610	451
Water Pollution Control	1,092,852	1,071,426	21,426
Sewer Maintenance	642,135	626,979	15,156
Administrative Support	453,213	436,215	16,998
Total Personal Services	2,275,261	2,221,230	54,031
Travel and Transportation			
Sewer Office	513	474	39
Water Pollution Control	24,657	14,909	9,748
Sewer Maintenance	10,325	7,893	2,432
Administrative Support	4,773	3,911	862
Total Travel and Transportation	40,268	27,187	13,081
Contractual Services			
Sewer Office	26,077	22,147	3,930
Water Pollution Control	918,764	907,891	10,873
Sewer Maintenance	116,933	112,671	4,262
Administrative Support	145,720	139,134	6,586
Total Contractual Services	1,207,494	1,181,843	25,651
Materials and Supplies			
Sewer Office	1,665	1,444	221
Water Pollution Control	258,125	249,372	8,753
Sewer Maintenance	148,847	131,212	17,635
Administrative Support	44,999	33,039	11,960
Total Materials and Supplies	453,636	415,067	38,569
Other			
Sewer Office	20	20	0
Administrative Support	2,165	1,213	952
Total Other	2,185	1,233	952
Capital Outlay			
Sewer Office	522	0	522
Water Pollution Control	2,136,862	1,928,947	207,915
Sewer Maintenance	780,087	722,547	57,540
Administrative Support	32,523	32,523	0
Total Capital Outlay	2,949,994	2,684,017	265,977

(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, 2005
(continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Debt Service:			
Principal Retirement	\$2,510,212	\$2,510,212	\$0
Interest Expense	1,397,022	1,308,785	88,237
Issuance Costs	29,553	29,059	494
	<u>3,936,787</u>	<u>3,848,056</u>	<u>88,731</u>
Total Debt Service			
	<u>3,936,787</u>	<u>3,848,056</u>	<u>88,731</u>
Total Expenses	<u>10,865,625</u>	<u>10,378,633</u>	<u>486,992</u>
Changes in Fund Balance	(2,241,967)	(1,705,496)	536,471
Fund Balance Beginning of Year	2,207,123	2,207,123	0
Prior Year Encumbrances Appropriated	<u>2,106,122</u>	<u>2,106,122</u>	<u>0</u>
Fund Balance End of Year	<u>\$2,071,278</u>	<u>\$2,607,749</u>	<u>\$536,471</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, 2005

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Other Local Taxes	\$472,537	\$450,148	(\$22,389)
Intergovernmental	894,511	889,529	(4,982)
Interest	1,881	2,090	209
Total Revenues	1,368,929	1,341,767	(27,162)
<u>Expenditures</u>			
Current:			
Transportation			
Street Resurfacing	23,170	23,170	0
Public Works	957,051	845,368	111,683
Traffic and Electrical Maintenance	339,398	307,541	31,857
Street Cleaning, Snow, and Ice Removal	75,654	75,654	0
Administrative Support	79,112	70,284	8,828
Total Expenditures	1,474,385	1,322,017	152,368
Excess of Revenues Over (Under) Expenditures	(105,456)	19,750	125,206
<u>Other Financing Sources</u>			
Other Financing Sources	3,776	5,303	1,527
Transfers In	23,129	0	(23,129)
Total Other Financing Sources	26,905	5,303	(21,602)
Changes in Fund Balance	(78,551)	25,053	103,604
Fund Balance Beginning of Year	75,010	75,010	0
Prior Year Encumbrances Appropriated	28,347	28,347	0
Fund Balance End of Year	\$24,806	\$128,410	\$103,604

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, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Revenues</u>			
Intergovernmental	\$73,385	\$72,124	(\$1,261)
Interest	16	146	130
Total Revenues	73,401	72,270	(1,131)
<u>Expenditures</u>			
Current:			
Transportation			
State Highway Maintenance and Repair	60,000	54,432	5,568
Excess of Revenues Over Expenditures	13,401	17,838	4,437
<u>Other Financing Sources</u>			
Other Financing Sources	0	96	96
Changes in Fund Balance	13,401	17,934	4,533
Fund Balance Beginning of Year	8,308	8,308	0
Prior Year Encumbrances Appropriated	2,024	2,024	0
Fund Balance End of Year	<u>\$23,733</u>	<u>\$28,266</u>	<u>\$4,533</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, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Revenues</u>			
Charges for Services	\$456,912	\$168,386	(\$288,526)
Intergovernmental	558,522	0	(558,522)
Other	228,417	228,417	0
Total Revenues	1,243,851	396,803	(847,048)
<u>Expenditures</u>			
Current:			
Transportation			
Public Transit System	1,213,636	491,406	722,230
Excess of Revenues Over (Under) Expenditures	30,215	(94,603)	(124,818)
<u>Other Financing Sources</u>			
Other Financing Sources	35,000	520	(34,480)
Changes in Fund Balance	65,215	(94,083)	(159,298)
Fund Balance Beginning of Year	115,810	115,810	0
Prior Year Encumbrances Appropriated	2,936	2,936	0
Fund Balance End of Year	<u>\$183,961</u>	<u>\$24,663</u>	<u>(\$159,298)</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, 2005

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Charges for Services	\$346,350	\$273,445	(\$72,905)
Other	10,000	11,013	1,013
Total Revenues	<u>356,350</u>	<u>284,458</u>	<u>(71,892)</u>
<u>Expenditures</u>			
Current:			
Leisure Time Activities			
Aquatic Center	48,092	47,129	963
Mills Creek Golf Course	203,909	199,874	4,035
Recreation	129,194	125,773	3,421
Boat Launch Ramp	34,066	32,344	1,722
Administrative Support	3,097	3,097	0
Total Expenditures	<u>418,358</u>	<u>408,217</u>	<u>10,141</u>
Excess of Revenues Under Expenditures	<u>(62,008)</u>	<u>(123,759)</u>	<u>(61,751)</u>
<u>Other Financing Sources</u>			
Other Financing Sources	4,500	2,764	(1,736)
Transfers In	120,667	112,894	(7,773)
Total Other Financing Sources	<u>125,167</u>	<u>115,658</u>	<u>(9,509)</u>
Changes in Fund Balance	63,159	(8,101)	(71,260)
Fund Balance Beginning of Year	0	0	0
Prior Year Encumbrances Appropriated	<u>8,101</u>	<u>8,101</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$71,260</u></u>	<u><u>\$0</u></u>	<u><u>(\$71,260)</u></u>

City of Sandusky
Fire Pension Special Revenue Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2005

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Property Taxes	\$143,081	\$137,126	(\$5,955)
Intergovernmental	7,926	16,656	8,730
Total Revenues	151,007	153,782	2,775
<u>Expenditures</u>			
Current:			
Security of Persons and Property-Fire Fire Pension	787,761	787,325	436
Excess of Revenues Under Expenditures	(636,754)	(633,543)	3,211
<u>Other Financing Sources</u>			
Transfers In	636,754	633,543	(3,211)
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, 2005

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Property Taxes	\$143,081	\$137,126	(\$5,955)
Intergovernmental	7,926	16,656	8,730
Total Revenues	151,007	153,782	2,775
<u>Expenditures</u>			
Current:			
Security of Persons and Property-Police			
Police Pension	604,082	602,925	1,157
Excess of Revenues Under Expenditures	(453,075)	(449,143)	3,932
<u>Other Financing Sources</u>			
Transfers In	453,075	449,143	(3,932)
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, 2005

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Charges for Services	\$575	\$575	\$0
Intergovernmental	1,138,158	1,156,828	18,670
Interest	51,152	46,611	(4,541)
Other	209,607	208,700	(907)
Total Revenues	1,399,492	1,412,714	13,222
<u>Expenditures</u>			
Current:			
Public Health			
FEMA Power Outage 03	712	712	0
FEMA Snow Storm 04	5,473	5,473	0
Total Public Health	6,185	6,185	0
Community Environment			
OH Home Inv Prt Prg A-C-04-172	495,121	495,113	8
Local Law Enforcement Block 02	0	0	0
SG AT-T-02-172-1 DTR	370,095	369,726	369
Local Law Enforcement Block 03	18,229	17,882	347
Home Chip AC051722	1,240	1,240	0
A-F-02 172-02-03 CDBG	145	145	0
A-F-03-172 03-04 CDBG	195,151	195,145	6
Comm Dist CDBG A-X-03-172-1	11,560	11,560	0
A-E-03 172-1 CDBG	98,193	98,189	4
Court Security	30	0	30
Revolving Loan Rehabilitation	134,593	134,593	0
Revolving Loan Economic Development	262,024	262,024	0
DRC Probation	71,105	66,198	4,907
Total Community Environment	1,657,486	1,651,815	5,671
Total Expenditures	1,663,671	1,658,000	5,671
Excess of Revenues Under Expenditures	(264,179)	(245,286)	18,893
<u>Other Financing Sources</u>			
Other Financing Sources	169	194	25
Changes in Fund Balance	(264,010)	(245,092)	18,918
Fund Balance Beginning of Year	978,031	978,031	0
Prior Year Encumbrances Appropriated	57,941	57,941	0
Fund Balance End of Year	\$771,962	\$790,880	\$18,918

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, 2005

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Intergovernmental	\$1,189,856	\$1,286,950	\$97,094
Interest	65,328	65,328	0
Total Revenues	<u>1,255,184</u>	<u>1,352,278</u>	<u>97,094</u>
<u>Expenditures</u>			
Current:			
Security of Persons and Property-Fire EMS	276,508	276,503	5
Public Health			
FEMA Power Outage 03	4,437	4,437	0
FEMA Snow Storm 04	34,128	34,128	0
Total Public Health	<u>38,565</u>	<u>38,565</u>	<u>0</u>
Leisure Time Activities			
Bayfront Corridor Extension	12,095	11,422	673
Community Environment			
EPA Asmt Petroleum	1,243	1,243	0
HUD Entitlement	321,554	203,135	118,419
HUD CDBG 05MC390034	37,814	37,814	0
Total Community Environment	<u>360,611</u>	<u>242,192</u>	<u>118,419</u>
Transportation			
Public Transit System	635,953	635,928	25
Total Expenditures	<u>1,323,732</u>	<u>1,204,610</u>	<u>119,122</u>
Excess of Revenues Over (Under) Expenditures	<u>(68,548)</u>	<u>147,668</u>	<u>216,216</u>
<u>Other Financing Sources (Uses)</u>			
Other Financing Sources	1,816	1,816	0
Transfers Out	(119,247)	(119,247)	0
Total Other Financing Sources (Uses)	<u>(117,431)</u>	<u>(117,431)</u>	<u>0</u>
Changes in Fund Balance	(185,979)	30,237	216,216
Fund Balance Beginning of Year	2,244,137	2,244,137	0
Prior Year Encumbrances Appropriated	30,575	30,575	0
Fund Balance End of Year	<u><u>\$2,088,733</u></u>	<u><u>\$2,304,949</u></u>	<u><u>\$216,216</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, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Revenues</u>			
Intergovernmental	\$0	\$20,904	\$20,904
Fees, Licenses, and Permits	25,600	10,552	(15,048)
Total Revenues	25,600	31,456	5,856
<u>Expenditures</u>			
Current:			
Other			
Indigent Drivers Alcohol	21,828	0	21,828
Changes in Fund Balance	3,772	31,456	27,684
Fund Balance Beginning of Year	78,136	78,136	0
Prior Year Encumbrances Appropriated	1,228	1,228	0
Fund Balance End of Year	<u>\$83,136</u>	<u>\$110,820</u>	<u>\$27,684</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, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Revenues</u>			
Fines and Forfeitures	\$13,200	\$7,814	(\$5,386)
<u>Expenditures</u>			
Current:			
Other			
Enforcement and Education	<u>13,200</u>	<u>0</u>	<u>13,200</u>
Changes in Fund Balance	0	7,814	7,814
Fund Balance Beginning of Year	<u>109,369</u>	<u>109,369</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$109,369</u></u>	<u><u>\$117,183</u></u>	<u><u>\$7,814</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, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Revenues</u>			
Fines and Forfeitures	\$23,400	\$25,253	\$1,853
<u>Expenditures</u>			
Current:			
Other			
Court Computerization	26,200	24,478	1,722
Changes in Fund Balance	(2,800)	775	3,575
Fund Balance Beginning of Year	123,907	123,907	0
Fund Balance End of Year	<u>\$121,107</u>	<u>\$124,682</u>	<u>\$3,575</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, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Revenues</u>			
Fees, Licenses, and Permits	\$10,200	\$7,708	(\$2,492)
<u>Expenditures</u>			
Current:			
Other			
Indigent Telephone	10,667	181	10,486
Changes in Fund Balance	(467)	7,527	7,994
Fund Balance Beginning of Year	26,689	26,689	0
Prior Year Encumbrances Appropriated	467	467	0
Fund Balance End of Year	<u>\$26,689</u>	<u>\$34,683</u>	<u>\$7,994</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, 2005

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Fees, Licenses, and Permits	\$27,000	\$32,306	\$5,306
<u>Expenditures</u>			
Current:			
Other			
Municipal Probation	38,687	36,570	2,117
Excess of Revenues Under Expenditures	(11,687)	(4,264)	7,423
<u>Other Financing Sources</u>			
Other Financing Sources	0	60	60
Changes in Fund Balance	(11,687)	(4,204)	7,483
Fund Balance Beginning of Year	117,253	117,253	0
Prior Year Encumbrances Appropriated	687	687	0
Fund Balance End of Year	<u>\$106,253</u>	<u>\$113,736</u>	<u>\$7,483</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, 2005

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Fines and Forfeitures	\$13,170	\$15,036	\$1,866
Other	109,511	113,169	3,658
Total Revenues	122,681	128,205	5,524
<u>Expenditures</u>			
Current:			
Security of Persons and Property-Police			
Police Patrol	1,985	1,954	31
Contraband Trust	6,205	6,162	43
Police DARE	472	472	0
Fed Forfeiture	817	817	0
Police Dive Team	750	750	0
Total Security of Persons and Property-Police	10,229	10,155	74
Security of Persons and Property-Fire			
Fire Suppression	1,953	1,943	10
Leisure Time Activities			
Green Trust	10,129	9,814	315
Community Environment			
Downtown Economic Development	79,616	78,377	1,239
Park Trust	12,684	11,501	1,183
Total Community Environment	92,300	89,878	2,422
Total Expenditures	114,611	111,790	2,821
Excess of Revenues Over Expenditures	8,070	16,415	8,345
<u>Other Financing Sources</u>			
Other Financing Sources	795	795	0
Changes in Fund Balance	8,865	17,210	8,345
Fund Balance Beginning of Year	173,238	173,238	0
Prior Year Encumbrances Appropriated	3,176	3,176	0
Fund Balance End of Year	\$185,279	\$193,624	\$8,345

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, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Revenues</u>			
Interest	\$0	\$556	\$556
Other	0	8,130	8,130
Total Revenues	0	8,686	8,686
<u>Expenditures</u>			
	0	0	0
Changes in Fund Balance	0	8,686	8,686
Fund Balance Beginning of Year	105,514	105,514	0
Fund Balance End of Year	<u>\$105,514</u>	<u>\$114,200</u>	<u>\$8,686</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, 2005

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Charges for Services	\$157,712	\$24,470	(\$133,242)
Interest	183,481	18,439	(165,042)
Other	0	0	0
Total Revenues	341,193	42,909	(298,284)
<u>Expenditures</u>			
Current:			
Public Health			
Oakland Cemetery	53,489	18,412	35,077
Chapel Restoration	500	440	60
Garden Mausoleum	5,700	5,589	111
Perpetual Care	2,000	2,000	0
Special Care	3,820	3,746	74
Memorial Paintings	3,200	3,118	82
Mausoleum	3,900	3,788	112
Dorn Endowment	0	0	0
Ridgeview Columbarium	400	385	15
Total Expenditures	73,009	37,478	35,531
Excess of Revenues Over Expenditures	268,184	5,431	(262,753)
<u>Other Financing Sources</u>			
Other Financing Sources	136,961	21,583	(115,378)
Changes in Fund Balance	405,145	27,014	(378,131)
Fund Balance Beginning of Year	706,413	706,413	0
Prior Year Encumbrances Appropriated	360	360	0
Fund Balance End of Year	\$1,111,918	\$733,787	(\$378,131)

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, 2005

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Property Taxes	\$334,010	\$315,900	(\$18,110)
Municipal Income Taxes	384,216	436,119	51,903
Intergovernmental	15,350	38,865	23,515
Total Revenues	<u>733,576</u>	<u>790,884</u>	<u>57,308</u>
<u>Expenditures</u>			
Debt Service:			
Principal Retirement	590,090	579,867	10,223
Interest and Fiscal Charges	722,935	722,930	5
Issuance Costs	0	86,721	(86,721)
Total Expenditures	<u>1,313,025</u>	<u>1,389,518</u>	<u>(76,493)</u>
Excess of Revenues Under Expenditures	<u>(579,449)</u>	<u>(598,634)</u>	<u>(19,185)</u>
<u>Other Financing Sources (Uses)</u>			
General Obligation Refunding Bonds Issued	0	6,410,000	6,410,000
Premium on General Obligation Bonds Issued	0	46,591	46,591
Payment to Refunded Bond Escrow Agent	0	(6,369,870)	(6,369,870)
Transfers In	269,247	269,247	0
Total Other Financing Sources (Uses)	<u>269,247</u>	<u>355,968</u>	<u>86,721</u>
Changes in Fund Balance	(310,202)	(242,666)	67,536
Fund Balance Beginning of Year	<u>486,489</u>	<u>486,489</u>	<u>0</u>
Fund Balance End of Year	<u>\$176,287</u>	<u>\$243,823</u>	<u>\$67,536</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, 2005

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Special Assessments	\$383,000	\$360,966	(\$22,034)
<u>Expenditures</u>			
Debt Service:			
Principal Retirement	306,707	237,324	69,383
Interest and Fiscal Charges	100,736	100,719	17
Total Expenditures	407,443	338,043	69,400
Excess of Revenues Over (Under) Expenditures	(24,443)	22,923	47,366
<u>Other Financing Sources (Uses)</u>			
Proceeds of Special Assessment Bonds	49,977	0	(49,977)
Advances Out	(31,557)	(31,557)	0
Total Other Financing Sources (Uses)	18,420	(31,557)	(49,977)
Changes in Fund Balance	(6,023)	(8,634)	(2,611)
Fund Balance Beginning of Year	177,994	177,994	0
Fund Balance End of Year	<u>\$171,971</u>	<u>\$169,360</u>	<u>(\$2,611)</u>

City of Sandusky
Capital Improvement Capital Projects Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Revenues</u>			
Municipal Income Taxes	\$390,689	\$348,895	(\$41,794)
Other	47,000	47,310	310
Total Revenues	437,689	396,205	(41,484)
<u>Expenditures</u>			
	0	0	0
Excess of Revenues Over Expenditures	437,689	396,205	(41,484)
<u>Other Financing Uses</u>			
Transfers Out	(380,000)	(350,753)	29,247
Changes in Fund Balance	57,689	45,452	(12,237)
Fund Balance Beginning of Year	34	34	0
Fund Balance End of Year	<u>\$57,723</u>	<u>\$45,486</u>	<u>(\$12,237)</u>

City of Sandusky
 Redevelopment Tax Increment Capital Projects Fund

Schedule of Revenues, Expenditures,
 and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended December 31, 2005

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Payment in Lieu of Taxes	\$20,678	\$21,793	\$1,115
<u>Expenditures</u>	0	0	0
Excess of Revenues Over Expenditures	20,678	21,793	1,115
<u>Other Financing Uses</u>			
Transfers Out	(42,000)	(14,707)	27,293
Changes in Fund Balance	(21,322)	7,086	28,408
Fund Balance Beginning of Year	21,725	21,725	0
Fund Balance End of Year	\$403	\$28,811	\$28,408

Statistical

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



City of Sandusky
Net Assets
Last Four Years
(Accrual Basis of Accounting)

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Governmental Activities				
Invested in Capital Assets, Net of Related Debt	\$31,671,586	\$31,969,703	\$31,552,987	\$29,920,305
Restricted for				
Capital Projects	2,204,456	2,824,223	2,913,134	3,360,829
Debt Service	323,278	778,513	0	0
Other Purposes	7,924,998	7,103,344	6,660,100	6,029,865
Unrestricted (Deficit)	<u>(28,759)</u>	<u>(1,306,979)</u>	<u>2,358,124</u>	<u>6,114,688</u>
Total Governmental Activities Net Assets	<u><u>\$42,095,559</u></u>	<u><u>\$41,368,804</u></u>	<u><u>\$43,484,345</u></u>	<u><u>\$45,425,687</u></u>
Business-Type Activities				
Invested in Capital Assets, Net of Related Debt	\$13,366,444	\$11,829,893	\$5,710,006	\$7,775,513
Unrestricted	<u>14,558,225</u>	<u>12,487,336</u>	<u>12,721,665</u>	<u>7,982,702</u>
Total Business-Type Activities Net Assets	<u><u>\$27,924,669</u></u>	<u><u>\$24,317,229</u></u>	<u><u>\$18,431,671</u></u>	<u><u>\$15,758,215</u></u>
Primary Government				
Invested in Capital Assets, Net of Related Debt	\$45,038,030	\$43,799,596	\$37,262,993	\$37,695,818
Restricted	10,452,732	10,706,080	9,573,234	9,390,694
Unrestricted	<u>14,529,466</u>	<u>11,180,357</u>	<u>15,079,789</u>	<u>14,097,390</u>
Total Primary Government Net Assets	<u><u>\$70,020,228</u></u>	<u><u>\$65,686,033</u></u>	<u><u>\$61,916,016</u></u>	<u><u>\$61,183,902</u></u>

City of Sandusky
Changes in Net Assets
Last Four Years
(Accrual Basis of Accounting)

	2005	2004	2003	2002
<u>Expenses</u>				
Governmental Activities				
Security of Persons and Property				
Police	\$5,266,496	\$5,136,481	\$5,392,091	\$5,087,828
Fire	5,144,980	5,255,572	4,944,712	5,058,422
Other	98,338	107,843	104,619	111,257
Public Health	371,995	374,751	355,557	348,886
Leisure Time Activities	532,317	509,107	863,510	681,746
Community Environment	3,089,728	2,470,765	2,517,823	2,845,508
Transportation	4,107,524	4,100,037	3,418,979	3,582,466
General Government				
Municipal Court	829,951	888,857	840,986	826,586
Other	3,633,634	4,160,795	4,321,420	4,151,714
Interest and Fiscal Charges	1,171,585	1,222,879	1,180,234	1,186,757
Total Governmental Activities Expenses	<u>24,246,548</u>	<u>24,227,087</u>	<u>23,939,931</u>	<u>23,881,170</u>
Business-Type Activities				
Water	4,257,055	3,495,790	4,147,608	3,506,290
Sewer	5,458,838	5,396,945	5,411,399	5,106,863
Total Business-Type Activities Expenses	<u>9,715,893</u>	<u>8,892,735</u>	<u>9,559,007</u>	<u>8,613,153</u>
Total Primary Government Expenses	<u>\$33,962,441</u>	<u>\$33,119,822</u>	<u>\$33,498,938</u>	<u>\$32,494,323</u>
<u>Program Revenues</u>				
Governmental Activities				
Charges for Services				
Security of Persons and Property				
Police	\$309,073	\$152,098	\$154,638	\$142,713
Fire	629,573	628,488	516,005	459,763
Public Health	125,552	146,215	106,848	125,348
Leisure Time Activities	275,319	235,152	308,474	355,775
Community Environment	277,330	153,748	261,498	454,088
Transportation	989,425	871,796	1,065,560	1,334,256
General Government				
Municipal Court	982,508	1,220,842	1,166,979	1,166,953
Other	411,300	250,519	151,621	109,126
Total Charges for Services	<u>4,000,080</u>	<u>3,658,858</u>	<u>3,731,623</u>	<u>4,148,022</u>
Operating Grants, Contributions, and Interest	3,912,640	1,938,688	2,085,948	1,577,529
Capital Grants, Contributions, and Interest	755,345	2,181,599	558,798	129,520
Total Governmental Activities Program Revenues	<u>8,668,065</u>	<u>7,779,145</u>	<u>6,376,369</u>	<u>5,855,071</u>
Business-Type Activities				
Charges for Services				
Water	6,551,510	6,563,548	5,924,982	5,375,558
Sewer	6,589,124	6,440,877	6,290,237	5,832,837
Total Charges for Services	<u>13,140,634</u>	<u>13,004,425</u>	<u>12,215,219</u>	<u>11,208,395</u>
Capital Grants and Contributions	162,675	184,117	0	0
Total Business-Type Activities Program Revenues	<u>13,303,309</u>	<u>13,188,542</u>	<u>12,215,219</u>	<u>11,208,395</u>
Total Primary Government Program Revenues	<u>21,971,374</u>	<u>20,967,687</u>	<u>18,591,588</u>	<u>17,063,466</u>
<u>Net (Expense)Revenue</u>				
Governmental Activities	\$15,578,483	\$16,447,942	\$17,563,562	\$18,026,099
Business-Type Activities	<u>(3,587,416)</u>	<u>(4,295,807)</u>	<u>(2,656,212)</u>	<u>(2,595,242)</u>
Total Primary Governmental Net Revenue	<u>\$11,991,067</u>	<u>\$12,152,135</u>	<u>\$14,907,350</u>	<u>\$15,430,857</u>

(continued)

City of Sandusky
Changes in Net Assets (continued)
Last Four Years
(Accrual Basis of Accounting)

	2005	2004	2003	2002
<u>General Revenues and Other Changes in Net Assets</u>				
Governmental Activities				
Property Taxes Levied for General Purposes	\$1,672,894	\$1,694,006	\$1,482,917	\$1,746,584
Property Taxes Levied for Police and Fire Pension	274,996	278,468	243,641	0
Property Taxes Levied for Debt Service	316,768	320,817	486,949	510,501
Payment in Lieu of Taxes	21,793	21,177	20,949	19,286
Municipal Income Taxes	7,156,052	7,021,290	7,109,826	7,343,607
Other Local Taxes	3,573,094	3,546,079	3,918,022	4,000,787
Franchise Fees	238,015	232,129	233,695	229,621
Grants and Entitlements not Restricted to Specific Programs	2,002,142	1,724,926	1,415,311	1,430,527
Interest	572,828	376,479	268,808	479,135
Other	420,467	644,316	400,167	842,572
Transfers	56,189	(1,527,286)	41,935	51,396
Total Governmental Activities	<u>16,305,238</u>	<u>14,332,401</u>	<u>15,622,220</u>	<u>16,654,016</u>
Business-Type Activities				
Interest	1,191	1,530	475	302
Other	75,022	60,935	58,704	72,073
Transfers	(56,189)	1,527,286	(41,935)	(51,396)
Total Business-Type Activities	<u>20,024</u>	<u>1,589,751</u>	<u>17,244</u>	<u>20,979</u>
Total Primary Government	<u>\$16,325,262</u>	<u>\$15,922,152</u>	<u>\$15,639,464</u>	<u>\$16,674,995</u>
<u>Changes in Net Assets</u>				
Governmental Activities	\$726,755	(\$2,115,541)	(\$1,941,342)	(\$1,372,083)
Business-Type Activities	3,607,440	5,885,558	2,673,456	2,616,221
Total Primary Government	<u>\$4,334,195</u>	<u>\$3,770,017</u>	<u>\$732,114</u>	<u>\$1,244,138</u>

City of Sandusky
Fund Balances
Governmental Funds
Last Four Years
(Modified Accrual Basis of Accounting)

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General Fund				
Reserved	\$123,608	\$182,408	\$97,452	\$64,040
Unreserved	<u>3,174,012</u>	<u>2,298,844</u>	<u>2,651,492</u>	<u>3,250,002</u>
Total General Fund	<u>3,297,620</u>	<u>2,481,252</u>	<u>2,748,944</u>	<u>3,314,042</u>
All Other Governmental Funds				
Reserved	3,733,926	2,943,033	3,902,082	4,398,355
Unreserved, Reported in				
Special Revenue Funds	4,839,344	4,741,505	4,603,648	5,400,820
Debt Service Funds	425,019	671,817	931,983	1,187,737
Capital Projects Funds (Deficit)	<u>(5,173,626)</u>	<u>(6,187,308)</u>	<u>(4,165,362)</u>	<u>(1,060,786)</u>
Total All Other Governmental Funds	<u>3,824,663</u>	<u>2,169,047</u>	<u>5,272,351</u>	<u>9,926,126</u>
Total Governmental Funds	<u><u>\$7,122,283</u></u>	<u><u>\$4,650,299</u></u>	<u><u>\$8,021,295</u></u>	<u><u>\$13,240,168</u></u>

City of Sandusky
Changes in Fund Balance
Governmental Funds
Last Four Years
(Modified Accrual Basis of Accounting)

	2005	2004	2003	2002
<u>Revenues</u>				
Property Taxes	\$2,258,521	\$2,272,754	\$2,222,007	\$2,247,660
Payment in Lieu of Taxes	21,793	21,177	20,949	19,286
Municipal Income Taxes	7,443,699	7,308,576	7,251,576	6,840,357
Other Local Taxes	4,027,163	4,011,666	4,396,773	3,905,391
Special Assessments	456,434	384,141	427,724	562,455
Charges for Services	1,426,503	1,751,391	1,727,554	1,935,316
Fees, Licenses, and Permits	972,001	811,379	769,953	680,627
Fines and Forfeitures	978,369	1,000,227	963,967	980,432
Intergovernmental	5,798,366	5,192,973	3,818,995	3,745,672
Interest	695,896	416,103	406,113	789,426
Other	1,021,847	1,033,919	861,457	894,045
Total Revenues	25,100,592	24,204,306	22,867,068	22,600,667
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	5,005,613	4,955,514	5,306,587	4,815,565
Fire	4,923,135	4,493,492	4,629,532	4,324,408
Other	98,338	107,843	104,619	111,257
Public Health	371,835	338,665	326,208	312,845
Leisure Time Activities	419,758	387,892	800,359	562,636
Community Environment	2,849,352	2,257,296	2,746,294	2,503,006
Transportation	2,488,592	2,216,810	2,119,901	2,264,383
General Government				
Municipal Court	849,310	875,791	838,000	811,711
Other	3,158,999	3,773,576	3,739,296	3,773,986
Other	60,324	31,706	65,691	54,504
Capital Outlay	1,928,029	6,373,458	5,561,879	5,253,729
Debt Service:				
Principal Retirement	895,901	1,154,167	796,337	793,206
Interest and Fiscal Charges	1,164,110	1,225,852	1,183,073	1,194,083
Issuance Costs	86,721	0	0	6,120
Total Expenditures	24,300,017	28,192,062	28,217,776	26,781,439
Excess of Revenues Over (Under) Expenditures	800,575	(3,987,756)	(5,350,708)	(4,180,772)
<u>Other Financing Sources (Uses)</u>				
General Obligation Bonds Issued	6,410,000	240,000	0	0
General Obligation Bonds Issued	1,295,000	0	0	0
Special Assessment Bonds Issued	185,000	137,000	89,900	102,000
Premium on General Obligation Bonds Issued	46,591	0	0	6,120
Payment to Refunded Bond Escrow Agent	(6,369,870)	0	0	0
Inception of Capital Lease	48,499	184,954	0	0
Transfers In	3,398,033	2,950,732	2,230,717	2,680,869
Transfers Out	(3,341,844)	(2,895,926)	(2,188,782)	(2,629,473)
Total Other Financing Sources (Uses)	1,671,409	616,760	131,835	159,516
Changes in Fund Balance	\$2,471,984	(\$3,370,996)	(\$5,218,873)	(\$4,021,256)
Debt Service as a Percentage of Noncapital Expenditures	37.65%	10.37%	8.53%	8.90%

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

Year	Real Property			Public Utility Personal Property		Tangible Personal Property	
	Assessed Value			Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
	Residential/ Agricultural	Commercial/ Industrial/ Public Utility	Estimated Actual Value				
2005	\$290,738,000	\$133,434,000	\$1,211,920,000	\$16,655,000	\$66,620,000	\$68,206,114	\$310,027,791
2004	288,207,000	133,366,000	1,204,494,286	17,021,000	68,084,000	64,275,034	279,456,670
2003	240,823,000	120,618,000	1,032,688,571	17,355,000	69,420,000	70,518,286	293,826,192
2002	237,641,000	118,822,000	1,018,465,714	17,706,000	70,824,000	76,042,536	304,170,144
2001	235,541,000	114,898,000	1,001,254,286	23,656,000	1,812,460	65,521,406	262,085,624
2000	212,191,000	105,934,000	908,928,571	22,879,000	84,737,037	64,159,264	256,637,056
1999	211,208,000	105,913,000	906,060,000	24,843,000	92,011,111	64,355,718	257,422,872
1998	209,137,300	104,517,400	896,156,286	25,504,000	94,459,259	61,487,103	245,948,412
1997	180,832,600	101,903,600	807,817,714	24,166,900	89,507,037	61,320,122	245,280,488
1996	179,677,000	95,124,000	785,145,714	24,357,000	86,989,286	60,473,494	241,893,976

Source: Erie County Auditor

Total		
Assessed Value	Estimated Actual Value	Tax Rate
\$509,033,114	\$1,588,567,791	\$4.95
502,869,034	1,552,034,956	4.95
449,314,286	1,395,934,763	5.51
450,211,536	1,393,459,858	5.51
439,616,406	1,265,152,370	5.51
405,163,264	1,250,302,664	5.51
406,319,718	1,255,493,983	4.25
400,645,803	1,236,563,957	4.25
368,223,222	1,142,605,239	4.25
359,631,494	1,114,028,976	4.25

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

Collection Year	2005	2004	2003	2002	2001
City of Sandusky					
1998 Library Bond - 23 Years	\$0.7000	\$0.7000	\$1.2600	\$1.2600	\$1.2600
Effective Millage Rates					
Residential/Agriculture	0.7000	0.7000	1.2600	1.2600	1.2600
Commerical/Industrial	0.7000	0.7000	1.2600	1.2600	1.2600
Tangible/Public Utility Personal	0.7000	0.7000	1.2600	1.2600	1.2600
Total Voted Millage	0.7000	0.7000	1.2600	1.2600	1.2600
Total Effective Voted Millage by Type of Property					
Residential/Agriculture	0.7000	0.7000	1.2600	1.2600	1.2600
Commerical/Industrial	0.7000	0.7000	1.2600	1.2600	1.2600
Tangible/Public Utility Personal	0.7000	0.7000	1.2600	1.2600	1.2600
General	3.6500	3.6500	3.6500	3.6500	3.6500
Effective Millage Rates					
Residential/Agriculture	3.6500	3.6500	3.6500	3.6500	3.6500
Commerical/Industrial	3.6500	3.6500	3.6500	3.6500	3.6500
Tangible/Public Utility Personal	3.6500	3.6500	3.6500	3.6500	3.6500
Fire Pension	0.3000	0.3000	0.3000	0.3000	0.3000
Effective Millage Rates					
Residential/Agriculture	0.3000	0.3000	0.3000	0.3000	0.3000
Commerical/Industrial	0.3000	0.3000	0.3000	0.3000	0.3000
Tangible/Public Utility Personal	0.3000	0.3000	0.3000	0.3000	0.3000
Police Pension	0.3000	0.3000	0.3000	0.3000	0.3000
Effective Millage Rates					
Residential/Agriculture	0.3000	0.3000	0.3000	0.3000	0.3000
Commerical/Industrial	0.3000	0.3000	0.3000	0.3000	0.3000
Tangible/Public Utility Personal	0.3000	0.3000	0.3000	0.3000	0.3000
Total Unvoted Millage	4.2500	4.2500	4.2500	4.2500	4.2500
Total Effective Unvoted Millage by Type of Property					
Residential/Agriculture	4.2500	4.2500	4.2500	4.2500	4.2500
Commerical/Industrial	4.2500	4.2500	4.2500	4.2500	4.2500
Tangible/Public Utility Personal	4.2500	4.2500	4.2500	4.2500	4.2500
Total Millage	4.9500	4.9500	5.5100	5.5100	5.5100
Total Effective Millage by Type of Property					
Residential/Agriculture	4.9500	4.9500	5.5100	5.5100	5.5100
Commerical/Industrial	4.9500	4.9500	5.5100	5.5100	5.5100
Tangible/Public Utility Personal	4.9500	4.9500	5.5100	5.5100	5.5100
Erie County	8.8000	8.8000	8.8000	8.3000	8.3000
Sandusky City School District	70.5500	70.5500	70.5500	65.2000	65.2000

Source: Erie County Auditor

n/a - not available

Note: The rates presented for a particular calendar year are the rates that, when applied to the assessed values presented in the Assessed Value Table, generated the property tax revenue billed in that year.

Overlapping rates are those of local and county governments that apply to property owners within the City of Sandusky. Property tax rates for all overlapping governments are based upon the original voted levy.

2000	1999	1998	1997	1996
\$1.2600	\$1.2600	\$0.0000	\$0.0000	n/a
1.2600	1.2600	0.0000	0.0000	n/a
1.2600	1.2600	0.0000	0.0000	n/a
1.2600	1.2600	0.0000	0.0000	n/a
1.2600	1.2600	0.0000	0.0000	n/a
1.2600	1.2600	0.0000	0.0000	n/a
1.2600	1.2600	0.0000	0.0000	n/a
3.6500	3.6500	3.6500	3.6500	n/a
3.6500	3.6500	3.6500	3.6500	n/a
3.6500	3.6500	3.6500	3.6500	n/a
3.6500	3.6500	3.6500	3.6500	n/a
0.3000	0.3000	0.3000	0.3000	n/a
0.3000	0.3000	0.3000	0.3000	n/a
0.3000	0.3000	0.3000	0.3000	n/a
0.3000	0.3000	0.3000	0.3000	n/a
0.3000	0.3000	0.3000	0.3000	n/a
0.3000	0.3000	0.3000	0.3000	n/a
0.3000	0.3000	0.3000	0.3000	n/a
0.3000	0.3000	0.3000	0.3000	n/a
4.2500	4.2500	4.2500	4.2500	n/a
4.2500	4.2500	4.2500	4.2500	n/a
4.2500	4.2500	4.2500	4.2500	n/a
4.2500	4.2500	4.2500	4.2500	n/a
5.5100	5.5100	4.2500	4.2500	n/a
5.5100	5.5100	4.2500	4.2500	n/a
5.5100	5.5100	4.2500	4.2500	n/a
5.5100	5.5100	4.2500	4.2500	n/a
8.3000	8.3000	8.3000	7.8000	7.8000
66.8400	66.8400	67.2000	63.1000	63.1000

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

<u>Collection Year</u>	<u>Current Tax Levy</u>	<u>Current Collections</u>	<u>Percentage of Current Collections to Current Tax Levy</u>	<u>Delinquent Charges</u>	<u>Delinquent Collections</u>	<u>Total Collections</u>	<u>Percentage of Total Collections to Current Tax Levy</u>
2005	\$2,252,773	\$2,064,530	91.64%	\$242,210	\$100,158	\$2,164,688	96.09%
2004	2,494,817	2,376,827	95.27	270,627	101,548	2,478,375	99.34
2003	2,520,906	2,334,575	92.61	186,391	90,866	2,425,441	96.21
2002	2,422,401	2,284,463	94.31	137,938	89,665	2,374,128	98.01
2001	2,233,538	2,041,609	91.41	191,929	76,646	2,118,255	94.84
2000	1,878,167	1,811,168	96.43	145,740	75,352	1,886,520	100.44
1999	1,883,592	1,812,916	96.25	141,835	74,586	1,887,502	100.21
1998	1,358,402	1,249,264	91.97	41,665	80,126	1,329,390	97.86
1997	1,245,757	1,151,578	92.44	51,312	40,464	1,192,042	95.69
1996	1,213,738	1,140,376	93.96	58,779	40,025	1,180,401	97.25

Source: Erie County Auditor

Note: The County does not maintain delinquency information by tax year.

City of Sandusky
Principal Taxpayers
Current Year and Nine Years Ago

Taxpayer	Type of Business	2005		1996		Rank	Percentage of Total Assessed Valuation
		Total Assessed Valuation	Rank	Total Assessed Valuation	Rank		
Cedar Point, Inc.	Theme Park	\$58,904,960	1	11.57%	\$18,441,850	1	5.13%
Ohio Edison Company	Electric Utilitiy	7,487,720	2	1.47	11,198,150	2	3.11
FMC Corporation	Food Equipment	5,094,230	3	1.00			
Sandusky Limited	Port Facilities	5,053,120	4	0.99			
Sandusky International	Central Fugal Castings	4,934,510	5	0.97	2,207,660	8	0.61
Firelands Regional Health System	Hospital	4,800,770	6	0.94			
Ohio Bell Telephone	Telephone	3,807,750	7	0.75	6,847,170	3	1.90
S & S Realty	Realty	3,684,660	8	0.73	2,792,900	6	0.78
Norfolk & Western Railway	Railroad	3,271,470	9	0.64	2,307,760	7	0.64
US Tsubaki	Chains and Sprockets	3,090,750	10	0.61			
Columbia Gas	Gas Utility				4,998,560	4	1.39
J H W Limited Partnership	Harbor				3,593,060	5	1.00
Sandusky Housing Trust	Rental Units				1,994,710	9	0.56
Sandusky Polymers Corp.	Manufacturing/Assembly				1,372,290	10	0.38
	Total	100,129,940		19.67	55,754,110		15.50
	All Other Taxpayers	408,903,174		80.33	303,877,384		84.50
	Total Assessed Valuation	<u>\$509,033,114</u>		<u>100.00%</u>	<u>\$359,631,494</u>		<u>100.00%</u>

Source: Erie County Auditor

City of Sandusky
 Personal Income Tax Filers by Income Level
 Last Two Years

2005				
Income Level	Number of Taxpayers	Percentage of Total	Income	Percentage of Total
\$100,001 and higher	355	4.19%	\$53,041,156	19.54%
\$75,001 - \$100,000	482	5.68	39,219,772	14.45
\$50,001 - \$75,000	1,049	12.37	62,065,320	22.87
\$25,001 - \$50,000	2,178	25.68	75,171,199	27.70
\$25,000 and lower	4,416	52.08	41,895,579	15.44
Total	<u>8,480</u>	<u>100.00%</u>	<u>\$271,393,026</u>	<u>100.00%</u>

2004				
Income Level	Number of Taxpayers	Percentage of Total	Income	Percentage of Total
\$100,001 and higher	366	3.91%	\$52,166,021	17.70%
\$75,001 - \$100,000	509	5.45	42,125,418	14.30
\$50,001 - \$75,000	1,164	12.45	68,609,792	23.29
\$25,001 - \$50,000	2,457	26.29	84,973,665	28.84
\$25,000 and lower	4,851	51.90	46,746,546	15.87
Total	<u>9,347</u>	<u>100.00%</u>	<u>\$294,621,442</u>	<u>100.00%</u>

Source: Regional Income Tax Agency (RITA)

Note: Information prior to 2004 was not available.

City of Sandusky
Water Sold by Type of Customer
Last Two Years

Type of Customer	2005			2004		
	Consumption (CCF)	Billings	Payments	Consumption (CCF)	Billings	Payments
Residential	1,028,967	\$1,457,843	\$1,448,097	1,071,700	\$1,506,510	\$1,496,017
Commercial	2,085,766	1,283,018	1,296,703	1,628,599	1,336,619	1,277,123
Industrial	51,993	97,333	95,961	60,631	92,967	85,129
Municipal	24,537	0	0	14,452	20	46
Total	<u>3,191,263</u>	<u>\$2,838,194</u>	<u>\$2,840,761</u>	<u>2,775,382</u>	<u>\$2,936,116</u>	<u>\$2,858,315</u>
Monthly Base Rate		\$4.10			\$4.10	
Rate per 100 Cubic Feet		\$1.90			\$1.90	

Source: City Records

Note: Rates are based on the 5/8" meter, which is the standard household meter.

Note: Information prior to 2004 was not available.

City of Sandusky
Sewer Sold by Type of Customer
Last Two Years

Type of Customer	2005			2004		
	Consumption (CCF)	Billings	Payments	Consumption (CCF)	Billings	Payments
Residential	1,028,967	\$2,858,345	\$2,815,696	1,071,700	\$2,963,308	\$2,926,004
Commercial	2,085,766	2,268,957	2,355,544	1,628,599	2,329,882	2,308,088
Industrial	51,993	171,556	174,324	60,631	169,416	146,309
Municipal	24,537	0	0	14,452	38	95
Total	3,191,263	\$5,298,858	\$5,345,564	2,775,382	\$5,462,644	\$5,380,496
Monthly Base Rate		\$7.00			\$7.00	
Rate per 100 Cubic Feet		\$3.97			\$3.97	

Source: City Records

Note: Rates are based on the 5/8" meter, which is the standard household meter.

Note: Information prior to 2004 was not available.



City of Sandusky
Ratios of Outstanding Debt by Type
Last Nine Years

Year	Governmental Activities					Business-Type Activities	
	General Obligation Bonds	Special Assessment Bonds	OWDA Loans	Capital Leases	Police and Fire Pension	General Obligation Revenue Bonds	OWDA Loans
2005	\$19,607,733	\$2,123,266	\$0	\$178,840	\$0	\$2,896,000	\$36,097,777
2004	18,287,600	2,189,399	0	160,242	0	1,153,000	32,388,142
2003	18,757,467	2,587,100	0	0	0	1,400,000	28,495,412
2002	19,212,333	2,781,485	57,186	0	0	1,647,000	15,536,971
2001	19,642,200	2,991,758	108,252	0	0	1,893,000	8,053,001
2000	6,360,000	2,901,858	135,411	0	1,679,666	2,182,000	5,662,046
1999	390,000	2,954,758	176,382	0	1,700,941	2,471,000	2,450,479
1998	420,000	2,460,648	212,730	0	1,721,340	2,760,000	274,739
1997	1,154,000	2,388,538	247,130	0	1,740,898	3,049,000	358,689

Source: City Records

(1) See schedule on S-26 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Note: Information prior to 1997 was not available.

<u>Total Debt</u>	<u>Percentage of Personal Income (1)</u>	<u>Per Capita (1)</u>
\$60,903,616	12.08%	\$2,187.32
54,178,383	10.74	1,945.78
51,239,979	10.16	1,840.25
39,234,975	7.78	1,409.10
32,688,211	6.48	1,173.98
18,920,981	3.75	679.54
10,143,560	2.93	340.80
7,849,457	2.27	263.72
8,938,255	2.58	300.30

City of Sandusky
Ratio of Net General Obligation Bonded Debt to
Estimated Actual Value and Net General Bonded Debt Per Capita
Last Nine Years

Year	Population	Estimated Actual Value	Gross Bonded Debt (1)	Debt Service Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt to Estimated Actual Value	Net Bonded Debt Per Capita
2005	27,844	\$1,588,567,791	\$22,503,733	\$256,409	\$22,247,324	1.40%	\$799.00
2004	27,844	1,552,034,956	19,440,600	494,598	18,946,002	1.22	680.43
2003	27,844	1,395,934,763	20,157,467	751,261	19,406,206	1.39	696.96
2002	27,844	1,393,459,858	20,859,333	970,382	19,888,951	1.43	714.30
2001	27,844	1,265,152,370	21,535,200	1,196,603	20,338,597	1.61	730.45
2000	27,844	1,250,302,664	8,542,000	0	8,542,000	0.68	306.78
1999	29,764	1,255,493,983	2,861,000	834,036	2,026,964	0.16	68.10
1998	29,764	1,236,563,957	3,180,000	873,482	2,306,518	0.19	77.49
1997	29,764	1,142,605,239	4,203,000	1,293,346	2,909,654	0.25	97.76

Source: Erie County Auditor

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

Note: Information prior to 1997 was not available.

City of Sandusky
 Computation of Direct and Overlapping Debt
 December 31, 2005

	General Obligation Debt	Percent Applicable to City of Sandusky (1)	Amount Applicable to City of Sandusky
City of Sandusky			
2000 City Complex	\$165,000	100.00%	\$165,000
2001 Library	5,135,000	100.00	5,135,000
2001 Police Pension	496,674	100.00	496,674
2001 Fire Pension	668,326	100.00	668,326
2001 Various Purpose	5,347,733	100.00	5,347,733
2004 Judgement-Refunded	210,000	100.00	210,000
2005 Various Purpose	1,295,000	100.00	1,295,000
2005 City Complex Refunding	6,290,000	100.00	6,290,000
	<u>19,607,733</u>		<u>19,607,733</u>
Erie County	7,368,900	25.98	1,914,440
Sandusky City School District	<u>505,000</u>	100.00	<u>505,000</u>
Subtotal	<u>7,873,900</u>		<u>2,419,440</u>
Total	<u><u>\$27,481,633</u></u>		<u><u>\$22,027,173</u></u>

Source: City Records and Erie County Auditor

(1) Percentages were determined by dividing the assessed valuation of the political subdivision located within the boundaries of the City by the total assessed valuation of the political subdivision. The valuations used were for the 2005 collection year.

City of Sandusky
Computation of Legal Debt Margin
Last Nine Years

	2005	2004	2003	2002
Total Assessed Valuation	<u>\$509,033,114</u>	<u>\$502,869,034</u>	<u>\$449,314,286</u>	<u>\$450,211,536</u>
Overall Debt Limitation - 10.5 Percent of Assessed Valuation	53,448,477	52,801,249	47,178,000	47,272,211
Gross Indebtedness	66,854,776	63,458,254	62,379,979	43,106,975
Less Debt Outside Limitation				
Bond Anticipation Notes	0	1,850,000	4,110,000	2,242,360
Special Assessment Notes	0	0	0	252,000
General Obligation Bonds	1,165,000	1,200,000	1,235,000	0
Special Assessment Bonds	2,123,266	2,304,512	2,587,100	2,781,605
General Obligation Revenue Bonds	2,896,000	1,153,000	1,400,000	1,647,000
OWDA Loan	<u>36,097,777</u>	<u>32,388,142</u>	<u>28,495,412</u>	<u>15,594,157</u>
Net Indebtedness	24,572,733	24,562,600	24,552,467	20,589,853
Less Fund Balance in Debt Service Fund	<u>256,409</u>	<u>494,598</u>	<u>751,261</u>	<u>970,382</u>
Net Debt Within 10.5 Percent Limitation	<u>24,316,324</u>	<u>24,068,002</u>	<u>23,801,206</u>	<u>19,619,471</u>
Legal Debt Margin Within 10.5 Percent Limitation	<u>\$29,132,153</u>	<u>\$28,733,247</u>	<u>\$23,376,794</u>	<u>\$27,652,740</u>
Legal Debt Margin as a Percentage of the Overall Debt Limitation	54.51%	54.42%	49.55%	58.50%
Unvoted Debt Limitation - 5.5 Percent of Assessed Valuation	\$27,996,821	\$27,657,797	\$24,712,286	\$24,761,634
Gross Indebtedness	66,854,776	63,458,254	62,379,979	43,106,975
Less Debt Outside Limitation				
Bond Anticipation Notes	0	1,850,000	4,110,000	2,242,360
Special Assessment Notes	0	0	0	252,000
General Obligation Bonds	1,165,000	1,200,000	1,235,000	0
Special Assessment Bonds	2,123,266	2,304,512	2,587,100	2,781,605
General Obligation Revenue Bonds	2,896,000	1,153,000	1,400,000	1,647,000
OWDA Loan	<u>36,097,777</u>	<u>32,388,142</u>	<u>28,495,412</u>	<u>15,594,157</u>
Net Indebtedness	24,572,733	24,562,600	24,552,467	20,589,853
Less Fund Balance in Debt Service Fund	<u>256,409</u>	<u>494,598</u>	<u>751,261</u>	<u>970,382</u>
Net Debt Within 5.5 Percent Limitation	<u>24,316,324</u>	<u>24,068,002</u>	<u>23,801,206</u>	<u>19,619,471</u>
Legal Debt Margin Within 5.5 Percent Limitation	<u>\$3,680,497</u>	<u>\$3,589,795</u>	<u>\$911,080</u>	<u>\$5,142,163</u>
Unvoted Legal Debt Margin as a Percentage of the Unvoted Debt Limitation	13.15%	12.98%	3.69%	20.77%

Source: City Records

Note: Information prior to 1997 was not available.

2001	2000	1999	1998	1997
<u>\$439,616,046</u>	<u>\$405,163,264</u>	<u>\$406,319,718</u>	<u>\$400,645,803</u>	<u>\$368,223,222</u>
46,159,685	42,542,143	42,663,570	42,067,809	38,663,438
36,051,187	27,120,315	21,951,119	17,038,117	11,684,857
2,435,000	2,478,000	2,374,300	3,826,000	2,071,700
372,000	1,119,000	2,640,000	2,970,000	754,000
0	0	0	0	0
2,991,758	2,901,858	2,954,758	2,460,648	2,388,538
1,893,000	2,182,000	2,471,000	2,760,000	3,049,000
7,694,729	5,797,457	2,626,861	487,469	605,819
<u>20,664,700</u>	<u>12,642,000</u>	<u>8,884,200</u>	<u>4,534,000</u>	<u>2,815,800</u>
<u>1,196,603</u>	<u>0</u>	<u>834,036</u>	<u>873,482</u>	<u>1,293,346</u>
<u>19,468,097</u>	<u>12,642,000</u>	<u>8,050,164</u>	<u>3,660,518</u>	<u>1,522,454</u>
<u>\$26,691,588</u>	<u>\$29,900,143</u>	<u>\$34,613,406</u>	<u>\$38,407,291</u>	<u>\$37,140,984</u>
57.82%	70.28%	81.13%	91.30%	96.06%
\$24,178,883	\$22,283,980	\$22,347,584	\$22,035,519	\$20,252,277
36,051,187	27,120,315	21,951,119	17,038,117	11,684,857
2,435,000	2,478,000	2,374,300	3,826,000	2,071,700
372,000	1,119,000	2,640,000	2,970,000	754,000
0	0	0	0	0
2,991,758	2,901,858	2,954,758	2,460,648	2,388,538
1,893,000	2,182,000	2,471,000	2,760,000	3,049,000
7,694,729	5,797,457	2,626,861	487,469	605,819
<u>20,664,700</u>	<u>12,642,000</u>	<u>8,884,200</u>	<u>4,534,000</u>	<u>2,815,800</u>
<u>1,196,603</u>	<u>0</u>	<u>834,036</u>	<u>873,482</u>	<u>1,293,346</u>
<u>19,468,097</u>	<u>12,642,000</u>	<u>8,050,164</u>	<u>3,660,518</u>	<u>1,522,454</u>
<u>\$4,710,786</u>	<u>\$9,641,980</u>	<u>\$14,297,420</u>	<u>\$18,375,001</u>	<u>\$18,729,823</u>
19.48%	43.27%	63.98%	83.39%	92.48%

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	
2005	\$6,574,685	\$3,407,134	\$3,167,551	\$200,000	\$43,944	\$243,944	12.98
2004	6,571,450	3,062,778	3,508,672	200,000	56,342	256,342	13.69
2003	5,932,736	3,674,710	2,258,026	200,000	76,926	276,926	8.15
2002	5,392,746	3,294,752	2,097,994	920,000	95,115	1,015,115	2.07
2001	4,226,826	3,391,723	835,103	213,500	112,340	325,840	2.56
2000	3,083,574	2,518,245	565,329	213,500	127,152	340,652	1.66
1999	3,280,565	2,495,424	785,141	213,500	139,668	353,168	2.22
1998	3,300,455	2,488,304	812,151	213,500	156,772	370,272	2.19
1997	3,008,504	2,381,713	626,791	208,500	170,057	378,557	1.66
1996	2,909,367	1,992,100	917,267	208,500	185,756	394,256	2.33

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	
2005	\$6,640,971	\$4,186,875	\$2,454,096	\$47,000	\$18,314	\$65,314	37.57
2004	6,493,910	4,542,126	1,951,784	400,000	22,444	422,444	4.62
2003	6,341,187	4,178,936	2,162,251	47,000	24,887	71,887	30.08
2002	5,887,722	4,127,066	1,760,656	46,000	26,982	72,982	24.12
2001	5,326,004	4,141,231	1,184,773	75,500	31,395	106,895	11.08
2000	3,738,380	3,220,259	518,121	75,500	35,604	111,104	4.66
1999	3,768,240	3,661,278	106,962	75,500	73,392	148,892	0.72
1998	3,372,058	3,172,342	199,716	75,500	44,019	119,519	1.67
1997	3,175,594	3,406,244	(230,650)	71,807	47,878	119,685	(1.93)
1996	3,178,778	2,754,656	424,122	75,500	52,436	127,936	3.32

Source: City Records

(1) Includes depreciation expense, excludes interest expense.

City of Sandusky
Demographic Statistics
Last Ten Years

Year	Population (1)	Total Personal Income (3)	Personal Income Per Capita (1)	Dwelling Units (1)	Occupied Dwelling Units Households (1)	Persons Per Household (1)
2005	27,844	\$504,282,684	\$18,111	13,323	11,851	2.31
2004	27,844	504,282,684	18,111	13,323	11,851	2.31
2003	27,844	504,282,684	18,111	13,323	11,851	2.31
2002	27,844	504,282,684	18,111	13,323	11,851	2.31
2001	27,844	504,282,684	18,111	13,323	11,851	2.31
2000	27,844	504,282,684	18,111	13,323	11,851	2.31
1999	29,764	345,857,680	11,620	13,416	12,059	2.58
1998	29,764	345,857,680	11,620	13,416	12,059	2.58
1997	29,764	345,857,680	11,620	13,416	12,059	2.58
1996	29,764	345,857,680	11,620	13,416	12,059	2.58

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

(2) Source: U.S. Department of Labor: Bureau of Labor Statistics

(3) Computation of per capita personal income multiplied by population.

<u>Owner Occupied Units (1)</u>	<u>Median Family Income (1)</u>	<u>Unemployment Rate (2)</u>
6,692	\$37,749	6.7%
6,692	37,749	6.4
6,692	37,749	6.3
6,692	37,749	5.9
6,692	37,749	5.8
6,692	37,749	4.1
6,931	28,544	4.8
6,931	28,544	4.8
6,931	28,544	5.5
6,931	28,544	6.5

City of Sandusky
Principal Employers
Last Two Years

Employer	Type of Business	2005			2004		
		Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
Magnum Management Corp.	Entertainment	6,890	1	53.00%	6,583	1	51.43%
Firelands Regional Health System	Hospital	1,944	2	14.95	1,979	2	15.46
Sandusky Board of Education	Education	853	3	6.56	914	3	7.14
Erie County	Government	697	4	5.36	683	4	5.34
City of Sandusky	Government	391	5	3.01	399	5	3.12
Delphi Automotive Systems	Automotive	285	6	2.19	286	6	2.23
The G & C Foundry	Manufacturing	250	7	1.92	150	9	1.17
FMC Food Tech	Service	227	8	1.75	228	7	1.78
Sandusky Limited	Port Facilities	188	9	1.45	185	8	1.45
Sandusky Internists, Inc.	Medical	37	10	0.29	26	10	0.20
	Total	<u>11,762</u>		<u>90.48%</u>	<u>11,433</u>		<u>89.32%</u>
	Total City Employment	<u>13,000</u>			<u>12,800</u>		

Source: Regional Income Tax Agency (RITA)

Note: Information prior to 2004 not available.

City of Sandusky
 Full Time Equivalent City Government Employees by Function/Program
 Last Two Years

Function/Program	2005	2004
Security of Persons and Property-Police		
Police Patrol	51.0	52.0
Police Records	11.0	11.0
Police Reserve	7.5	9.5
Security of Persons and Property-Fire		
Fire Suppression	52.0	54.0
Public Health		
Oakland Cemetary	4.0	4.0
Leisure Time Activities		
Recreation	2.0	1.0
Community Environment		
Community Development	11.5	12.0
Horticulture Services	13.0	13.5
Transportation		
Public Works	9.0	9.0
Traffic and Electrical Maintenance	5.0	4.0
General Government-Court		
Court - Criminal	17.5	19.0
General Government-Other		
City Manager	4.0	4.0
Personnel Labor Relations	5.0	7.0
Finance	4.0	6.0
Law Director	6.0	6.0
City Commission	9.5	10.0
Municipal Buildings and Lands	5.0	5.0
Engineering	11.0	12.0
Mechanic	4.0	4.0
Basic Utility Services		
Water/Sewer Office	3.0	3.0
Waterworks Filtration	14.0	15.0
Waterworks Distribution	11.0	11.0
Water Pollution Control	18.0	19.0
Sewer Maintenance	10.0	11.0
Total	288.0	302.0

Source: City Payroll Records

Method: Using 1.0 for each full-time employee and .5 for each part-time employee as of December 31 of each year.

Note: Information prior to 2004 not available.

City of Sandusky
 Operating Indicators by Function/Program
 Last Two Years

Function/Program	2005	2004
Security of Persons and Property-Police		
Number of Calls for Service	16,010	16,869
Number of Traffic Citations and Arrests	2,537	2,344
Number of Parking Tickets Issued	2,513	2,921
Accident Severity Breakdown		
Fatalities	0	1
Injury	177	196
Property Damage	641	738
Number of Criminal Arrests	7,341	7,169
Number of DUI Arrests	145	168
Amount of Grant Monies Received	\$41,980	\$47,871
Square Miles Served	14.9	14.9
Original Department Operating Budget (General Fund)	\$4,416,114	\$4,628,849
Security of Persons and Property-Fire		
Number of EMS Calls	3,223	3,279
Number of Fire Calls	928	887
Net Ambulance Billing Collections	\$595,298	\$596,512
EMS Response Time (in seconds)	198	165
Fire Reponse Time (in seconds)	201	171
Number of Times Mutual Aid Given	16	19
Number of Times Mutual Aid Received	37	19
Square Miles Served	14.9	14.9
Number of Stations	3	3
Original Department Operating Budget (General Fund)	\$3,996,555	\$3,849,625
Public Health		
Cemetary Burials	106	107
Cemetary Cremations	33	32
Cemetary Sale of Lots	70	89
Cemetary Charges for Services Receipts	\$107,066	\$111,878
Leisure Time Activities		
Recreation		
Boat Ramp Receipts	\$32,280	\$29,504
Golf Course Receipts	\$224,461	\$198,801
Recreation Receipts	\$21,127	\$12,394
Sandusky Bay Pavilion Receipts	\$8,295	\$0
Reimbursements/Donations	\$1,058	\$9,245
General Fund Subsidy	\$112,894	\$129,599
Golf Course-Daily Pay Rounds	9,817	9,658
Golf Course-Daily Pass Rounds	8,185	8,578
Golf Course-Daily Total Rounds	18,002	18,236
Golf Course-Annual Pass Sales	262	211
Boat Ramp-Number of Daily Passes Sold	4,915	4,523
Boat Ramp-Number of Season Passes Sold	155	142
Boat Ramp-Number of Tournament Days	21	12
Community Environment		
Community Development		
Grant Monies Received for Community/Economic Development	\$1,298,460	\$240,157

(continued)

City of Sandusky
 Operating Indicators by Function/Program
 Last Two Years
 (continued)

Function/Program	2005	2004
Horticulture Services		
Trees Planted	39	75
Trees Removed	180	161
Trees Trimmed	842	762
Stumps Removed	137	219
Loads of Wood and Chips to Residents	278	119
Number of Regularly Scheduled Work Hours Related to		
Trees Planted	135	356
Trees Removed	1,712	1,532
Trees Trimmed	1,312	1,476
Stumps Removed	225	449
Storm Cleanup	411	315
Plant Propagation	2,271	2,125
Plant Installation	1,575	1,220
Landscape Maintenance	1,933	1,430
Fountain and Irrigation Maintenance	217	270
Playground Equipment Maintenance	418	126
Nursery Maintenance	106	173
Baseball Field Maintenance	573	380
Public Restroom Maintenance	229	129
Holiday Decorations	476	1,002
Christmas Tree Pickup	65	163
Transportation		
Cost of Salt Purchased	\$67,835	\$40,109
Number of Regularly Scheduled Work Hours Related to Snow Removal	532	371
Sign Department Hours	2,082	2,601
Guardrail Repair Hours	7	11
Street Improvements-Asphalt Overlay (linear feet)	3,419	3,134
Pavement Marking Hours	503	217
Cold Patch Hours	2,499	2,701
Street Sweeping Hours	1,012	771
General Government-Court		
Municipal Court		
Number of Civil Cases	2,554	2,977
Number of Criminal Cases	11,955	11,311
General Government-Other		
Finance		
Agency Ratings-Moody's Financial Services	A2	A2
Income Tax		
Number of Individual Returns	9,450	11,601
Number of Business Returns	1,429	1,625
Number of Business Withholding Accounts	1,375	N/A
Amount of Interest and Penalties Collected	\$101,724	\$127,529
Tax Revenue	\$7,156,052	\$7,021,290
City Commission		
Number of Ordinances Passed	72	165
Number of Resolutions Passed	30	48
Municipal Buildings and Lands		
Number of Construction Permits Issued (building, electric, plumbing)	1,113	1,155
Estimated Value of Construction	\$49,638,024	\$41,545,823
Amount of Revenue Generated from Building Department	\$381,708	\$229,887

(continued)

City of Sandusky
 Operating Indicators by Function/Program
 Last Two Years
 (continued)

Function/Program	2005	2004
Civil Service		
Number of Police Entry Tests Administered	0	0
Number of Fire Entry Tests Administered	0	0
Number of Police Promotional Tests Administered	0	0
Number of Fire Promotional Tests Administered	0	0
Number of Hires of Police Officers from Certified Lists	0	0
Number of Hires of Fire/Medics from Certified Lists	0	0
Number of Promotions from Police Certified Lists	0	0
Number of Promotions from Fire Certified Lists	0	0
Water Department		
Water Rates per 100 Cubic Feet of Water Used Monthly (1)	\$4.10	\$4.10
Sewer Department		
Sewer Rates per 100 Cubic Feet of Water Used Monthly (1)	\$7.00	\$7.00
Total Flow of Wastewater Treatment Plant (millions of gallons per day)	3,942	3,868
Average Daily Flow (millions of gallons per day)	10.82	10.57
Tons of Dry Sludge Removed	1,466	1,468

Source: City Records

(1) Based on 5/8" meter

Note: Information prior to 2004 not available.

N/A - Not Available

City of Sandusky
 Capital Assets by Function/Program
 Last Two Years

Function/Program	2005	2004
Security of Persons and Property-Police		
Stations	1	1
Vehicles	22	22
Security of Persons and Property-Fire		
Stations	3	3
Vehicles	14	13
Public Health		
Vehicles	3	3
Leisure Time Activities		
Number of Parks	21	21
Number of Piers/Pavilions/Plazas	4	4
Number of Boat Launch Ramps	1	1
Number of Golf Courses	1	1
Number of Baseball/Softball Diamonds	17	17
Number of Skateboarding Areas	1	1
Community Environment		
Vehicles	34	34
Transportation		
Bridges	1	1
Streets (miles)	113.7	112.3
Vehicles	30	30
General Government-Other		
City Manager Vehicles	6	6
Mechanic Vehicles	5	5
Engineering Vehicles	10	10
Water		
Water Lines (miles)	134.37	134.37
Vehicles	17	17
Sewer		
Sewer Lines (miles)	161.73	161.73
Vehicles	20	20

Source: City Records

Note: Information prior to 2004 not available





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CITY OF SANDUSKY

ERIE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 15, 2006**