

***CITY OF UPPER SANDUSKY  
WYANDOT COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEAR ENDED DECEMBER 31, 2003***

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





**Auditor of State  
Betty Montgomery**

City Council  
City of Upper Sandusky  
119 North 7th Street  
Upper Sandusky, Ohio 43351

We have reviewed the *Report of Independent Accountants* of the City of Upper Sandusky, Wyandot County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2003 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Upper Sandusky is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

April 19, 2006

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**CITY OF UPPER SANDUSKY, OHIO**  
**AUDIT REPORT**  
**For the Year Ended December 31, 2003**

**TABLE OF CONTENTS**

<b><u>TITLE</u></b>	<b><u>PAGE</u></b>
<b>Report of Independent Accountants</b>	<b>1-2</b>
<b>Management’s Discussion and Analysis</b>	<b>3-8</b>
<b>Statement of Net Assets</b>	<b>9</b>
<b>Statement of Activities</b>	<b>10</b>
<b>Balance Sheet – Governmental Funds</b>	<b>11</b>
<b>Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds</b>	<b>12</b>
<b>Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund</b>	<b>13</b>
<b>Statement of Net Assets – Proprietary Funds</b>	<b>14</b>
<b>Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds</b>	<b>15</b>
<b>Statement of Cash Flows – Proprietary Funds</b>	<b>16</b>
<b>Statement of Fiduciary Net Assets -Agency Fund</b>	<b>17</b>
<b>Notes to the Basic Financial Statements</b>	<b>18-39</b>
<b>Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	<b>40</b>
<b>Schedule of Findings</b>	<b>42</b>
<b>Schedule of Prior Auditing Findings</b>	<b>44</b>

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*Charles E. Harris & Associates, Inc.*  
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## REPORT OF INDEPENDENT ACCOUNTANTS

Honorable Mayor and Members of City Council  
City of Upper Sandusky  
119 North 7<sup>th</sup> Street  
Upper Sandusky, Ohio 43351

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 Upper Sandusky, Wyandot County, Ohio (the "City"), as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the table 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, each major fund, and the aggregate remaining fund information of the City of Upper Sandusky, Wyandot County, Ohio, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 4, during the year ended December 31, 2003, the City implemented a new financial reporting model, as required by the provisions of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and GASB Interpretation No. 6.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2005 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

*Charles E. Harris & Associates, Inc.*

October 12, 2005



**City of Upper Sandusky**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2003*

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The discussion and analysis of City of Upper Sandusky's financial performance provides an overall view of the City's financial activities for the year ended December 31, 2003. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

### **Financial Highlights**

Key financial highlights for 2003 are as follows:

- The net assets for governmental activities decreased \$150,395 to \$65,850.
- The business-type activities net assets increased by \$2,055,960, due to capital contributions of \$2,109,123.
- The capital improvements fund balance decreased \$114,757.
- Total expenditures for the general fund were reduced by \$305,379.

### **Using this Annual Financial Report**

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column. In the case of the City of Upper Sandusky, the general and capital improvement funds are the most significant.

### **Reporting the City as a Whole**

#### *Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- **Governmental Activities** - Most of the City's programs and services are reported here including public safety, public works, health, human services, conservation and recreation, economic development, urban redevelopment, legislative and executive, and judicial.
- **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The water, sewer, and sanitation funds are reported as business-type activities.

**City of Upper Sandusky**  
*Management's Discussion and Analysis*  
For the Year Ended December 31, 2003

**Reporting the City's Most Significant Funds**  
Fund Financial Statements

Fund financial statements provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the general fund and the capital improvement capital projects fund.

**Governmental Funds** Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted into cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

**Proprietary Funds** Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

**The City as a Whole**

Recall that the Statement of Net Assets provides the perspective of the City as a whole. Table 1 provides a summary of the City's net assets for 2003. Since this is the first year for GASB 34, a comparison to the prior year cannot be made:

Table 1 Net Assets			
	Governmental Activities 2003	Business-Type Activities 2003	2003 Total
<b>Assets</b>			
Current and Other Assets	\$ 2,935,561	\$ 1,027,102	\$ 3,962,663
Capital Assets	5,773,378	17,810,717	23,584,095
<b>Total Assets</b>	<b>\$ 8,708,939</b>	<b>\$ 18,837,819</b>	<b>\$ 27,546,758</b>
<b>Liabilities</b>			
Current and Other Liabilities	\$ 735,319	\$ 88,244	\$ 823,563
Long-Term Liabilities	7,907,770	191,233	8,099,003
<b>Total Liabilities</b>	<b>8,643,089</b>	<b>279,477</b>	<b>8,922,566</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net	(1,775,276)	17,810,717	16,035,441
Restricted	832,674	-	832,674
Unrestricted (Deficit)	1,008,452	747,625	1,756,077
<b>Total Net Assets</b>	<b>\$ 65,850</b>	<b>\$ 18,558,342</b>	<b>\$ 18,624,192</b>

**City of Upper Sandusky**  
*Management's Discussion and Analysis*  
For the Year Ended December 31, 2003

Table 2 shows the changes in net assets for the year 2003.

Table 2  
Changes in Net Assets  
(In Millions)

	Governmental Activities 2003	Business-Type Activities 2003	2003 Total
<b>Revenue</b>			
Program Revenues:			
Charges for Services	\$ 0.7	\$ 2.3	\$ 3.0
Operating Grants	0.3	-	0.3
Capital Grants	1.1	2.1	3.2
General Revenue:			
Property and Income Taxes	3.0	-	3.0
Grants and Entitlements	0.5	-	0.5
Other	0.3	-	0.3
<b>Total Revenues</b>	<b>5.9</b>	<b>4.4</b>	<b>10.3</b>
<b>Program Expenses</b>			
General Government – Legislative and Executive	0.6	-	0.6
General Government – Judicial	0.6	-	0.6
Security of Persons and Property	1.3	-	1.3
Public Health	0.1	-	0.1
Transportation	0.3	-	0.3
Community Environment	0.1	-	0.1
Basic Utility Services	2.1	-	2.1
Leisure Time Activities	0.4	-	0.4
Interest and Fiscal Charges	0.3	-	0.3
Unallocated Depreciation	0.3	-	0.3
Operating Expenses	-	2.3	2.3
<b>Total Expenses</b>	<b>6.1</b>	<b>2.3</b>	<b>8.4</b>
<b>Change in Net Assets</b>	<b>\$ (0.2)</b>	<b>\$ 2.1</b>	<b>\$ 1.9</b>

***Governmental Activities***

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**City of Upper Sandusky**  
*Management's Discussion and Analysis*  
For the Year Ended December 31, 2003

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Table 3  
Governmental Activities  
(In Millions)

	Total Cost of Services 2003	Net Cost of Services 2003
General Government - Legislative and Executive	\$ 0.6	\$ 0.6
General Government - Judicial	0.6	(0.6)
Security of Persons and Property	1.3	1.0
Public Health and Welfare	0.1	0.1
Transportation	0.3	0.3
Community Environment	0.1	0.1
Basic Utility Services	2.1	1.8
Leisure Time Activities	0.4	0.1
Interest and Fiscal Charges	0.3	0.3
Unallocated Depreciation	0.3	0.3
Total Expenses	\$ 6.1	\$ 4.0

The dependence upon tax revenues for governmental activities is apparent. Over 74.8 percent of Security of Persons and Property expenses are supported by taxes, for all governmental activities revenue support is 65.0 percent. The community, as a whole, is by far the primary support for the City.

***Business-Type Activities***

Business-type activities include the water, sewer, and sanitation fund. These programs had revenues of \$4.3 million and expenses of \$2.3 million for the year 2003. To ensure that net assets are not reduced in 2003, the City is taking steps to reduce expenses. Business activities receive no support from tax revenues, but did received \$6,790 in interest income, \$19,515 in miscellaneous revenue, and \$2.1 million in contributed capital for the construction of their new reservoir.

***The City's Funds***

Information about the City's major funds starts on page 19. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$6.6 million and expenditures of \$6.9 million. The City continues to watch the expenses of the general fund, which shows a continued decline. The City planned to change the allocation of income tax receipts in the very near future to the benefit of the general fund.

***General Fund Budgeting Highlights***

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of the year 2003 the City amended its general fund budget numerous times, none significant. The City uses department based budgeting and the budgeting systems are designed to tightly control total department budgets but provide flexibility for site management. Original operating appropriations were \$2,884,375 versus final appropriations of \$3,031,410. Actual budgetary disbursements were well below these appropriations.

**City of Upper Sandusky**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2003*

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of the 2003 the City had \$23,584,095 invested in land, buildings, equipment and vehicles between governmental activities and business-type activities. Table 4 shows the 2003 balances by asset category.

Table 4  
 Capital Assets at June 30  
 (Net of Depreciation)

	Governmental Activities 2003	Business-Type Activities 2003	2003 Totals
Land	\$ 884,909	\$ 883,242	\$ 1,768,151
Buildings and Improvements	3,522,927	5,216,053	8,738,980
Furniture and Equipment	1,485,534	1,440,032	2,925,566
Vehicles	1,308,544	552,971	1,861,515
Infrastructure	537,317	13,951,578	14,488,895
Total	7,739,231	22,043,876	29,783,107
Less: Accumulated Depreciation	(1,965,853)	(4,233,159)	(6,199,012)
Totals	<u>\$ 5,773,378</u>	<u>\$ 17,810,717</u>	<u>\$ 23,584,095</u>

The primary increase occurred in infrastructure, which was the City's new reservoir. See note 8 for further information on capital assets.

**Debt**

At December 31, 2003 the City had \$7.6 million in loans and leases outstanding, \$0.4 million due within one year.

Table 5 summarizes bond, notes and capital leases outstanding.

Table 5  
 Outstanding Debt, at Year End  
 (In Millions)

	Governmental Activities 2003
OWDA Loans Payable	\$ 6,984,374
OPWC Loans Payable	546,780
Mortgage Payable	17,500
Capital Leases Payable	84,051
Total Outstanding Debt	<u>\$ 7,632,705</u>

The majority of the loans are due to the OWDA Reservoir Construction project. Other debt includes loans from OPWC and a mortgage on land.

**City of Upper Sandusky**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2003*

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**For the Future**

The City's operating finances have run low in recent years. The City is considering changing the allocation of income tax receipts to the benefit of the general fund.

The City has committed itself to financial excellence for many years. In addition, the City's system of budgeting and internal controls is well regarded. All of the City's financial abilities will be needed to meet the challenges of the future.

**Contacting the City's Financial Management**

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information contact Jean Hollanshead, City Auditor, 419-294-3988, 119 N. 7<sup>th</sup> St., Upper Sandusky, Ohio 43351. Or e-mail at [cauditor@udata.com](mailto:cauditor@udata.com).

City of Upper Sandusky

Statement of Net Assets  
December 31, 2003

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Equity in Pooled Cash and Investments	\$ 743,420	\$ 633,478	\$ 1,376,898
Receivables:			
Taxes	1,050,160	-	1,050,160
Accounts	51,314	345,859	397,173
Due from Other Governments	927,403	-	927,403
Internal balances	12,310	(12,310)	-
Prepaid Items	47,522	21,265	68,787
Material and Supplies Inventory	26,506	38,810	65,316
Notes Receivable	76,926	-	76,926
Land	884,909	883,242	1,768,151
Capital Assets, Net of Depreciation	4,888,469	16,927,475	21,815,944
Total Assets	<u>\$ 8,708,939</u>	<u>\$ 18,837,819</u>	<u>\$ 27,546,758</u>
<u>Liabilities</u>			
Accounts Payable	\$ 194,064	\$ 53,217	\$ 247,281
Accrued Wages	60,369	14,945	75,314
Deferred Revenue	352,316	-	352,316
Due to Other Governments	68,324	20,082	88,406
Claim and Judgements Payable	32,930	-	32,930
Accrued Interest Payable	27,316	-	27,316
Long-Term Liabilities			
Due Within One Year	649,844	73,952	723,796
Due More Than One Year	7,257,926	117,281	7,375,207
Total Liabilities	<u>8,643,089</u>	<u>279,477</u>	<u>8,922,566</u>
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	(1,775,276)	17,810,717	16,035,441
Restricted for:			
Other Purposes	137,332	-	137,332
Capital Projects	678,463	-	678,463
Unrestricted (deficit)	1,025,331	747,625	1,772,956
Total Net Assets	<u>\$ 65,850</u>	<u>\$ 18,558,342</u>	<u>\$ 18,624,192</u>

See accompanying notes to the basic financial statements.

City of Upper Sandusky

Statement of Activities  
For the Year Ended December 31, 2003

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>							
Governmental Activities:							
General Government:							
Legislative and Executive	\$ 578,156	\$ 119	\$ -	\$ -	\$ (578,037)	\$ -	\$ (578,037)
Judicial	635,940	672,806	-	536,260	573,126	-	573,126
Security of Persons and Property	1,342,011	19,175	318,808	-	(1,004,028)	-	(1,004,028)
Public Health and Welfare	51,864	-	-	-	(51,864)	-	(51,864)
Transportation	292,103	-	-	-	(292,103)	-	(292,103)
Community Environment	90,708	23,597	-	-	(67,111)	-	(67,111)
Basic Utility Services	2,129,098	-	-	284,827	(1,844,271)	-	(1,844,271)
Leisure Time Activities	398,961	24,989	-	261,030	(112,942)	-	(112,942)
Interest and Fiscal Charges	322,823	-	-	-	(322,823)	-	(322,823)
Other	3,383	-	-	-	(3,383)	-	(3,383)
Unallocated Depreciation	278,077	-	-	-	(278,077)	-	(278,077)
Total governmental activities	6,123,124	740,686	318,808	1,082,117	(3,981,513)	-	(3,981,513)
Business-Type activities:							
Water Fund	976,497	1,057,979	-	1,754,333	-	1,835,815	1,835,815
Sewer Fund	652,938	693,231	-	354,790	-	395,083	395,083
Sanitation Fund	621,754	541,195	-	-	-	(80,559)	(80,559)
Total Business-Type activities	2,251,189	2,292,405	-	2,109,123	-	2,150,339	2,150,339
Total primary government	\$ 8,374,313	\$ 3,033,091	\$ 318,808	\$ 3,191,240	(3,981,513)	2,150,339	(1,831,174)
General revenues:							
Taxes:							
Municipal Income Tax					2,695,322	-	2,695,322
Property Taxes, Levied for General Purposes					383,441	-	383,441
Grants and Contributions Not Restricted to Specific Programs					473,234	-	473,234
Unrestricted Investment Earnings					16,140	6,790	22,930
Miscellaneous					142,297	19,515	161,812
Transfers-In					120,684	-	120,684
Transfers-Out					-	(120,684)	(120,684)
Total General Revenues					3,831,118	(94,379)	3,736,739
Change in Net Assets					(150,395)	2,055,960	1,905,565
Net Assets - January 1, 2003					216,245	16,502,382	16,718,627
Net Assets - December 31, 2003					\$ 65,850	\$ 18,558,342	\$ 18,624,192

See accompanying notes to the basic financial statements.



City of Upper Sandusky

Balance Sheet  
Governmental Funds  
December 31, 2003

Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities

	General	Capital Improvements	Other Governmental Funds	Total Governmental Funds		Total Governmental Fund Balances	\$ 1,180,688
<b>Assets</b>					<i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Equity in Pooled Cash and Investments	\$ 8,995	\$ 315,404	\$ 419,021	\$ 743,420	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	5,773,378	
Receivables:					Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	786,008	203,193	60,959	1,050,160			
Accounts	48,763	-	2,551	51,314			
Due from Other Governments	40,591	801,903	84,909	927,403			
Materials and Supplies Inventory	4,255	-	22,251	26,506			
Notes Receivable	-	-	76,926	76,926	Municipal Income Taxes	435,723	
Prepaid Items	29,870	-	17,652	47,522	Delinquent Property Taxes	3,438	
					Grants	607,709	1,046,870
Total Assets	<u>\$ 918,482</u>	<u>\$ 1,320,500</u>	<u>\$ 684,269</u>	<u>\$ 2,923,251</u>	Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.		
<b>Liabilities</b>							
Accounts Payable	\$ 76,651	\$ 95,422	\$ 21,991	\$ 194,064	Accrued Interest Payable	(27,316)	
Accrued Wages and Benefits	50,240	-	10,129	60,369	Compensated Absences Payab	(275,065)	
Due to Other Funds	17,259	-	3,361	20,620	Bonds & Notes Payable	(7,548,654)	
Due to Other Governments	61,759	-	6,565	68,324	Capital Leases Payable	(84,051)	(7,935,086)
Deferred Revenue	638,391	673,750	87,045	1,399,186	Net Assets of Governmental Activities		<u>\$ 65,850</u>
Total Liabilities	<u>844,300</u>	<u>769,172</u>	<u>129,091</u>	<u>1,742,563</u>			
<b>Fund Balances</b>							
Reserved for Encumbrances	3,136	678,463	121	681,720			
Reserved for Inventory	4,255	-	22,251	26,506			
Reserved for Prepaid Items	29,870	-	17,652	47,522			
Reserved for Notes Receivable	-	-	76,926	76,926			
Unreserved, Undesignated, Reported in:							
General Fund	36,921	-	-	36,921			
Special Revenue Funds	-	-	438,228	438,228			
Capital Projects Funds (Deficit)	-	(127,135)	-	(127,135)			
Total Fund Balances	<u>74,182</u>	<u>551,328</u>	<u>555,178</u>	<u>1,180,688</u>			
Total Liabilities and Fund Balances	<u>\$ 918,482</u>	<u>\$ 1,320,500</u>	<u>\$ 684,269</u>	<u>\$ 2,923,251</u>			

See accompanying notes to the basic financial statements.

City of Upper Sandusky

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

Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities

	General	Capital Improvements	Other Governmental Funds	Total Governmental Funds		
					Net Change in Fund Balances-Total Governmental Funds	\$ (368,033)
					Amounts reported in governmental activities in the statement of activities are different because	
Revenues:					Governmental funds report capital additions as expenditures.	
Municipal Income Tax	\$ 756,672	\$ 1,090,596	\$ 327,187	\$ 2,174,455	However, in the statement of activities assets is allocated over their estimated useful lives as depreciation expense.	
Property and Other Taxes	376,319	-	-	376,319	This is the amount by which capital outlays exceeded depreciation in the current period.	
Charges for Services	19,294	-	24,989	44,283	Capital Additions	1,018,584
Licenses and Permits	23,597	-	-	23,597	Depreciation	(338,857)
Fines and Forfeitures	632,912	-	39,894	672,806		679,727
Intergovernmental	392,415	528,608	270,132	1,191,155		
Investment Income	1,591	7,105	7,444	16,140		
Other	113,072	-	29,225	142,297	Governmental funds do not report the disposals of fixed assets. This is the amount which capital assets exceeded accumulated depreciation.	(3,383)
Total Revenue	2,315,872	1,626,309	698,871	4,641,052		
Expenditures:					Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Current:						
General Government:					Municipal Income Taxes	520,867
Legislative and Executive	578,013	-	-	578,013	Intergovernmental Grants	683,004
Judicial	554,794	-	12,381	567,175	Delinquent Property Taxes	7,122
Security of Persons and Property	1,316,536	-	16,054	1,332,590		1,210,993
Public Health and Welfare	51,864	-	-	51,864	Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligations is reported as a liability.	(50,353)
Transportation	-	-	282,118	282,118		
Community Environment	46,846	42,698	1,164	90,708		
Basic Utilities	-	2,129,098	-	2,129,098		
Leisure Time Activities	-	-	390,187	390,187	Proceeds for debt principal is a revenue in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Capital Outlay	11,395	964,522	-	975,917	Proceed of Debt	(1,739,019)
Debt Service:					Capitalized Interest	(103,881)
Principal Retirement	14,044	312,419	-	326,463	Principal Payments	326,463
Interest and Fiscal Charges	4,018	190,990	-	195,008		(1,516,437)
Total Expenditures	2,577,510	3,639,727	701,904	6,919,141		
Excess of Revenues Over (Under) Expenditures	(261,638)	(2,013,418)	(3,033)	(2,278,089)	In the statement of activities, interest is accrued on on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(23,934)
Other Financing Sources (Uses):					Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures governmental funds.	
Proceeds of Loans	-	1,739,019	-	1,739,019	Change in Inventory	(1,141)
Inception of Capital Leases	11,395	38,958	-	50,353	Increase in Compensated Absences	(77,834)
Transfers - In	-	120,684	-	120,684		(78,975)
Total Other Sources (Uses)	11,395	1,898,661	-	1,910,056		
Net Change in Fund Balance	(250,243)	(114,757)	(3,033)	(368,033)	Change in Net Assets of Governmental Activities	\$ (150,395)
Fund Balances (Deficit) at Beginning of Year	324,263	666,085	559,514	1,549,862		
Increase (Decrease) in Reserve for Inventory	162	-	(1,303)	(1,141)		
Fund Balances (Deficits) End of Year	\$ 74,182	\$ 551,328	\$ 555,178	\$ 1,180,688		

See accompanying notes to the basic financial statements.

City of Upper Sandusky  
Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund

For the Year Ended December 31, 2003

	Budgeted Amounts			Variance
	Original	Final	Actual	Final Budget Positive (Negative)
<b>Revenues:</b>				
Municipal Income Tax	\$ 2,300,000	\$ 2,300,000	\$ 2,472,996	\$ 172,996
Property and Other Taxes	396,000	396,000	374,963	(21,037)
Charges for Services	19,675	19,675	21,359	1,684
Licenses and Permits	21,550	21,550	23,197	1,647
Fines and Forfeitures	649,500	649,500	624,910	(24,590)
Intergovernmental	592,500	592,500	394,322	(198,178)
Investment Income	10,000	10,000	1,591	(8,409)
Other	107,100	107,100	111,090	3,990
<b>Total Revenue</b>	<b>4,096,325</b>	<b>4,096,325</b>	<b>4,024,428</b>	<b>(71,897)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General Government:</b>				
Legislative and Executive	655,875	727,060	585,946	141,114
Judicial	574,700	616,100	562,403	53,697
Security of Persons and Property	1,534,700	1,567,950	1,344,395	223,555
Public Health and Welfare	70,000	70,000	51,864	18,136
Community Environment	49,100	50,300	47,480	2,820
<b>Debt Service:</b>				
Principal Retirement	-	-	14,044	(14,044)
Interest and Fiscal Charges	-	-	4,018	(4,018)
<b>Total Expenditures</b>	<b>2,884,375</b>	<b>3,031,410</b>	<b>2,610,150</b>	<b>421,260</b>
Excess of Revenues Over (Under) Expenditures	1,211,950	1,064,915	1,414,278	349,363
<b>Other Financing Sources (Uses):</b>				
Operating Transfers - Out	(1,380,000)	(1,640,000)	(1,525,877)	114,123
<b>Total Other Sources (Uses)</b>	<b>(1,380,000)</b>	<b>(1,640,000)</b>	<b>(1,525,877)</b>	<b>114,123</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(168,050)	(575,085)	(111,599)	463,486
<b>Fund Balances (Deficit) at</b>				
Beginning of Year	117,458	117,458	117,458	-
<b>Fund Balances (Deficit) at End of Year</b>	<b>\$ (50,592)</b>	<b>\$ (457,627)</b>	<b>\$ 5,859</b>	<b>\$ 463,486</b>

See accompanying notes to the basic financial statements.

City of Upper Sandusky

Statement of Net Assets  
 Proprietary Funds  
 December 31, 2003

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Fund	Sewer Fund	Sanitation Fund	Total	
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$ 288,544	\$ 231,891	\$ 113,043	\$ 633,478	\$ -
Receivables:					
Accounts	167,387	100,961	77,511	345,859	-
Due from Other Funds	-	-	-	-	32,930
Inventory of Supplies	15,676	23,134	-	38,810	-
Prepaid Items	7,088	5,052	9,125	21,265	-
Total Current Assets	478,695	361,038	199,679	1,039,412	32,930
Capital Assets, No Depreciation	612,422	270,820	-	883,242	-
Capital Assets, Net of A/D	7,939,492	8,767,598	220,385	16,927,475	-
Total Assets	<u>\$ 9,030,609</u>	<u>\$ 9,399,456</u>	<u>\$ 420,064</u>	<u>\$ 18,850,129</u>	<u>\$ 32,930</u>
<u>Liabilities</u>					
Accounts Payable	\$ 20,126	\$ 12,745	\$ 20,346	\$ 53,217	\$ -
Accrued Wages and Benefits	8,038	2,907	4,000	14,945	-
Compensated Absences Payable	27,470	9,494	11,445	48,409	-
Due to Other Funds	5,499	2,756	4,055	12,310	-
Due to Other Governments	10,163	4,229	5,690	20,082	-
Claims Payable	-	-	-	-	32,930
Capital Leases Payable - Current	-	25,543	-	25,543	-
Total Current Liabilities	71,296	57,674	45,536	174,506	32,930
Long-term Liabilities					
Compensated Absences Payable	21,121	-	11,054	32,175	-
Capital Leases Payable	-	85,106	-	85,106	-
Total Liabilities	92,417	142,780	56,590	291,787	32,930
<u>Net Assets</u>					
Investment in Capital Assets, Net of Debt Unrestricted	8,551,914 386,278	9,038,418 218,258	220,385 143,089	17,810,717 747,625	- -
Total Net Assets	<u>\$ 8,938,192</u>	<u>\$ 9,256,676</u>	<u>\$ 363,474</u>	<u>\$ 18,558,342</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

City of Upper Sandusky

Statement of Revenues, Expenses  
and Changes in Fund Net Assets  
Proprietary Funds

For the Year Ended December 31, 2003

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Fund	Sewer Fund	Sanitation Fund	Totals	
Operating Revenues:					
Charges for Services	\$ 1,057,979	\$ 693,231	\$ 541,195	\$ 2,292,405	\$ 361,742
Other Operating Revenues	6,150	9,547	3,818	19,515	-
Total Operating Revenues	1,064,129	702,778	545,013	2,311,920	361,742
Operating Expenses:					
Personal Services	465,966	203,474	262,694	932,134	-
Contractual Services	153,916	172,686	215,114	541,716	-
Claims and Judgements	-	-	-	-	361,742
Materials and Supplies	152,841	89,881	73,339	316,061	-
Other Operating Expenses	1,200	-	-	1,200	-
Depreciation	202,574	186,897	70,607	460,078	-
Total Operating Expenses	976,497	652,938	621,754	2,251,189	361,742
Operating Income (Loss)	87,632	49,840	(76,741)	60,731	-
Non-Operating Revenues (Expenses):					
Interest Income	2,771	2,788	1,231	6,790	-
Total Non-Operating Revenues (Expenses)	2,771	2,788	1,231	6,790	-
Income (Loss) before contributions and transfers	90,403	52,628	(75,510)	67,521	-
Capital Contributions	1,754,333	354,790	-	2,109,123	-
Transfers - Out	(120,684)	-	-	(120,684)	-
Change in Net Assets	1,724,052	407,418	(75,510)	2,055,960	-
Total Net Assets at Beginning of Year	7,214,140	8,849,258	438,984	16,502,382	-
Total Net Assets at End of Year	\$ 8,938,192	\$ 9,256,676	\$ 363,474	\$ 18,558,342	\$ -

See accompanying notes to the basic financial statements.

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

	Business-Type Activities - Enterprise Fund				Governmental Activities - Internal Service Fund
	Water Fund	Sewer Fund	Sanitation Fund	Total	
<b>Increase (Decrease) in Cash and Cash Equivalents</b>					
<b>Cash Flows from Operating Activities:</b>					
Cash Received from Customers	\$ 1,059,650	\$ 699,350	\$ 543,645	\$ 2,302,645	\$ 360,282
Cash Paid to Employees	(464,560)	(207,420)	(278,594)	(950,574)	-
Cash Paid to suppliers	(324,550)	(296,264)	(276,610)	(897,424)	(360,282)
Net Cash Provided by (Used in) Operating Activities	<u>270,540</u>	<u>195,666</u>	<u>(11,559)</u>	<u>454,647</u>	<u>-</u>
<b>Cash flows from Investing Activities:</b>					
Interest Income	<u>2,771</u>	<u>2,788</u>	<u>1,231</u>	<u>6,790</u>	<u>-</u>
Net Cash Provided by Investing Activities	<u>2,771</u>	<u>2,788</u>	<u>1,231</u>	<u>6,790</u>	<u>-</u>
<b>Cash flows from Capital and Related Financing Activities:</b>					
Purchase of Capital Assets	(49,620)	(208,023)	-	(257,643)	-
Principal Payments - Capital Leases	-	(31,450)	-	(31,450)	-
Net Cash Provided by Capital and Related Financing Activities	<u>(49,620)</u>	<u>(239,473)</u>	<u>-</u>	<u>(289,093)</u>	<u>-</u>
<b>Cash flows from Non-Capital Financing Activities:</b>					
Transfer Out	<u>(120,684)</u>	<u>-</u>	<u>-</u>	<u>(120,684)</u>	<u>-</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(120,684)</u>	<u>-</u>	<u>-</u>	<u>(120,684)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	103,007	(41,019)	(10,328)	51,660	-
Cash and Cash Equivalents Beginning of Year	185,537	272,910	123,371	581,818	-
Cash and Cash Equivalents End of Year	<u>\$ 288,544</u>	<u>\$ 231,891</u>	<u>\$ 113,043</u>	<u>\$ 633,478</u>	<u>\$ -</u>
<b>Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities</b>					
Operating Income (Loss)	\$ 87,632	\$ 49,840	\$ (76,741)	\$ 60,731	\$ -
Adjustments:					
Net Cash from Operating Activities:					
Depreciation Expense	202,574	186,897	70,607	460,078	-
(Increase) Decrease in Assets:					
Accounts Receivable	(4,479)	(3,428)	(1,368)	(9,275)	-
Inventory	(7,773)	(16,706)	-	(24,479)	-
Prepaid Expenses	(1,123)	(787)	(1,461)	(3,371)	-
Increase (Decrease) in Liabilities:					
Accounts Payable	(6,716)	(15,014)	13,304	(8,426)	-
Accounts Payable from Capital Assets	(981)	(1,190)	-	(2,171)	-
Accrued Wages and Benefits	(1,717)	(973)	(2,260)	(4,950)	-
Compensated Absences Payable	20,406	4,871	1,548	26,825	-
Due to Other Funds	(11,362)	(6,790)	(11,592)	(29,744)	-
Due to Other Governments	(5,921)	(1,054)	(3,596)	(10,571)	-
Total Adjustments	<u>182,908</u>	<u>145,826</u>	<u>65,182</u>	<u>393,916</u>	<u>-</u>
Net Cash Provided by Operating Activities	<u>\$ 270,540</u>	<u>\$ 195,666</u>	<u>\$ (11,559)</u>	<u>\$ 454,647</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

City of Upper Sandusky

Statement of Fiduciary Net Assets  
Fiduciary Funds

For the Year Ended December 31, 2003

<u>Assets:</u>	<u>Agency</u>
Cash and Cash Equivalents: In Segregated Accounts	40,279
Total Assets	<u>40,279</u>
 <u>Liabilities:</u>	
Undistributed Monies	18,419
Payroll Withholdings	21,860
Total Liabilities	<u>40,279</u>

See accompanying notes to the basic financial statements.

**CITY OF UPPER SANDUSKY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**NOTE 1 -- DESCRIPTION OF THE ENTITY AND REPORTING ENTITY**

The City of Upper Sandusky (the City) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City operates under the mayor-council form of charter government as approved on October 25, 1976. The City provides police protection within its boundaries, and fire protection to its citizens and adjacent townships. The City provides basic utilities in the form of water, wastewater treatment and sanitation pick up. The City constructs and maintains streets and sidewalks within the City. The City also operates a swimming pool and maintains three parks.

**Reporting Entity** A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financials 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.

Component units are legally separate organizations for 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; 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. Components units may also include organizations that fiscally dependent on the City in that the City approves their budget, the issuance of their debt or the levying of their taxes. The City has no component units.

The City of Upper Sandusky's Municipal Court has been included in the City's financial statements as an agency fund. The Judge is an elected City official who has a fiduciary responsibility for the collection and distribution of court fees and fines.

The City has not included the City of Upper Sandusky School District as it has no control over these operations and are autonomous entities.

Management believes the financial statements included in this report represent all of the funds of the City over which the City has the ability to exercise direct operating control.

**NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Upper Sandusky, Ohio (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Under the provisions of GASB No. 20 the City has elected not to apply Financial Accounting Standards Board Statements and interpretations issued after November 30, 1989 to its proprietary activities. Election of this approach to accounting for proprietary activities by the City has required no change from prior years. The more significant of the City's accounting policies are described below:

**A. BASIS OF PRESENTATION**

The City's basic financial statements consist of government-wide 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 the fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.



**CITY OF UPPER SANDUSKY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

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 segment of the business-type activities of the City and for each program of the City's governmental 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 and grants and contributions restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City programs 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 a more detail level. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

**B. FUND ACCOUNTING**

The City uses funds to report on financial position. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be 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 General and Capital Improvement funds are the City's major governmental funds:

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

Capital Improvement Fund - The Capital Improvement fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities, including some proprietary funds.

The other governmental funds of the City are for grants and other resources, debt service, and capital projects of the City whose uses are restricted to a particular purpose.

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds focus on the determination of the changes in net assets, financial position and cash flows and are classified as either enterprise or internal service.

**CITY OF UPPER SANDUSKY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED DECEMBER 31, 2003**

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 City's enterprise funds are:

Water Fund - This fund accounts for the financial transactions related to water operations of the City.

Sewer Fund - This fund accounts for the financial transactions related to the sewer service operations of the City.

Sanitation Fund - This fund accounts for the financial transactions related to the refuse pickup operations of the City.

Fiduciary Funds

Fiduciary funds 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. Presently, the City has no trust funds. The City's agency fund is custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**C. MEASUREMENT FOCUS**

Government-Wide Financial Statements

The Government-Wide Financial Statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the City are included on the Statement of Net Assets.

Fund Financial Statements

All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and others 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 statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on 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 net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary 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. Proprietary and fiduciary funds also 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 UPPER SANDUSKY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that 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 days of year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. 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 of 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 a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: property taxes available as an advance, interest, grants, and rentals.

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of December 31, 2003, but which were levied to finance 2004 operations, have been recorded as deferred revenue. Special assessments and grants and entitlements received before the eligibility requirements are meant are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

**E. BUDGET**

An annual appropriated budget is legally required to be prepared for all funds of the City other than agency funds. Council passes appropriations at the fund, department, and object level. Council must approve any revisions in the budget that alter total fund appropriations. The following are the procedures used by the City in establishing the budgetary data reported in the basic financial statements.

**CITY OF UPPER SANDUSKY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**Tax Budget:**

A budget of estimated revenue and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

**Estimated Resources:**

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statements reflect the amounts in the first and final amended official certificate of estimated resources issued during 2003.

**Appropriations:**

A temporary appropriation resolution to control expenditures may be passed on or about January 1 of each year for the period of January 1 to March 31. An annual appropriation resolution must be passed by April 1 of each year for the period January 1 to December 31. The appropriation resolution fixes spending authority at the fund, department, and object level. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Council. Several supplemental appropriation ordinances were legally enacted by Council during the year. The budget figures which appear in the statement of budgetary comparisons present the original and final appropriation amounts including all amendments and modifications.

**Encumbrances:**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year-end are reported as reservations of fund balances for subsequent-year expenditures.

**Lapsing of Appropriations:**

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and need not be reappropriated.

**F. DEPOSITS**

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund balance integrity is maintained through the City's records. Each fund's interest in the pool is presented as "Equity in pooled cash and investments" on the combined balance sheet.

**CITY OF UPPER SANDUSKY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

During 2003, investments were limited to certificates of deposit, money market accounts, passbook accounts and Star Ohio, the State Treasurer's investment pool. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during year 2003 amounted to \$1,591.

The City has invested funds in the State Treasurer's Asset Reserve of Ohio (STAR Ohio) during the year 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2003.

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented on the balance sheet as "Cash in Segregated Accounts" since they are not required to be deposited into the City's treasury.

For purposes of the statement of cash flows and for presentation on the balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents.

**G. INVENTORIES**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expense when used.

On the fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first out basis. Inventory in governmental funds consist of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of the proprietary funds are expensed when used.

**H. PREPAID ITEMS**

Payments made to vendors for services that will benefit periods beyond December 31, 2003, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed.

**I. CAPITAL ASSETS**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$100 dollars. Public domain

**CITY OF UPPER SANDUSKY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

("infrastructure") general capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems have been capitalized under new requirements of the Governmental Accounting Standards Board but only for the current year. The City anticipates adding all infrastructure next year. Improvements are capitalized and 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.

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	15 years	15 years
Buildings and Improvements	40 years	40 years
Furniture and Equipment	10 years	10 years
Vehicles	5 years	5 years
Infrastructure	80 years	80 years

**J. INTERFUND BALANCES**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances. Transactions representing services rendered between funds are classified as "due to/ due from."

**K. COMPENSATED ABSENCES**

Compensated absences of the City consist of vacation leave, holiday, personal, compensatory and sick leave to the extent that payment to the employee for these absences are attributed to services already rendered and are not contingent on a specific event that is outside the control of the City.

The City reports compensated absences in accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to payment are attributable to services already rendered; and it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement.

Sick leave benefits are accrued using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that 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 termination policy. The City records a liability for all accumulated unused vacation time when earned for all employees. The entire compensated absence liability is reported on the government-wide financial statements.

**L. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

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

**CITY OF UPPER SANDUSKY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund statements only to the extent they will be paid with current, expendable, available resources. In general, payments made within thirty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

**M. FUND BALANCE RESERVES**

The City reserves those portions of fund equity 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. Unreserved balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, notes receivable, prepaid items and inventories of supplies and materials.

**N. NET ASSETS**

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

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

**O. OPERATING REVENUES AND EXPENSE**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are water and wastewater treatment charges for services. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

**P. CONTRIBUTION OF CAPITAL**

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

**Q. INTERFUND ACTIVITY**

Transfers between governmental and business-type activities on the governmental-wide 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 non-operating revenues/expense in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented of the financial statements.

**CITY OF UPPER SANDUSKY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**R. 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 Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2003.

**S. ESTIMATES**

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

**NOTE 3 -- BUDGET 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 and described above is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balances, Budget and Actual, 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:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP).

Adjustments necessary to convert the results of operations at the end of the year on the Budget basis to the GAAP basis are as follows:

**Net Change in Fund Balance**

	<b><u>General Fund</u></b>
<u>Budget Basis</u>	\$ (111,599)
Adjustments:	
Revenue Accruals:	
Accrued 2002, Received in Cash 2003	(474,546)
Accrued 2003, Not yet Received in Cash	271,834
Expenditure Accruals	
Accrued 2003, Not yet Paid in Cash	(258,804)
Accrued 2002, Paid in Cash 2003	319,736
Encumbrances	<u>3,136</u>
<u>GAAP Basis</u>	<u>\$ (250,243)</u>



**CITY OF UPPER SANDUSKY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**NOTE 4 -- CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE**

**A. Changes in Accounting Principles**

For the year ended 2004, the Academy has implemented GASB Statement No. 34, "Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments"; GASB No. 37 "Basic Financial Statements for State and Local Governments: Omnibus", GASB No. 38, "Certain financial Statement Note Disclosures", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements".

GASB 34 creates new basic financial statements for reporting on the City's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

The government-wide financial statements split the City's programs between business-type and governmental activities. The beginning net assets amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental fund at December 31, 2002, caused by the conversion to the accrual basis of accounting and implementing Interpretation #6.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of Management's Discussion and Analysis. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Interpretation of No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

**B. Restatement of Fund Balance**

These restatements had the following effects on fund balance of the major and non-major funds of the City as they were previously reported. The transition from governmental fund balance to net assets of the government activities is also presented.

	<u>General</u>	<u>Capital Projects</u>	<u>Non-Major</u>	<u>Total</u>
Fund Balance December 31, 2002	\$ 286,963	\$ 666,085	\$ 554,996	\$ 1,508,044
Interpretation No. 6	<u>37,300</u>	-	4,518	41,818
Adjusted Fund Balance	<u>\$ 324,263</u>	<u>\$ 666,085</u>	<u>\$ 559,514</u>	<u>1,549,862</u>

GASB 34 Adjustments:

Capital Assets	5,097,034
Deferred Revenue	(164,123)
Accrued Interest Payable	(3,382)
Compensated Absences Payable	(197,231)
Capital Leases Payable	(93,322)
Long-Term Liabilities	<u>(5,972,593)</u>
Governmental Activities Net Assets, December 31, 2002	<u>\$ 216,245</u>

**CITY OF UPPER SANDUSKY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**NOTE 5 -- DEPOSITS AND INVESTMENTS**

**Deposits**

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

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

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

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

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 that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25 percent of the interim monies available for investment at any one time for a period not to exceed one hundred eighty days.

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

**CITY OF UPPER SANDUSKY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

may be made only upon the delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

*On Hand:* At year-end \$650 was on hand throughout the City in the form of drawer change and petty cash.

*Deposits:* At year-end, the carrying amount of the City's deposits was \$1,417,177 and the bank balance was \$1,458,575. Of the bank balance:

1. \$100,000 was covered by federal depository insurance, by collateral held by the City or by collateral held by a qualified third party trustee in the name of the City;
2. \$1,358,575 was covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions.

The City's deposits are categorized in the following table to give an indication of the level of credit risk assumed by the entity at year-end. Category 1 includes deposits that are insured or collateralized with securities held by the City or its safekeeping agent in the City's name. Category 2 includes uninsured deposits collateralized with securities held by the pledging financial institution's trust department or safekeeping agent in the City name. Category 3 includes uninsured and uncollateralized deposits, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or safekeeping agent, but not in the City name.

	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Bank</u> <u>Balance</u>
Checking Accounts	\$ 1,418,296	\$ -	\$ -	\$ 1,418,296
Municipal Court	40,279	-	-	40,279
	<u>\$ 1,458,575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,458,575</u>

Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

Amounts above include balances of the City's revolving loan fund in the amount of \$101,913, which is held in a pooled account under the control of the City. The City did not have any investments at year-end.

**Reconciliation to Balance Sheet**

City's Deposits	\$ 1,416,527
Petty Cash and Drawer Change	650
TOTAL	<u>\$ 1,417,177</u>
<u>Per Balance Sheet</u>	
Equity in Pooled Cash and Investments	<u>\$ 1,417,177</u>

**CITY OF UPPER SANDUSKY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**NOTE 6 -- RECEIVABLES**

Receivables at December 31, 2003, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements, shared revenues, accrued interest on investments, accounts (billings for utility service), and notes receivable. No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

**Property Taxes**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2003 for real and public utility property taxes represents collections of the 2002 taxes. Property tax payments received during 2003 for tangible personal property (other than public utility property) is for 2003 taxes.

2003 real property taxes are levied after October 1, 2003, on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2003 real property taxes are collected in and intended to finance 2004.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2003 public utility property taxes became a lien December 31, 2002, are levied after October 1, 2003, and are collected in 2004 with real property taxes.

2003 tangible personal property taxes are levied after October 1, 2003, on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are 25 percent of true value.

The full tax rate for all City operations for the year ended December 31, 2003, was \$3.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

Real Property - 2002 Valuation:

Residential/Agricultural	\$ 64,809,770
Public Utilities	25,630
Commercial/Industrial	<u>30,499,720</u>
Total Real Property	95,335,120

Tangible Personal Property - 2003 Valuation:

General	36,954,450
Public Utilities	<u>3,519,650</u>
Total Personal Property	<u>40,474,100</u>

Total Assessed Valuation	<u>\$ 135,809,220</u>
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Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, 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 in the county, including the

**CITY OF UPPER SANDUSKY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

City of Upper Sandusky. The County Auditors periodically remits to the City its portion of the taxes collected. Accrued property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2003 and for which there is 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, nor were they levied to finance 2003 operations. The receivable is therefore offset by deferred revenue.

**Income Taxes**

The City levies and collects an income tax of one percent on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. 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.

**Intergovernmental Receivables**

A summary of intergovernmental receivables follows:

<b>Governmental Activities</b>	<b>Amount</b>
Local Government and Local Government	
Revenue Assistance	\$ 40,591
Gasoline and Excise Tax	70,244
Motor Vehicle License Fees	12,266
Permissive License Tax	2,399
CDBG Downtown Grant	314,127
ODNR Boat Facility Grant	84,961
Reservoir Reimbursement	65,000
NatureWorks Grant	17,815
Recreational Trails Grants	320,000
Total	<u>\$ 927,403</u>

**NOTE 7 -- INSURANCE**

The City is exposed to various risks of loss related to torts, theft of, and damage to, and destruction of assets, injuries to employees and natural disasters.

**Commercial Insurance**

The City has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles

There has not been a significant reduction in commercial coverage from the prior year and settled claims have not exceeded coverage in any of the last five years.

**Workers Compensation**

Workers compensation coverage is provided by the State. The City pays 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 UPPER SANDUSKY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**Risk Pool Membership**

The City is a member of the Buckeye Ohio Risk Management Association self insurance pool (the Pool). The Pool assumes the risk of loss up to the limits of the City's policy. The Pool may make supplemental assessments if the experience of the overall pool is unfavorable. The pool covers the following risks:

Comprehensive Medical Plan  
Prescription Drug Plan

The December premiums were paid to the administrator, CoreSource located in Westerville, Ohio, at \$303 for single coverage, \$485 for two party coverage and \$727 for family coverage.

The contracted employees portion of the City's premium amounts are capped by negotiated union contracts and cannot be increased except by negotiations. The contracted and non-contracted employee monthly portion of the premium is \$25 for single coverage, \$40 per two party coverage and \$60 for family coverage which is withheld from their biweekly payroll.

In addition, the City provides \$550 per year, per employee to be used by the employee for the reimbursement of dental and optical expenses upon presentation of a paid receipt for such services.

Life insurance is provided in full to full time employees in the amount of \$20,000 per employee.

The claims liability of \$32,930 reported in the internal service fund at December 31, 2003 is based on the requirements of GASB Statement 10 which requires that a liability for unpaid claims costs, including estimates for costs relating to incurred but not reported claims, be reported. Changes in the fund's claims liability amount for the last two years is as follows:

<u>Year</u>	<u>Beginning of Year</u>	<u>Claims</u>	<u>Payments</u>	<u>End of Year</u>
2003	\$ 110,500	\$ 361,742	\$ 439,312	\$ 32,930
2002	47,690	465,389	402,579	110,500

**NOTE 8 -- CAPITAL ASSETS**

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

	<u>Balance 12/31/02</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/03</u>
<b>Governmental Activities:</b>				
Land	\$ 869,909	\$ 15,000	\$ -	\$ 884,909
Buildings and Improvements	3,231,653	291,275	-	3,522,928
Machinery & Equipment	1,381,101	132,033	(27,600)	1,485,534
Infrastructure	-	537,317	-	537,317
Vehicles	<u>1,272,311</u>	<u>42,958</u>	<u>(6,725)</u>	<u>1,308,544</u>
Total Capital Assets	6,754,974	1,018,583	(34,325)	7,739,232
Less Accumulated Depreciation:				
Totals Accumulated				
Depreciation	<u>(1,657,940)</u>	<u>(338,857)</u>	<u>30,943</u>	<u>(1,965,854)</u>
Governmental Activities- Assets, Net	<u>\$ 5,097,034</u>	<u>\$ 679,726</u>	<u>\$ (3,382)</u>	<u>\$ 5,773,378</u>

**CITY OF UPPER SANDUSKY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**Business-Type Activities:**

**Water**

Land	\$ 612,422	\$ -	\$ -	\$ 612,422
Buildings and Improvements	1,345,552	-	-	1,345,552
Equipment and Machinery	569,806	28,911	-	598,717
Vehicles	62,200	-	(11,396)	50,804
Infrastructure	2,051,596	5,546,586	-	7,598,182
Construction In Progress	<u>3,770,563</u>	<u>(3,770,563)</u>	-	-
Total Capital Assets	8,412,139	1,804,934	(11,396)	10,205,677
Total Accum. Depreciation	<u>(1,462,585)</u>	<u>(202,574)</u>	<u>11,396</u>	<u>(1,653,763)</u>
Capital Assets, Net	<u>\$ 6,949,554</u>	<u>\$ 1,602,360</u>	<u>\$ -</u>	<u>\$ 8,551,914</u>

**Wastewater**

Land	\$ 270,820	\$ -	\$ -	\$ 270,820
Buildings and Improvements	3,870,501	-	-	3,870,501
Equipment and Machinery	556,545	143,289	-	699,834
Vehicles	87,049	-	-	87,049
Infrastructure	<u>5,790,583</u>	<u>562,813</u>	-	<u>6,353,396</u>
Total Capital Assets	10,575,498	706,102	-	11,281,600
Total Accum. Depreciation	<u>(2,056,286)</u>	<u>(186,897)</u>	-	<u>(2,243,183)</u>
Capital Assets, Net	<u>\$ 8,519,212</u>	<u>\$ 519,205</u>	<u>\$ -</u>	<u>\$ 9,038,417</u>

**Sanitation**

Machinery and Equipment	\$ 141,481	\$ -	\$ -	\$ 141,481
Vehicles	<u>491,454</u>	-	<u>(76,336)</u>	<u>415,118</u>
Total Capital Assets	632,935	-	(76,336)	556,599
Total Accum. Depreciation	<u>(341,942)</u>	<u>(70,607)</u>	<u>76,336</u>	<u>(336,213)</u>
Capital Assets, Net	<u>\$ 290,993</u>	<u>\$ (70,607)</u>	<u>\$ -</u>	<u>\$ 220,386</u>

\*Depreciation expense was charged to governmental functions as follows:

General Government:

Legislative	\$ 2,080
Judicial	16,251
Security of Persons and Property	22,418
Transportation	5,117
Leisure Time Activities	14,914
Unallocated Depreciation	<u>278,077</u>
Total Depreciation Expense	<u>\$ 338,857</u>

The City made a \$43,250 prior period adjustment to the governmental activities capital assets.

**CITY OF UPPER SANDUSKY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**NOTE 9 -- COMPENSATED ABSENCES**

The City accrues unpaid vacation and compensation time as it is earned and certain portions of sick leave pay as payment becomes probable.

Sick leave accumulates at the rate of .0575 hours of sick leave for each hour of work completed with a maximum of 80 hours per pay period. Sick leave is accumulated and may be converted into cash upon retirement with more than ten years of service at the rate of thirty percent for all employees of the police and fire department to a maximum of 600 hours and a maximum of 480 hours for all other personnel. Individuals leaving the employment of the City prior to retirement or at retirement with less than ten years of service lose their accumulated sick leave. At December 31, 2003, the maximum vested liability to the City for accumulated unpaid sick leave, assuming the city would have to pay all accumulated sick leave if the City ceased operations approximated \$120,793. A liability has been recognized in the accompanying financial statements for sick leave for only the employees who have ten years of service and are age 50 or older, or have thirty years with local government employment. A liability for accrued vacation and holidays of \$151,739 and accrued compensation time of \$2,533 have been recognized.

Vacation is accumulated based upon length of service as follows:

<u>Employee Service</u>	<u>Vacation Credit</u>
After 1 year	2 weeks
After 8 years	3 weeks
After 15 years	4 weeks
After 22 years	5 weeks

Vacation leave must be used within the current calendar year unless the employee is unable to use his vacation due to the operational needs of the City. Without this, such excess leave is eliminated from the employee's leave balance. In the case of death, termination, or retirement, an employee (or his estate) is paid for the unused vacation.

**NOTE 10 -- LONG TERM LIABILITIES**

	<u>Principal Outstanding 12/31/02</u>	<u>Additions</u>	<u>Retirements</u>	<u>Principal Balance 12/31/03</u>	<u>Amounts Due in One Year</u>
<b><u>Governmental Activities:</u></b>					
Powell Mortgage	\$ 26,250	\$ -	\$ 8,750	\$ 17,500	\$ 8,750
OWDA 1996 Sewer Construction; Matures 2014; 2.20%	364,798	-	24,527	340,271	25,068
OWDA Loan; Matures 2014; 2.20%	178,071	-	13,263	164,808	13,409
OWDA Sewer Construction and Separation; Matures 2014; 2.20%	357,990	-	28,378	329,612	29,006
OWDA WWTP Improvements; Matures 2015; 2.20%	909,021	-	68,669	840,352	70,188
OWDA Loan; Matures 2021; 4.65%	3,770,563	1,635,020	96,252	5,309,331	199,270



**CITY OF UPPER SANDUSKY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

OPWC Loan; Matures 2015; Interest Free	351,000	-	27,000	324,000	27,000
OPWC Loan; Matures 2023; Interest Free	14,900	207,880	-	222,780	11,139
Capital Leases	93,322	50,353	59,624	84,051	60,176
Compensated Absences Payable	<u>197,231</u>	<u>275,065</u>	<u>197,231</u>	<u>275,065</u>	<u>205,838</u>
Total Governmental Activities Debt	<u>\$ 6,263,146</u>	<u>\$ 2,168,318</u>	<u>\$ 523,694</u>	<u>\$ 7,907,770</u>	<u>\$ 649,844</u>

**Business-Type Activities:**

Capital Leases	\$ -	\$ 142,099	\$ 31,450	\$ 110,649	\$ 25,543
Compensated Absences Payable	<u>197,231</u>	<u>80,584</u>	<u>197,231</u>	<u>80,584</u>	<u>48,409</u>
Total Business-Type Debt	<u>\$ 197,231</u>	<u>\$ 222,683</u>	<u>\$ 228,681</u>	<u>\$ 191,233</u>	<u>\$ 73,952</u>

Outstanding general obligation notes consist of a WWTP Improvement issues. General obligation notes are a direct obligation of the City of Upper Sandusky for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the City.

The outstanding OWDA loans consist of loan agreements between the City and the Ohio Water Development Authority for the construction of sewer lines and a new reservoir. The loans will be paid off from City income taxes.

The annual requirements to amortized all bonded debts outstanding as of December 31, 2003, including total interest payments of \$3,512,073 are as follows:

<b>Year Ending December 31</b>	<b>OWDA Loans</b>	<b>OPWC Loans</b>	<b>Powell Mortgage</b>
2004	\$ 657,172	\$ 38,139	\$ 10,150
2005	658,192	38,139	9,450
2006	658,192	38,139	-
2007	658,193	38,139	-
2008	658,191	38,139	-
2009 - 2013	3,291,061	190,695	-
2014 - 2018	2,571,423	109,695	-
2019 - 2020	<u>1,341,923</u>	<u>55,695</u>	<u>-</u>
Less: Interest Expense	<u>(3,509,973)</u>	<u>-</u>	<u>(2,100)</u>
Total Principal	<u>\$ 6,984,374</u>	<u>\$ 546,780</u>	<u>\$ 17,500</u>

**CITY OF UPPER SANDUSKY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**NOTE 11 -- CAPITAL LEASES**

The City has entered into a lease agreement as lessee for financing the acquisition of a police, municipal court, and general office copiers, police cruisers and machinery for the Wastewater department. These lease agreements qualify as capital leases for accounting purposes (titles transferable at the end of the lease term) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of inception. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at December 31, 2003:

<u>Year</u> <u>Ending December 31</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
2004	\$ 65,169	\$ 31,450
2005	19,385	31,450
2006	4,367	31,450
2007	<u>1,575</u>	<u>31,450</u>
Total Minimum Lease Payments	90,496	125,800
Less Amount Representing Interest	<u>(6,445)</u>	<u>(15,151)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 84,051</u>	<u>\$ 110,649</u>

**NOTE 12 -- DEFINED BENEFIT PENSION PLANS**

The employees of the City of Upper Sandusky are covered by either the Ohio Public Employees Retirement System or the Ohio Police and Fireman's Disability and Pension Fund. The State of Ohio accounts for the activities of the retirement systems and the amounts of these funds are not reflected in the accompanying financial statements.

**Ohio Public Employees Retirement System (OPERS)**

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans. The Traditional Pension Plan (TP) is a cost-sharing multiple-employer defined benefit pension plan. The Member-Directed Plan (MD) is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The Combined Plan (CO) is a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement and disability, survivor and death benefits and annual cost of living adjustments to the Traditional Plan and Combined Plans. Members of the Member-Director Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code.

OPERS issues a stand alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The 2003 member contribution rates were 8.5% for members in classifications other than law enforcement. Members in law enforcement classification, which consists generally of sheriffs, deputy sheriffs and township police

**CITY OF UPPER SANDUSKY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

contributed 10.1%. The 2003 local government employer contribution rate was 13.55% of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rate was 16.7% of covered payroll. The City's contributions for pension obligations to OPERS for the years ended December 31, 2003, 2002, and 2001 were \$225,711, \$214,958, and \$178,576; respectively; 90.90% representing the paid contribution for 2003 and 100% for 2002 and 2001. \$20,546 representing the unpaid contribution for 2003, is recorded as an expenditure to the individual funds that incurred the costs.

**Ohio Police and Fireman's Disability and Pension Fund (OP&F)**

The City of Upper Sandusky contributes to the Ohio Police and Fireman's Disability and Pension Fund, a cost-sharing, multiple-employer defined benefit pension plan. OP&F 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 are codified in Chapter 742 of the Ohio Revised Code. The OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Police and Fireman's Disability and Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to OP&F for the years ending December 31, 2003, 2002 and 2001 were \$116,853, \$116,013, and \$105,276, respectively, equal to the required contributions for the year. 75.48% has been contributed for 2003 and 100 percent for 2002 and 2001. \$28,656 representing the unpaid contribution for 2003, is recorded as an expenditure to the individual funds that incurred the costs.

**NOTE 13 -- POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

**Ohio Public Employees Retirement System**

Ohio Public Employees Retirement System administers three separate pension plans: The Traditional Pension Plan (TP) is a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) is a defined contribution plan; and the Combined Plan (CO) is a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age and service retirees must have 10 or more years of qualifying Ohio Service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety with separate employee contribution rates and benefits. The 2004 employer contribution rate for local government employers was 13.55% of covered payroll, and 4.00% was used to fund health care for the year. For both public safety and law enforcement divisions, the 2004 employer rate was 16.70% and 4.00% was used to fund health care. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2002. An entry-age normal actuarial cost method of valuation is used in determining the

**CITY OF UPPER SANDUSKY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually. The investment assumption rate for 2002 was 8.0%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase 4% annually.

OPEBs are advance-funded on an actuarially determined basis. At year-end 2003, the number of active contributing participants in the Traditional and Combined Plans totaled 364,881. The City's contribution to fund postemployment benefits was \$66,631.

\$10.0 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2002. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

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

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

In response to the adverse investment returns experienced by OPERS from 2000 to 2002 and the continued staggering rate of health care inflation, the OPERS Board, during 2003, considered extending "Choices" type cost cutting measures to all active members and benefit recipients. As of this date, the Board has not determined the exact changes that will be made to the health care plan. However, changes to the plan are expected to be approved by the summer of 2004.

**Ohio Police and Firemen's Disability and Pension Fund**

The Ohio Police and Firemen's Disability and Pension Fund (OP&F) provides access to post retirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of the Police an Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firemen's employer contribution rate is 24% of covered payroll.

The Ohio Revised Code provides the statutory authority allowing the Fund's Board of Trustees to provide health care coverage to all eligible individuals.

**CITY OF UPPER SANDUSKY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75% of covered payroll in 2002 and 2003. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The number of participants eligible to receive health care benefits as of December 31, 2002, the date of the last actuarial valuation available, are 13,527 for police and 10,396 for firefighters.

The amount that the City contributed as the employer's share to pay postemployment benefits for 2003 was \$44,263.

The Fund's total health care expenses for the year ending December 31, 2002, the date of the last actuarial valuation was \$141,028,006, which was net of member contributions of \$12,623,875.

**NOTE 14 -- TRANSFERS**

The City transferred money from the water fund to the capital improvement fund for the purchase of enterprise capital assets. The City has complied with all applicable Ohio Revised Code laws and regulations.

**NOTE 15 -- CONTINGENT LIABILITIES**

**A. Federal and State Grants**

The City participates in several federally assisted programs. These programs are subject to financial and compliance audits by grantor agencies or their representative. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

**B. Litigation**

The City may be a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the law director the resolution of these matters will not have a material adverse effect on the financial condition of the City.

**NOTE 16 -- COMPLIANCE**

The City had various Ohio Revised Code noncompliance citations, which are explained in a separate section of this report.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Members of City Council  
City of Upper Sandusky  
119 North 7<sup>th</sup> Street  
Upper Sandusky, Ohio 43351

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 Upper Sandusky, Ohio as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 12, 2005, wherein we noted that the City implemented GASB Statement No. 34 and GASB Interpretation No. 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the City of Upper Sandusky, Ohio's internal control over financial reporting in order 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 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 internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements we audited may occur and not be detected within a timely period by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated October 12, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Upper Sandusky, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material affect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the Schedule of Findings as items 2003-Upp-01 through 2003-Upp-03.

We also noted other matters involving compliance that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated October 12, 2005.

This report is intended solely for the information and use of the management, and the City Council, and is not intended to be and should not be used by anyone other than these specified parties.

***Charles E. Harris and Associates, Inc.***

October 12, 2005

CITY OF UPPER SANDUSKY, OHIO  
 WYANDOT COUNTY  
 DECEMBER 31, 2003

Schedule of Findings and Questioned Costs

Finding Number	2003-Upp-01
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Section 5705.41(B), Ohio Revised Code states that no fund shall have expenditures plus encumbrances exceeding appropriations. In addition, Auditor of State Bulletin 97-010 requires budgetary compliance to be tested at the legal level of control. The City's legal level of control is the object level for all funds. The following fund/account had total expenditures plus encumbrances in excess of appropriations at the legal level of control:

	<u>Appropriations</u>	Expenditures Plus <u>Encumbrances</u>	<u>Amount</u>
<b><u>2003</u></b>			
Capital Projects Fund			
Engineering	\$100,000	\$156,932	\$(56,932)

Management agrees and will monitor appropriations and estimated resources in the future.

Finding Number	2003-Upp-02
----------------	-------------

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated fund resources from each fund as certified by the county budget commission. This section also provides that no appropriation measure shall become effective until the City obtains the County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources. The following funds had total appropriations in excess of estimated resources plus carryover balances:

	Revenue plus Carryover <u>Balances</u>	<u>Appropriations</u>	<u>Amount</u>
<b><u>2003</u></b>			
General Fund	\$4,213,783	\$4,671,410	\$(457,627)

Management agrees and will monitor appropriations and estimated resources in the future.



CITY OF UPPER SANDUSKY, OHIO  
WYANDOT COUNTY  
DECEMBER 31, 2003

Schedule of Findings and Questioned Costs – (continued)

Finding Number	2003-Upp-03
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Ohio Revised Code Section 5705.36 states that estimated receipts should not exceed actual receipts. The following funds had total estimated receipts in excess of actual receipts:

	<u>Estimated Receipts</u>	<u>Actual Receipts</u>	<u>Amount</u>
<b><u>2003</u></b>			
General Fund	\$4,096,325	\$4,024,428	\$(71,897)

Management agrees and will monitor appropriations and estimated resources in the future.

CITY OF UPPER SANDUSKY, OHIO  
 WYANDOT COUNTY  
 DECEMBER 31, 2003

Schedule of Prior Audit Findings

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No Longer Valid. Explain.
2002-Upp-001	Total expenditures plus encumbrances in excess of appropriations at legal level of control	No	Not corrected. Repeated as 2003-Upp-01.
2002-Upp-002	Appropriations in excess of estimated resources plus carryover balances	No	Not corrected. Repeated as 2003-Upp-02.
2002-Upp-003	Total estimated receipts in excess of actual receipts	No	Not corrected. Repeated as 2003-Upp-03.



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**CITY OF UPPER SANDUSKY**

**WYANDOT 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  
MAY 4, 2006**