



**Auditor of State  
Betty Montgomery**



**SANDUSKY COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Sandusky County  
100 N. Park Avenue, Suite A  
Fremont, Ohio 43420-2477

To the County Commissioners:

We have audited the accompanying general-purpose financial statements of Sandusky County (the County) as of and for the year ended December 31, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of Sandco Industries, a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Sandco Industries, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Sandco Industries were audited by the other auditors in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Sandusky County as of December 31, 2002, and the results of its operations and the cash flows of its proprietary fund types and discretely presented component units for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2003, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying federal awards expenditures schedule is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

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

**Betty Montgomery**  
Auditor of State

August 7, 2003

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**SANDUSKY COUNTY**

COMBINED BALANCE SHEET  
ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS  
DECEMBER 31, 2002

	Governmental Fund Types			Proprietary Fund Types		
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
<b>ASSETS AND OTHER DEBITS</b>						
<b>Assets:</b>						
Equity in pooled cash and cash equivalents	\$2,039,185	\$10,359,156	\$383,625	\$2,702,345	\$1,266,642	\$693,992
Investments		59,084				
Cash in segregated accounts						
Receivables (net of allowance for uncollectibles)						
Taxes	3,347,142	4,674,962				
Accounts	213,147	84,082		6,500	68,441	
Accrued interest	25,596					1,117
Special assessments		83,675	15,714		663	
Loans		100,167				
Advances to other funds	80,600			53,250		
Due from other governments	1,043,022	2,593,030				
Prepayments	81,553	102			831	
Materials and supplies inventory	46,073	273,538				
Property, plant and equipment						
Property, plant and equipment (net of accumulated depreciation where applicable)					10,354,420	
Investment in joint venture						
<b>Other debits:</b>						
Amount available in debt service fund for retirement of general long-term obligations						
Amount available in debt service fund for retirement of special assessment bonds						
Amount to be provided for retirement of general long-term obligations						
<b>Total assets and other debits</b>	<b>\$6,876,318</b>	<b>\$18,227,796</b>	<b>\$399,339</b>	<b>\$2,762,095</b>	<b>\$11,690,997</b>	<b>\$695,109</b>



Fiduciary Fund Types	Account Groups		Total Primary Government (Memorandum Only)	Component Units		Total Reporting Entity (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations		Sandco Industries	Convention and Visitors Bureau	
\$7,683,239			\$25,128,184			\$25,128,184
			59,084			59,084
223,119			223,119	\$65,796	\$720	289,635
			8,022,104			8,022,104
			372,170	64,975	14,782	451,927
			26,713			26,713
			100,052			100,052
			100,167			100,167
			133,850			133,850
422			3,636,474			3,636,474
			82,486	1,806	2,144	86,436
			319,611			319,611
	\$29,151,906		39,506,326		138,766	39,645,092
	2,515,121		2,515,121			2,515,121
		\$257,485	257,485			257,485
		126,140	126,140			126,140
		10,049,203	10,049,203			10,049,203
<b>\$7,906,780</b>	<b>\$31,667,027</b>	<b>\$10,432,828</b>	<b>\$90,658,289</b>	<b>\$132,577</b>	<b>\$156,412</b>	<b>\$90,947,278</b>

(Continued)

**SANDUSKY COUNTY**

COMBINED BALANCE SHEET  
ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS  
DECEMBER 31, 2002  
(Continued)

	Governmental Fund Types			Proprietary Fund Types		
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>						
<b>Liabilities:</b>						
Accounts payable	140,289	852,780		550	2,503	
Contracts payable		149,727		428,351		
Accrued wages and benefits	198,727	227,346			11,047	
Compensated absences payable	104,321	57,804			72,762	
Advances from other funds		53,250		70,600	10,000	
Deferred revenue	3,088,763	6,481,237	15,714		2,001	
Due to other governments	76,140	85,618			16,986	
Deposits held and due to others						
Accrued interest payable				889	2,367	
Claims and judgments payable						
Bond anticipation notes payable				775,000		
Undistributed monies						
General obligation bonds payable					320,000	
Special assessment debt with government commitment						
Notes payable						
OPWC loan payable						
OWPC loan payable						
Capital lease obligation payable						
<b>Total liabilities</b>	<b>3,608,240</b>	<b>7,907,762</b>	<b>15,714</b>	<b>1,275,390</b>	<b>437,666</b>	
<b>Equity and other credits:</b>						
Investment in general fixed assets						
Net assets						
Retained earnings: Unreserved					11,253,331	695,109
Fund Balances:						
Reserved for encumbrances	234,156	437,342		1,398,962		
Reserved for materials and supplies inventory	46,073	273,538				
Reserved for loans receivable		100,167				
Reserved for advances	80,600			53,250		
Reserved for prepayments	81,553	102				
Reserved for debt service			383,625			
Reserved for external investment pool participants						
Reserved for long-term investment in Sandusky County bonds		59,084				
Unreserved - undesignated	2,825,696	9,449,801		34,493		
<b>Total equity and other credits</b>	<b>3,268,078</b>	<b>10,320,034</b>	<b>383,625</b>	<b>1,486,705</b>	<b>11,253,331</b>	<b>695,109</b>
<b>Total liabilities, equity, and other credits</b>	<b>\$6,876,318</b>	<b>\$18,227,796</b>	<b>\$399,339</b>	<b>\$2,762,095</b>	<b>\$11,690,997</b>	<b>\$695,109</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

Fiduciary Fund Types	Account Groups		Total Primary Government (Memorandum Only)	Component Units		Total Reporting Entity (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations		Sandco Industries	Convention and Visitors Bureau	
			\$996,122	\$2,631		\$998,753
			578,078			578,078
			437,120	7,263		444,383
		\$2,174,586	2,409,473			2,409,473
			133,850			133,850
			9,587,715			9,587,715
		159,173	337,917			337,917
\$223,119			223,119			223,119
			3,256			3,256
115,694			115,694			115,694
			775,000			775,000
5,172,843		6,135,000	5,172,843			5,172,843
			6,455,000			6,455,000
		59,084	59,084			59,084
					\$104,454	104,454
		354,408	354,408			354,408
		1,543,714	1,543,714			1,543,714
		6,863	6,863			6,863
5,511,656		10,432,828	29,189,256	9,894	104,454	29,303,604
	\$31,667,027		31,667,027			31,667,027
			11,948,440	122,683	51,958	174,641
			2,070,460			11,948,440
			2,070,460			2,070,460
			319,611			319,611
			100,167			100,167
			133,850			133,850
			81,655			81,655
			383,625			383,625
2,312,374			2,312,374			2,312,374
			59,084			59,084
82,750			12,392,740			12,392,740
2,395,124	31,667,027		61,469,033	122,683	51,958	61,643,674
<b>\$7,906,780</b>	<b>\$31,667,027</b>	<b>\$10,432,828</b>	<b>\$90,658,289</b>	<b>\$132,577</b>	<b>\$156,412</b>	<b>\$90,947,278</b>

**SANDUSKY COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUND, AND  
DISCRETELY PRESENTED COMPONENT UNIT  
FOR THE YEAR ENDED DECEMBER 31, 2002

	Governmental Fund Types	
	General	Special Revenue
<b>Revenues:</b>		
Property and other taxes	\$2,375,739	\$3,787,791
Sales taxes	5,768,097	163,149
Charges for services	2,348,375	1,724,725
Licenses and permits	5,800	
Fines and forfeitures	535,379	83,804
Intergovernmental	2,118,599	16,923,012
Special assessments		88,546
Investment income	702,576	54,863
Rental income		
Other	1,169,208	1,628,122
Total revenues	15,023,773	24,454,012
<b>Expenditures:</b>		
Current:		
General government:		
Legislative and executive	3,980,126	796,659
Judicial	2,456,446	543,885
Public safety	5,512,705	2,051,693
Public works	109,484	4,169,302
Health	107,798	194,470
Human services	1,624,686	16,432,122
Economic development and assistance		1,282,447
Travel and tourism promotion		
Supporting services		
Other	352,477	
Capital outlay		
Intergovernmental	193,900	
Debt service:		
Principal retirement	134,406	
Interest and fiscal charges	7,521	
Advance refunding escrow		
Bond issuance costs		
Total expenditures	14,479,549	25,470,578
Excess of revenues over (under) expenditures	544,224	(1,016,566)
<b>Other financing sources (uses):</b>		
Payment to refunded bond escrow agent		
Proceeds of refunding bonds		
Proceeds of loans		
Operating transfers in	224,156	284,264
Operating transfers out	(477,754)	(475,822)
Total other financing sources (uses)	(253,598)	(191,558)
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	290,626	(1,208,124)
Fund balances, January 1 (restated)	3,055,245	11,493,720
Increase (decrease) in reserve for inventory	(77,793)	34,438
<b>Fund balances, December 31</b>	<b>\$3,268,078</b>	<b>\$10,320,034</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

Governmental Fund Types		Fiduciary Fund Type	Total Primary Government (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
			\$6,163,530
			5,931,246
			4,073,100
			5,800
			619,183
	\$1,097,175		20,138,786
\$40,982	2,400		131,928
	2,692		760,131
9,000			9,000
451,531	412,533		3,661,394
501,513	1,514,800		41,494,098
			4,776,785
			3,000,331
			7,564,398
			4,278,786
			302,268
			18,056,808
			1,282,447
14,382	91,906		458,765
	3,501,205		3,501,205
			193,900
309,166	57,114		500,686
283,818	76,279		367,618
2,002,704			2,002,704
161,502			161,502
2,771,572	3,726,504		46,448,203
(2,270,059)	(2,211,704)		(4,954,105)
(3,748,498)			(3,748,498)
3,917,159	2,500,000		6,417,159
	239,892		239,892
1,776,248	614,703		2,899,371
(42,153)	(208,958)		(1,204,687)
1,902,756	3,145,637		4,603,237
(367,303)	933,933		(350,868)
750,928	552,772	\$82,750	15,935,415
			(43,355)
<b>\$383,625</b>	<b>\$1,486,705</b>	<b>\$82,750</b>	<b>\$15,541,192</b>

**SANDUSKY COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2002

	<b>General</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Property and other taxes	\$2,373,245	\$2,375,739	\$2,494
Sales taxes	5,839,999	5,835,867	(4,132)
Charges for services	2,209,450	2,273,003	63,553
Licenses and permits	4,590	5,800	1,210
Fines and forfeitures	512,500	535,035	22,535
Intergovernmental	2,116,654	2,118,943	2,289
Special assessments			
Investment income	718,000	710,511	(7,489)
Rental income			
Other	56,115	134,700	78,585
Total revenues	<u>13,830,553</u>	<u>13,989,598</u>	<u>159,045</u>
<b>Expenditures:</b>			
Current:			
General government:			
Legislative and executive	4,196,943	4,018,474	178,469
Judicial	2,641,497	2,567,029	74,468
Public safety	6,171,471	5,692,134	479,337
Public works	110,025	109,484	541
Health	109,449	108,415	1,034
Human services	1,765,228	1,624,724	140,504
Economic development and assistance			
Other	387,675	337,335	50,340
Capital outlay			
Intergovernmental	193,900	193,900	
Debt service:			
Principal retirement			
Interest and fiscal charges			
Advance refunding escrow			
Bond issuance costs			
Total expenditures	<u>15,576,188</u>	<u>14,651,495</u>	<u>924,693</u>
Excess of revenues over (under) expenditures	<u>(1,745,635)</u>	<u>(661,897)</u>	<u>1,083,738</u>
<b>Other financing sources (uses):</b>			
Proceeds of bonds			
Proceeds of loans			
Proceeds of notes			
Payment to refunded bond escrow agent			
Advances in		5,000	5,000
Operating transfers in	701,000	701,156	156
Operating transfers out	(703,296)	(989,754)	(286,458)
Other financing sources	930,715	1,035,056	104,341
Other financing uses	(53,821)	(52,783)	1,038
Total other financing sources (uses)	<u>874,598</u>	<u>698,675</u>	<u>(175,923)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(871,037)</u>	<u>36,778</u>	<u>907,815</u>
Fund balance, January 1	1,365,333	1,365,333	
Prior year encumbrances appropriated.	177,369	177,369	
<b>Fund balance, December 31</b>	<b><u>\$671,665</u></b>	<b><u>\$1,579,480</u></b>	<b><u>\$907,815</u></b>

Special Revenue			Debt Service		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$3,569,311	\$3,787,791	\$218,480			
163,000	163,060	60			
1,454,560	1,690,439	235,879			
75,000	81,116	6,116			
18,579,693	15,439,952	(3,139,741)			
130,000	116,306	(13,694)	\$40,218	\$40,982	\$764
1,049,085	1,130,448	81,363	3,197	9,000	5,803
25,020,649	22,409,112	(2,611,537)	527,162	451,531	(75,631)
			570,577	501,513	(69,064)
939,276	851,143	88,133			
653,547	559,556	93,991			
2,267,422	1,942,083	325,339			
4,495,143	4,224,021	271,122			
236,874	214,596	22,278			
19,469,835	16,782,333	2,687,502			
1,603,809	1,479,676	124,133			
			5,395	14,382	(8,987)
			978,784	1,109,166	(130,382)
			330,316	300,971	29,345
			2,002,704	2,002,704	
				161,502	(161,502)
29,665,906	26,053,408	3,612,498	3,317,199	3,588,725	(271,526)
(4,645,257)	(3,644,296)	1,000,961	(2,746,622)	(3,087,212)	(340,590)
				3,910,000	3,910,000
			762,610	775,000	12,390
				(3,748,498)	(3,748,498)
36,000	1,009,264	973,264	1,613,804	1,783,407	169,603
(695,291)	(1,207,981)	(512,690)			
1,735,800	1,923,433	187,633			
1,076,509	1,724,716	648,207	2,376,414	2,719,909	343,495
(3,568,748)	(1,919,580)	1,649,168	(370,208)	(367,303)	2,905
10,402,738	10,402,738		750,928	750,928	
938,207	938,207				
<b>\$7,772,197</b>	<b>\$9,421,365</b>	<b>\$1,649,168</b>	<b>\$380,720</b>	<b>\$383,625</b>	<b>\$2,905</b>

(Continued)

**SANDUSKY COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2002  
 (Continued)

	<b>Capital Projects</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Property and other taxes			
Sales taxes			
Charges for services			
Licenses and permits			
Fines and forfeitures			
Intergovernmental	\$346,706	\$1,097,175	\$750,469
Special assessments	2,449	2,400	(49)
Investment income	6,910	6,910	
Rental income			
Other	866,333	359,998	(506,335)
Total revenues	<u>1,222,398</u>	<u>1,466,483</u>	<u>244,085</u>
<b>Expenditures:</b>			
Current:			
General government:			
Legislative and executive			
Judicial			
Public safety			
Public works			
Health			
Human services			
Economic development and assistance			
Other			
Capital outlay	4,716,825	4,933,771	(216,946)
Intergovernmental			
Debt service:			
Principal retirement	57,114	57,114	
Interest and fiscal charges	58,237	58,237	
Advance refunding escrow			
Bond issuance costs			
Total expenditures	<u>4,832,176</u>	<u>5,049,122</u>	<u>(216,946)</u>
Excess of revenues over (under) expenditures	<u>(3,609,778)</u>	<u>(3,582,639)</u>	<u>27,139</u>
<b>Other financing sources (uses):</b>			
Proceeds of bonds	2,500,000	2,500,000	
Proceeds of loans		239,892	239,892
Proceeds of notes			
Payment to refunded bond escrow agent			
Advances in			
Operating transfers in	570,992	573,050	2,058
Operating transfers out	(210,866)	(209,458)	1,408
Other financing sources	22,000	21,999	(1)
Other financing uses		(91,906)	(91,906)
Total other financing sources (uses)	<u>2,882,126</u>	<u>3,033,577</u>	<u>151,451</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(727,652)</u>	<u>(549,062)</u>	<u>178,590</u>
Fund balance, January 1	1,308,675	1,308,675	
Prior year encumbrances appropriated.	61,934	61,934	
<b>Fund balance, December 31</b>	<b><u>\$642,957</u></b>	<b><u>\$821,547</u></b>	<b><u>\$178,590</u></b>

*The notes to the general-purpose financial statements are an integral part of this statement.*



**Total (Memorandum Only)**

<b>Revised Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
\$5,942,556	\$6,163,530	\$220,974
6,002,999	5,998,927	(4,072)
3,664,010	3,963,442	299,432
4,590	5,800	1,210
587,500	616,151	28,651
21,043,053	18,656,070	(2,386,983)
172,667	159,688	(12,979)
724,910	717,421	(7,489)
3,197	9,000	5,803
2,498,695	2,076,677	(422,018)
<b>40,644,177</b>	<b>38,366,706</b>	<b>(2,277,471)</b>
5,136,219	4,869,617	266,602
3,295,044	3,126,585	168,459
8,438,893	7,634,217	804,676
4,605,168	4,333,505	271,663
346,323	323,011	23,312
21,235,063	18,407,057	2,828,006
1,603,809	1,479,676	124,133
393,070	351,717	41,353
4,716,825	4,933,771	(216,946)
193,900	193,900	
1,035,898	1,166,280	(130,382)
388,553	359,208	29,345
2,002,704	2,002,704	
	161,502	(161,502)
<b>53,391,469</b>	<b>49,342,750</b>	<b>4,048,719</b>
<b>(12,747,292)</b>	<b>(10,976,044)</b>	<b>1,771,248</b>
2,500,000	6,410,000	3,910,000
	239,892	239,892
762,610	775,000	12,390
	(3,748,498)	(3,748,498)
	5,000	5,000
2,921,796	4,066,877	1,145,081
(1,609,453)	(2,407,193)	(797,740)
2,688,515	2,980,488	291,973
(53,821)	(144,689)	(90,868)
<b>7,209,647</b>	<b>8,176,877</b>	<b>967,230</b>
(5,537,645)	(2,799,167)	2,738,478
13,827,674	13,827,674	
1,177,510	1,177,510	
<b>\$9,467,539</b>	<b>\$12,206,017</b>	<b>\$2,738,478</b>

**SANDUSKY COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002

	<b>Proprietary Fund Types</b>	
	<b>Enterprise</b>	<b>Internal Service</b>
<b>Operating revenues:</b>		
Charges for services	\$2,071,053	\$36,399
County hotel/motel tax		
Other	134,973	
	2,206,026	36,399
Total operating revenues		
<b>Operating expenses:</b>		
Personal services	1,298,807	
Contractual services	375,566	26,319
Materials and supplies	290,870	
Depreciation	336,313	
Claims expense		193,981
Other	493,222	
	2,794,778	220,300
Total operating expenses		
Operating loss	(588,752)	(183,901)
<b>Nonoperating revenues (expenses):</b>		
Interest expense	(33,259)	
Taxes	641,827	
Intergovernmental	51,130	
Interest and dividend income		16,154
	659,698	16,154
Total nonoperating revenues		
Net income (loss) before operating transfers	70,946	(167,747)
Operating transfers in	15,990	
Operating transfers out	(1,710,674)	
	(1,623,738)	(167,747)
Net income (loss)		
Retained earnings, January 1	12,877,069	862,856
<b>Retained earnings, December 31</b>	<b>\$11,253,331</b>	<b>\$695,109</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

Total Primary Government (Memorandum Only)	Component Unit Convention and Visitors Bureau	Total Reporting Entity (Memorandum Only)
\$2,107,452	\$18,805	\$2,126,257
	175,722	175,722
134,973		134,973
<u>2,242,425</u>	<u>194,527</u>	<u>2,436,952</u>
1,298,807	93,551	1,392,358
401,885		401,885
290,870	8,281	299,151
336,313	3,897	340,210
193,981		193,981
493,222	81,163	574,385
<u>3,015,078</u>	<u>186,892</u>	<u>3,201,970</u>
<u>(772,653)</u>	<u>7,635</u>	<u>(765,018)</u>
(33,259)	(5,394)	(38,653)
641,827		641,827
51,130	25,000	76,130
16,154	201	16,355
<u>675,852</u>	<u>19,807</u>	<u>695,659</u>
(96,801)	27,442	(69,359)
15,990		15,990
<u>(1,710,674)</u>		<u>(1,710,674)</u>
(1,791,485)	27,442	(1,764,043)
13,739,925	24,516	13,764,441
<u><b>\$11,948,440</b></u>	<u><b>\$51,958</b></u>	<u><b>\$12,000,398</b></u>

**SANDUSKY COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<b>Proprietary Fund Types</b>	
	<b>Enterprise</b>	<b>Internal Service</b>
<b>Cash flows from operating activities:</b>		
Cash received from sales/service charges	\$2,479,742	\$36,659
Cash received from other operations	142,883	
Cash payments for personal services	(1,721,562)	
Cash payments for contract services	(431,570)	(26,319)
Cash payments for materials and supplies	(246,570)	
Cash payments for claims expense		(193,981)
Cash payments for other expenses	(501,773)	
Net cash used in operating activities	<u>(278,850)</u>	<u>(183,641)</u>
<b>Cash flows from noncapital financing activities:</b>		
Cash received from taxes	641,827	
Cash received from nonoperating grants	51,130	
Advances out to other funds	(5,000)	
Transfers in from other funds	107,203	
Transfers out to other funds	(1,801,887)	
Net cash used in noncapital financing activities	<u>(1,006,727)</u>	
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets	(15,364)	
Principal payments - capital lease	(3,768)	
Interest payments - capital lease	(104)	
Principal retirement	(60,000)	
Interest and fiscal charges	(33,525)	
Net cash used in capital and related financing activities	<u>(112,761)</u>	
<b>Cash flows from investing activities:</b>		
Interest received		16,771
Net cash provided by investing activities		<u>16,771</u>
Net decrease in cash and cash equivalents	(1,398,338)	(166,870)
Cash and cash equivalents at January 1	2,664,980	860,862
<b>Cash and cash equivalents at December 31</b>	<b><u>\$1,266,642</u></b>	<b><u>\$693,992</u></b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss	(\$588,752)	(\$183,901)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	336,313	
Changes in assets and liabilities:		
Increase in other assets		
Decrease in materials and supplies inventory	71,139	
Decrease in intergovernmental receivable		
Decrease in accounts receivable	416,599	260
Decrease in prepayments	920	
Decrease in accounts payable	(92,314)	
Decrease in accrued wages and benefits	(65,056)	
Decrease in compensated absences payable	(246,038)	
Decrease in line of credit		
Decrease/increase in due to other governments	(103,505)	
Decrease in due to other funds	(8,156)	
<b>Net cash used in operating activities</b>	<b><u>(\$278,850)</u></b>	<b><u>(\$183,641)</u></b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

Total Primary Government (Memorandum Only)	Component Unit Convention and Visitors Bureau	Total Reporting Entity (Memorandum Only)
\$2,516,401	\$160,940	\$2,677,341
142,883	18,805	161,688
(1,721,562)	(95,568)	(1,817,130)
(457,889)		(457,889)
(246,570)	(19,429)	(265,999)
(193,981)		(193,981)
(501,773)	(81,163)	(582,936)
(462,491)	(16,415)	(478,906)
641,827		641,827
51,130	25,000	76,130
(5,000)		(5,000)
107,203		107,203
(1,801,887)	78	(1,801,809)
(1,006,727)	25,078	(981,649)
(15,364)	(30,448)	(45,812)
(3,768)		(3,768)
(104)		(104)
(60,000)	(3,046)	(63,046)
(33,525)	(5,394)	(38,919)
(112,761)	(38,888)	(151,649)
16,771	123	16,894
16,771	123	16,894
(1,565,208)	(30,102)	(1,595,310)
3,525,842	30,822	3,556,664
<b>\$1,960,634</b>	<b>\$720</b>	<b>\$1,961,354</b>
(\$772,653)	\$7,635	(\$765,018)
336,313	3,897	340,210
71,139	(2,106)	(2,106)
416,859	3,071	416,859
920		920
(92,314)	(3,988)	(96,302)
(65,056)	(975)	(66,031)
(246,038)		(246,038)
(103,505)	(21,398)	(21,398)
(8,156)	(2,551)	(106,056)
(8,156)		(8,156)
<b>(\$462,491)</b>	<b>(\$16,415)</b>	<b>(\$478,906)</b>

## SANDUSKY COUNTY

### STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS DISCRETELY PRESENTED COMPONENT UNIT FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Component Unit</u>
	<u>Sandco Industries</u>
<b>Operating revenues:</b>	
Workshop	\$463,436
Job station	40,099
In-kind contributed services	<u>204,074</u>
Total operating revenues	<u>707,609</u>
<b>Operating expenses:</b>	
Program expenses	620,616
Support services expenses	<u>108,801</u>
Total operating expenses	<u>729,417</u>
Decrease in net assets from operations	<u>(21,808)</u>
<b>Nonoperating revenues:</b>	
Interest and dividend income	2,144
Donations	673
Miscellaneous income	2,266
Activities	3,479
Recycling	<u>1,302</u>
Total nonoperating revenues	<u>9,864</u>
Decrease in net assets	(11,944)
Net assets, January 1	<u>134,627</u>
<b>Net assets, December 31</b>	<b><u><u>\$122,683</u></u></b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

**SANDUSKY COUNTY**

STATEMENT OF CASH FLOWS  
DISCRETELY PRESENTED COMPONENT UNIT  
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Component Unit</u>
	<u>Sandco Industries</u>
<b>Cash flows from operating activities:</b>	
Change in net assets	<u>(\$11,944)</u>
<b>Adjustments to reconcile change in net assets to net cash used in operating activities:</b>	
Changes in assets and liabilities:	
Increase in accounts receivable	(6,557)
Increase in prepayments	(1,219)
Decrease in accounts payable	(2,104)
Increase in accrued wages and benefits	<u>3,937</u>
Net cash used in operating activities	<u>(17,887)</u>
<b>Cash flows from investing activities:</b>	
Investments in certificates of deposits	<u>(29,303)</u>
Net cash used in investing activities	<u>(29,303)</u>
Net decrease in cash and cash equivalents	(47,190)
Cash and cash equivalents at January 1	<u>83,683</u>
<b>Cash and cash equivalents at December 31</b>	<b><u><u>\$36,493</u></u></b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

**SANDUSKY COUNTY**

STATEMENT OF CHANGES IN NET ASSETS  
INVESTMENT TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Fiduciary Fund Type</u>
	<u>Investment Trust</u>
<b>Operations:</b>	
Interest revenue	<u>\$70,440</u>
Distributions to participants	<u>(21,294)</u>
<b>Capital transactions:</b>	
Purchase of investments	457,272
Proceeds of investments sold	<u>(699,596)</u>
Decrease from capital transactions	<u>(242,324)</u>
Decrease in net assets	(193,178)
Net assets, January 1	<u>2,505,552</u>
<b>Net assets, December 31</b>	<b><u><u>\$2,312,374</u></u></b>

*The notes to the general-purpose financial statements are an integral part of this statement.*



## SANDUSKY COUNTY

### NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

#### NOTE 1 - DESCRIPTION OF THE COUNTY

Sandusky County, Ohio, (the County) was created in 1820. The County is governed by a board of three commissioners elected by the voters of the County. Other officials elected by the voters of the County, and who manage various segments of the County's operations are the Auditor, Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, three Common Pleas Court Judges, and a Probate/Juvenile Court Judge.

Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body, and the chief administrators of public services for the entire County.

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the County. For Sandusky County, this includes the Sandusky County Board of Mental Retardation and Developmental Disabilities (MRDD); the Children Services Board; and other departments and activities that are directly operated by the elected County officials.

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

The general-purpose financial statements (GPFS) of the County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The County applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the County's accounting policies are described below.

##### A. Reporting Entity

The County's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity". The financial statements include all funds, account groups, agencies, boards, commissions, and component units for which the County and the County Commissioners are "accountable". Accountability as defined in GASB Statement No. 14 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the County and whether exclusion would cause the County's general-purpose financial statements to be misleading or incomplete.

Among the factors considered were separate legal standing; appointment of a voting majority of PCU's board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the County. Responsibility was evaluated on the basis of financial dependence and the manifestations of oversight exercised by the Commissioners. Among the factors considered were budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the County, obligation of the County to finance any deficits that may occur, reliance of the organization on continuing subsidies from the County, selection of governing authority, and designation of management.

Based on the foregoing criteria, the financial activities of the following PCU's are reflected in the accompanying financial statements:

## SANDUSKY COUNTY

### NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002 (Continued)

#### DISCRETELY PRESENTED COMPONENT UNITS

##### Sandco Industries

Sandco Industries (Sandco) is a legally separate, not-for-profit corporation, served by a self-appointed Board of Trustees. Sandco, under contractual agreement with the Sandusky County Board of Mental Retardation and Developmental Disabilities (MRDD), provides sheltered, transitional, and outside employment for mentally retarded or handicapped adults in the County. The County Board of MRDD provides Sandco with available resources and staff for operation of Sandco. Based on the significant resources and services provided by the County to Sandco and Sandco sole purpose of providing assistance to retarded and handicapped adults of the County, Sandco is reflected as a component unit of the County and is presented as a proprietary fund type.

Financial information may be obtained from Sandco Industries, 1101 Castalia Road, Fremont, Ohio 43420.

Sandco is a non-governmental not-for-profit organization. Sandco prepares its financial statements according to Financial Accounting Standards Board (FASB) Statement No. 117, "Financial Statements of Not-For-Profit Organizations". The preparation of these financial statements required the use of estimates by management.

##### Convention and Visitors Bureau

The Convention and Visitors Bureau (the Visitors Bureau) is a legally separate, not-for-profit corporation, served by a twelve member Board of Trustees. The Bureau provides travel and tourism services to residents and non-residents of the County. The Bureau primarily exists to bring visitors into the County. Based on the primary source of revenue coming from the County and eleven of the twelve board members are appointed by the County Commissioners, the Bureau is reflected as a component unit of the County. Financial information may be obtained from the Convention and Visitors Bureau, 712 North Street, Fremont, Ohio 43420.

The Bureau is a governmental not-for-profit organization. The Bureau prepares its financial statements in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Bureau also applies Financial Accounting Standard Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements.

#### POTENTIAL COMPONENT UNITS REPORTED AS AGENCY FUNDS

The County Treasurer, as the custodian of public funds, invests all public monies held on deposit in the County treasury. In the case of the separate agencies, boards and commissioners listed below, the County serves as fiscal agent but is not financially accountable for their operations. Accordingly, the activity of the following entities is presented as agency funds within the general-purpose financial statements:

## SANDUSKY COUNTY

### NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

(Continued)

- Sandusky County Regional Planning Commission.
- Family and Children First Council.
- Sandusky County Soil and Water Conservation District.
- Sandusky County Park District.
- Sandusky County General Health District.
- Sandusky County Emergency Management Agency.
- Wightman Conservancy District.
- Sandusky County Law Library.

The County is associated with certain organizations which are defined as Joint Ventures with Equity Interest, a Shared Risk Pool, and an Insurance Purchasing Pool, as follows:

#### JOINT VENTURES WITH EQUITY INTEREST

##### Ottawa, Sandusky, and Seneca County Solid Waste District

The County is a member of the Joint Solid Waste District (the District), which is a joint venture between Ottawa, Sandusky, and Seneca Counties. The purpose of the District is to make disposal of waste in the three-county area more comprehensive in terms of recycling, incinerating, and landfilling. The District was created in 1989. The District is governed and operated by the three counties and its existence is dependent upon the continued participation of the counties. A nine member Board of Directors, comprised of three commissioners from each county, are responsible for the District's financial matters. Financial records are maintained by the Sandusky County Auditor. The Ottawa County Commissioners budget for the District with Board approval.

The District's sole revenue source is derived from a waste disposal fee for in-district and out-of-district waste. A twenty-one member policy committee, comprised of seven members from each county and one at-large member appointed by the Board of Directors, is responsible for preparing the solid waste management plan of the District in conjunction with a sixteen-member technical advisory council (members appointed by the policy committee). The County's investment in this joint venture is \$525,330. Financial information can be obtained from the Sandusky County Auditor, 100 North Park Avenue, Fremont, Ohio 43420.

##### Sandusky County - Seneca County - City of Tiffin Port Authority

The Port Authority is a joint venture between Sandusky County, Seneca County, and the City of Tiffin. The Port Authority was created for the purpose of operating a railroad line from the Village of Woodville in Sandusky County to the City of Tiffin Seneca County. The Port Authority is governed by a Board of Directors appointed by the participating governments. All operating costs of the railroad line are paid from charges to the shippers utilizing the railroad line. In May 1990, non-interest revenue bonds were issued by the Port Authority to purchase 25.1 miles of railroad. Principal and interest payments on the debt will be paid from the operating revenues of the railroad line.

Upon dissolution of the railroad, any real and personal property will be returned to the government from which it was received; any remaining personal property will be distributed equally among the participants after payment of all expenses and outstanding debt. The County's investment in this joint venture is \$671,007. Financial information can be obtained from the Sandusky County - Seneca County - City of Tiffin Port Authority, James Supance, Chairman, P.O. Box 767, Tiffin, Ohio 44883.

## SANDUSKY COUNTY

### NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002 (Continued)

#### Mental Health and Recovery Services

The Mental Health and Recovery Services (MHRS) is a joint venture between Seneca, Sandusky, and Wyandot Counties and are dependent upon the continued participation of the three counties. The MHRS provides mental health education, consultation, training, and referral services to residents of the participating counties. The MHRS is governed by an eighteen member board; ten members are appointed by the county commissioners from the participating counties, four members are appointed by the State Department of Mental Health, and four members are appointed by the State Department of Alcohol and Drug Addiction Services. The County's investment in this joint venture is \$1,318,784. Financial records are maintained by the Seneca County Auditor.

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

#### SHARED RISK POOL

##### County Risk Sharing Authority, Inc. (CORSA)

The County Risk Sharing Authority, Inc. is a jointly governed organization among forty-one counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the Board. No county may have more than one representative on the Board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the Board of Trustees.

CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The total amount of certificates issued by CORSA for the forty-one participating counties is \$1,645,000.

Financial statements may be obtained by contacting the County Commissioners Association of Ohio in Columbus, Ohio.

#### INSURANCE PURCHASING POOL

##### County Commissioners Association of Ohio Workers' Compensation Group Rating Plan

The County is participating in a group rating plan for workers' compensation as established under § 4123.29 of the Ohio Revised Code. The County Commissioners Association of Ohio Service Corporation (CCAOSC) was established through the County Commissioners

## SANDUSKY COUNTY

### NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

(Continued)

Association of Ohio (CCAO) as a group purchasing pool. A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee consists of seven members. Two members are the president and treasurer of CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at a meeting held in the month of December each year. No participant can have more than one member of the group executive committee in any year, and each elected member shall be a county commissioner.

#### RELATED ORGANIZATION

##### Sandusky County Airport Authority

The Sandusky County Airport Authority was created by resolution of the County Commissioners under the authority of Chapter 308 of the Ohio Revised Code. The Airport Authority is governed by a five member board of trustees appointed by the County Commissioners. The Board of Trustees has the authority to exercise all of the powers and privileges provided under the law. These powers include the ability to sue or be sued in its corporate name; the power to establish and collect rates, rentals, and other charges; the authority to acquire, construct, operate, manage, and maintain airport facilities; the authority to buy and sell real and personal property; and the authority to issue debt for acquiring or constructing any facility or permanent improvement. The Airport Authority serves as custodian of its own funds and maintains all records and accounts independent of the County.

#### **B. Basis of Presentation - Fund Accounting**

The accounts of the County are maintained on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, as appropriate; and revenues, and expenditures or expenses, as appropriate.

The County uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain County functions or activities.

A fund is defined as a fiscal and accounting entity with a self balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. For financial statement presentation purposes, the various funds of the County are grouped into the following generic fund types under the broad fund categories of governmental, proprietary and fiduciary.

## SANDUSKY COUNTY

### NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002 (Continued)

#### GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the County are financed. The acquisition, use and balances of the County's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the County's governmental fund types:

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

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditure for specified purposes.

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

Capital Projects Funds - The capital projects funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

#### PROPRIETARY FUND TYPES

The proprietary fund types are used to account for the County's ongoing activities which are similar to those found in the private sector. The following are the County's proprietary fund types:

Enterprise Funds - The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges, or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds - The internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the County on a cost-reimbursement basis.

#### FIDUCIARY FUND TYPES

The fiduciary fund types are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The following are the County's fiduciary fund types:

Expendable Trust Fund - The expendable trust fund is accounted for in essentially the same manner as governmental funds.

## SANDUSKY COUNTY

### NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002 (Continued)

Agency Funds - The agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. Agency funds are presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other funds, would be subject to accrual.

Investment Trust Fund - The investment trust fund, a fiduciary fund, represents an arrangement whereby the County government commingles the moneys of more than one legally separate entity, and invests, on the participants' behalf, in an investment portfolio.

#### ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - The general fixed assets account group is used to account for all fixed assets of the County, other than those fixed assets accounted for in the enterprise funds.

General Long-Term Obligations Account Group - The general long-term obligations account group is used to account for all long-term debt of the County, except that accounted for in the enterprise funds.

#### COMPONENT UNITS

Component Units - Component units are either legally separate organizations for which the elected officials of the County are not financially accountable, or legally separate organizations for which the nature and significance of its relationship with the County is such that exclusion would not cause the County's financials statements to be misleading or incomplete.

#### **C. Measurement Focus and Basis of Accounting**

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and the investment trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Governmental funds and the expendable trust fund use the modified accrual basis of accounting. Proprietary and investment trust funds use the accrual basis of accounting. Agency funds are presented on a budgetary basis, with note

## SANDUSKY COUNTY

### NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002 (Continued)

disclosure, regarding items which, in another fund type, would be subject to accrual. Differences between the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the reporting of expenses and expenditures.

#### REVENUES - EXCHANGE AND NON-EXCHANGE TRANSACTIONS

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

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements and donations. On the accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place (See Note 7). Revenue from property taxes is recognized. Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

#### DEFERRED REVENUE

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

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of December 31, 2002, but which were levied to finance year 2003 operations, have been recorded as deferred revenues. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On the modified accrual basis of accounting, 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. On the modified accrual basis of accounting,



## SANDUSKY COUNTY

### NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

(Continued)

expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

#### **D. Budgetary Data**

The budgetary process is prescribed by provisions of the Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, legally are required to be budgeted and appropriated.

Budgetary information for Sandco and the Visitors Bureau is not reported because it is not included in the entity for which the "appropriated budget" is adopted, and does not itself maintain budgetary financial records.

The legal level of budgetary control is at the object level within each department. Although statutes require that all funds be budgeted, it is not necessary to do so if the County Commissioners do not anticipate expenditure of the available funds.

Segregated cash accounts are not included in the budgetary presentation because they are not controlled by the County Commissioners and the departments do not adopt separate budgets. Advances-in and advances-out are not required to be budgeted since they represent a cash flow resource. Budgetary modifications may only be made by resolution of the County Commissioners.

Tax Budget - A budget of estimated revenues 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. The budget includes proposed expenditures and the means of financing for all funds. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

Estimated Resources - The County Budget Commission reviews estimated revenues and determine if the budget substantiates a need to levy all or part of previously authorized taxes. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the estimated beginning fund balance and the projected revenue of each fund. Prior to December 31, the County must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal 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 amended further during the year if the County Auditor determines, and the Budget Commission agrees, that an estimate needs either to be increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2002.

## SANDUSKY COUNTY

### NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

(Continued)

Appropriations - A temporary appropriation resolution to control expenditures may be passed on or around January 1 of each year for the period January 1 to March 31. An annual appropriation resolution must be passed by April 1 of each year for the period January 1 to December 31. The appropriation resolution fixes the spending authority at the fund, program, department, and object level. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified.

The allocation of appropriations among departments and objects within a fund may be modified during the year only by a resolution of the Commissioners. Several supplemental appropriation resolutions were legally enacted by the County Commissioners during the year. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Budgeted Level of Expenditures - Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for the purposes other than those designated in the appropriation resolution without authority from the Commissioners. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation. Commissioners' appropriations are made to fund, department and object level (e.g., General Fund, Commissioners, salaries, supplies, equipment, contract repairs, travel expenses, maintenance, other expenses, etc.).

Encumbrances - As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

On the GAAP basis, encumbrances outstanding at year-end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds. Note 19 provides for governmental funds, a reconciliation of the budgetary-basis and GAAP-basis of accounting.

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 fiscal year and is not reappropriated.

#### **E. Cash and Investments**

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

During fiscal year 2002, investments were limited to STAR Ohio, federal agency securities, certificates of deposits, Small Business Association loans, Sandusky County bonds and repurchase agreements. 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 and certificates of deposit are reported at cost.

## SANDUSKY COUNTY

### NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002 (Continued)

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 December 31, 2002.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 2002 amounted to \$702,576 which includes \$645,344 assigned from other County funds.

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

For purpose of the combined statement of cash flows and for presentation on the combined 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 County are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments, to the extent the investments were purchased from a specific fund rather than the pool.

#### F. External Investment Pool

By statute, the County serves as fiscal agent for various legally separate entities. The County pools the moneys of these entities with the County's moneys for investment purposes. The County cannot allocate its investments between the internal and external investment pools. The external investment pool is not registered with the SEC as an investment company. The fair value of investments is determined annually. The pool does not issue shares. Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of the interest that it earns. The fair value of investments for both the internal and external investment pools are disclosed in Note 4, "Equity in Pooled Cash and Investments". Condensed financial information for the investment pool follows:

Assets:	
Cash	\$ 9,390,666
Investments	<u>15,737,518</u>
Total assets	<u>\$ 25,128,184</u>
Net assets held in trust for participants	
Internal portion	\$ 22,815,810
External portion	<u>2,312,374</u>
Net assets available to pool participants	<u>\$ 25,128,184</u>

## SANDUSKY COUNTY

### NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002 (Continued)

#### Statement of Changes in Net Assets For the Year Ended December 31, 2002

Revenue:	
Interest income	\$ 921,738
Total revenue	<u>921,738</u>
Net increase in assets resulting from operations:	
Contributions from participants	<u>1,137,011</u>
Capital transactions:	
Proceeds of investments sold	(7,139,026)
Purchase of investments	<u>4,666,234</u>
Total decrease in net assets	(414,043)
Net assets at January 1, 2002	<u>25,542,227</u>
Net assets at December 31, 2002	<u>\$ 25,128,184</u>

#### G. Materials and Supplies Inventory

Inventories of governmental funds are stated at cost while inventories of enterprise funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as an expense in the proprietary fund types when used. Reported supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

#### H. Prepayments

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefiting from the advance payment. At year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

#### I. Property, Plant, Equipment and Depreciation

The fixed asset values were initially determined at December 31, 1993 by assigning original acquisition costs when such information was available. In cases where supporting documentation was not available, the acquisition cost was estimated by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at fair market value on the date donated. The County maintains a capitalization threshold of \$500 for both general fixed assets and enterprise fund fixed assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized; however, improvements which extend the useful life or increase the capacity or operating efficiency are capitalized at cost and depreciated, if applicable, over the remaining useful lives of the related fixed assets.

## SANDUSKY COUNTY

### NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002 (Continued)

General Fixed Assets - General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group at historical cost or estimated historical cost. Assets in the general fixed assets account group are not depreciated.

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized or reported, as these assets are immovable and of value only to the County.

Enterprise Fund Fixed Assets - Property, plant, and equipment reflected in the enterprise funds are stated at historical cost (or estimated historical cost) and are updated for the cost of additions and retirements during the year.

Depreciation is provided on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Buildings	20 - 40
Sewer and water lines	70
Vehicles	5
Machinery and equipment	5 - 15

Capitalization of Interest - Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The County's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from temporary investment of the debt proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. There was no interest capitalized during the year.

#### **J. Long-term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, and contractually required pension contributions are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases and long-term loans are recognized as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary fund.

#### **K. Compensated Absences**

Compensated absences of the County consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered

## SANDUSKY COUNTY

### NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002 (Continued)

and are not contingent on a specific event that is outside the control of the County and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. The County records a liability for accumulated unused sick leave after fifteen years of service with the County or over fifty years of age.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments.

The current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

#### **L. Reserves of Fund Equity**

The County records reservations for portions of fund balance which are legally segregated for specific future use or which do not represent available, spendable resources and, therefore, are not available for expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, materials and supplies inventory, prepayments, advances, debt service, loans receivable, long-term investment in Sandusky County bonds and external investment pool participants.

#### **M. Interfund Transactions**

During the course of normal operations, the County has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Nonrecurring and nonroutine permanent transfers of equity are reported as residual equity transfers.
3. Reimbursements from one fund to another (quasi-external transactions) are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Amounts outstanding at year-end are reported on the combined balance sheet as due to/from other funds.

## SANDUSKY COUNTY

### NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002 (Continued)

4. Short-term interfund loans are reported as interfund loans receivable or payable on the combined balance sheet.
5. Long-term interfund loans that will not be repaid within the next fiscal year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of interfund transactions is presented in Note 5.

#### **N. Estimates**

The preparation of GPFS in conformity with GAAP 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.

#### **O. Total Columns on General-Purpose Financial Statements**

Total Columns on the GPFS are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

When the title of the statement indicates that a component unit is included, two total columns are presented. The first is captioned "primary government" to indicate that only those activities that comprise the County's legal entity have been included. The second is captioned "reporting entity" and includes operations of the County's legally separate discretely presented component unit (See Note 2.A.). The total column on statements which do not include the component unit have no additional caption.

### **NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

#### **A. Prior Period Adjustments**

At December 31, 2002, the County reported special assessment bonds payable in the amount of \$59,084 and OPWC loans payable in the amount of \$354,408. These liabilities were presented as components of the general long-term obligations account group, which had a balance of \$9,991,375 at December 31, 2001. However, a prior period adjustment is necessary in order to properly state these liabilities as of January 1, 2002. Special assessment bonds payable have been restated to \$79,685 and OPWC loans payable have been restated to \$234,996, adjusting the general long-term obligations account group balance to \$9,992,399 as of January 1, 2002.

The amount of special assessment bonds is also reported as an investment in the Ditch Maintenance fund. Therefore, a prior period adjustment is also necessary in order to properly state investments in the special revenue fund at January 1, 2002. The effect of this restatement is as follows:

**SANDUSKY COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)

	Special Revenue Fund Type
Fund balance as of December 31, 2001	\$ 11,472,702
Effect of restatement	21,018
Restated fund balance at January 1, 2002	\$ 11,493,720

The effect on prior year's net income is immaterial.

**B. Agency Fund Accruals**

The following are material receivables in agency funds, which would be recognized on the combined balance sheet in other fund types:

Real and other taxes receivable	\$ 28,177,542
Special assessments receivable	390,650
Due from other governments	1,348,930
Accounts receivable	175,495
Total	\$ 30,092,617

**C. Deficit Retained Earnings/Fund Balances**

Fund balances at December 31, 2002 included the following individual fund deficits:

	Deficit Fund Balances
Capital Projects Funds:	
Sunny Acres Construction	\$ 101,892
County Courts 1 and 2 Renovation	727,463
Special Revenue Funds:	
Common Pleas Special Project	33,912
Youth Services Subsidy	1,111
Pre Partnership Grant	15,000
Juvenile Advocate Grant	335
Genesis Program	3,997

These deficits are caused by the application of GAAP, and will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at December 31.

**D. Compliance**

Contrary to Ohio Law, the County did not obtain an increase/reduced amended certificate of estimated resources for several funds as of June 30, 2002 and December 31, 2002. Also for the same period, the County had expenditures that exceeded appropriations.



## SANDUSKY COUNTY

### NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002 (Continued)

During the year ended December 31, 2002, the County did not consistently certify the availability of funds prior to a commitment being incurred.

Contrary to Ohio Law, the County approved transfers between funds without the required approval from the Tax Commissioner and the Court of Common Pleas.

#### **E. Correction of an Error**

The Sandusky County Convention and Visitors Bureau, a discretely presented component unit of Sandusky County, was erroneously presented as a governmental type fund rather than a proprietary fund for the year ended December 31, 2001. As such, the previous report did not include the statement of cash flows for the Convention and Visitors Bureau. The current year financial statements properly present the Convention and Visitors Bureau as a proprietary fund and include the statement of cash flows.

#### **NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS**

##### **A. Primary Government**

Moneys held by the County are classified by State Statute into two categories. Active moneys are public moneys determined to be necessary to meet current demand upon the County treasury. Active moneys must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys deposited with the institution.

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

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

## SANDUSKY COUNTY

### NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002 (Continued)

4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

*Cash on Hand:* At year-end, the County had \$933 in undeposited cash on hand. This amount is included in cash amounts reported on the combined balance sheet, but is not considered part of the County's carrying amount of deposits, reported below.

*Cash in Segregated Accounts:* At year-end, \$367,837 was on deposit in segregated accounts used by various County departments, and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the combined balance sheet as "Equity in Pooled Cash, Cash Equivalents and Investments".

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

*Deposits:* At year-end, the carrying amount of the County's deposits was \$9,435,860 and the bank balance was \$10,851,211. Both amounts include non-negotiable certificates of deposit, cash with fiscal agents, and cash in segregated accounts. Of the bank balance:

## SANDUSKY COUNTY

### NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002 (Continued)

1. \$958,578 was covered by federal depository insurance.
2. \$9,892,633 was uninsured and uncollateralized as defined by GASB even though it was covered by collateral held by third party trustees pursuant to Section 135.81, Ohio Revised Code. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

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

	Category 1	Category 2	Category 3	Carrying Value	Fair Value
U. S. Government agency securities	\$ -	\$ 4,094,995	\$ -	\$ 4,094,995	\$ 4,094,995
Small Business Association loans	-	-	81,194	81,194	81,194
Special assessment bonds	59,084	-	-	59,084	59,084
Repurchase agreements	-	-	7,388,563	7,388,563	7,388,563
Investments not subject to categorization:					
Investment in STAR Ohio	-	-	-	4,349,758	4,349,758
<b>Total Investments</b>	<b>\$ 59,084</b>	<b>\$ 4,094,995</b>	<b>\$ 7,469,757</b>	<b>\$ 15,973,594</b>	<b>\$ 15,973,594</b>

The U.S. Government Agency securities have maturity dates ranging from April, 2003 to August, 2007. The SBA Loans mature in November, 2011, and May, 2012. See Note 12 for a schedule of maturity dates for the Special Assessment Bond.

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

A reconciliation between the classifications of cash and cash equivalents and investments on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

**SANDUSKY COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$ 25,351,303	\$ 59,084
Investments of the cash management pool:		
Repurchase agreement	(7,388,563)	7,388,563
U.S. Government agency securities	(4,094,995)	4,094,995
Small Business Associations loans	(81,194)	81,194
Investment in Star Ohio	(4,349,758)	4,349,758
Cash on hand	(933)	-
	<u>\$ 9,435,860</u>	<u>\$ 15,973,594</u>
GASB Statement No. 3	<u>\$ 9,435,860</u>	<u>\$ 15,973,594</u>

**B. Component Unit**

At year-end, the carrying amount of Sandco and the Visitors Bureau cash and deposits was \$65,796 and \$758, respectively. All deposits were covered by federal depository insurance. There are no significant statutory restrictions regarding the deposit and investment of funds by the not-for-profit corporations.

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at December 31, 2002 consist of the following individual fund loans which are long-term in nature (outstanding greater than one year):

	Advances To Other Funds	Advances From Other Funds
General Fund	\$ 80,600	\$ -
Special Revenue Fund		
Common Pleas Special Project	-	53,250
Capital Projects Fund		
New Juvenile Detention Center	-	5,600
County Courts 1 and 2 Renovation	-	65,000
Permanent Improvement	53,250	-
Enterprise Fund		
Sanitary Sewer	-	10,000
Total	<u>\$ 133,850</u>	<u>\$ 133,850</u>

- B. A reconciliation of the County's operating transfers for 2002 is as follows:

**SANDUSKY COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
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(Continued)

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 224,156	\$ 477,754
Special Revenue Funds		
Human Services	261,764	-
Hazardous Waste Disposal	-	41,907
County Court Computer Legal Research	20,000	-
County Court Facilities	-	87,139
Title Administration	-	26,225
Electronic Monitoring	-	20,000
Clerk of Courts Computerization	2,500	-
Mental Retardation/Development Disability	-	551
Fort Stephenson Senior Center	-	300,000
Total Special Revenue Funds	<u>284,264</u>	<u>475,822</u>
Debt Service Funds		
Various Purpose Bond Retirement	1,628,766	27,894
Special Assessment Bond Retirement	147,482	14,259
Total Debt Service Funds	<u>1,776,248</u>	<u>42,153</u>
Capital Projects Funds		
Sunny Acres Construction	27,894	-
Permanent Improvements	302,058	-
County Courts 1 and 2 Renovation	50,642	-
School of Hope Construction	551	-
Pump Station Phase 1	20,023	-
Sewer Pump Station	2,492	-
Shorewood Phase II	3,884	-
Ditch Construction	7,159	8,527
New Juvenile Detention Center	200,000	200,431
Total Capital Projects Funds	<u>614,703</u>	<u>208,958</u>
Enterprise Funds		
County Home	-	1,588,917
Sanitary Sewer	15,990	121,757
Total Enterprise Funds	<u>15,990</u>	<u>1,710,674</u>
Total	<u>\$ 2,915,361</u>	<u>\$ 2,915,361</u>

**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the County. Real property taxes and public utility taxes are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35 percent of appraised market value. Public utility real and personal property taxes are assessed on tangible personal property, as well as land and improvements, at true value, although certain personal property is assessed of 88 percent of true value. Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25 percent of true value. The full tax rate for all County operations applied to real property for fiscal

## SANDUSKY COUNTY

### NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002 (Continued)

year ended December 31, 2002 was \$7.10 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property upon which 2001 tax receipts were collected are as follows:

Real property	
Residential/agricultural	\$ 653,389,670
Commercial/industrial/mineral	155,189,110
Personal property	
Public utility real	326,330
Public utility personal	48,619,140
Tangible personal property	<u>163,493,408</u>
Total assessed value	<u>\$ 1,021,017,658</u>

Real property taxes are payable annually or semi-annually. The first payment is due December 31, and the remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

Tangible personal property taxes for unincorporated and single county businesses may be paid annually or semi-annually. If paid annually, payment is due April 30. If paid semi-annually, the first payment is due April 30 and the remainder payable by September 20. Due dates are normally extended an additional 45 days. The due date for the entire tax for inter-county businesses is September 20 or the extended date. The first \$10,000 of taxable value is exempt from taxation for each business by state law. The lien date is either December 31 or the end of their fiscal year (for incorporated businesses in operation more than one year). Since each business files a return to the County Auditor, the tangible personal taxes are not known until all the returns are received.

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County.

"Real and Other Taxes" receivable represents delinquent real and tangible personal property and public utility taxes outstanding as of the last settlement and real and public utility taxes which were measurable as of the year-end.

Since the current levy is not intended to finance 2003 operations, the receivable is offset by a credit to "Deferred Revenue". The delinquent real, public utility, and tangible personal property taxes that will become available to the County within the first 60 days of 2003 are shown as 2002 revenue; the remainder are shown as "Deferred Revenue".

The eventual collection of significantly all real and public utility property taxes (both current and delinquent) is reasonably assured due to the County's ability to force foreclosure of the properties on which the taxes are levied.

#### **NOTE 7 - PERMISSIVE SALES AND USE TAX**

In 1979, the County Commissioners, by resolution, imposed a 0.5 percent tax on all retail sales made in the County, except sales of motor vehicles. In 1989, the percentage increased to 1 percent. The tax included the storage, use, or consumption of tangible personal property in the County, including motor vehicles not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the

**SANDUSKY COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)

twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

Proceeds of the tax are credited entirely to the general and special revenue funds. Amounts that are measurable and available at year-end are accrued as revenue. Permissive sales and use tax revenue totaled \$5,931,246 in 2002.

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2002, consisted of taxes, interest, special assessments, accounts (billings for user charged services, including unbilled utility services), and intergovernmental receivables arising from grants and shared revenues. All receivables are considered collectible in full. Delinquent accounts receivable may be certified and collected as a special assessment, subject to foreclosure for nonpayment. Any underpayment of benefits due the public assistance and child support enforcement agency special revenue funds are not reflected on the financial statements. These amounts were not available at the time of the preparation of these statements. A summary of principal receivables follows:

Fund/Description	Amount
General Fund	
Taxes	\$ 3,347,142
Accounts	213,147
Due from other governments	1,043,022
Special Revenue Funds	
Taxes	4,674,962
Loans	100,167
Due from other governments	2,593,030
Accounts	84,082

**NOTE 9 - LOANS RECEIVABLE**

The County, through the Community Development Block Grant program, makes low-interest or interest-free loans to small businesses in the County. The activity for these loans is accounted for in the Revolving Loan special revenue fund. The following is a summary of the changes in the loans receivable during 2002.

Balance of loans receivable, 12/31/01	\$ 107,047
Principal payments received in 2002	(6,880)
Loans issued in 2002	-
Net loans receivable, 12/31/02	\$ 100,167

**NOTE 10 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at December 31, 2002 follows:

**SANDUSKY COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)

Land/buildings	\$ 5,503,260
Sewer and water lines	7,765,375
Vehicles	179,212
Machinery/equipment	1,109,770
Construction in progress	47,312
Contributed capital:	
Sewer and water lines	2,140,489
Total	16,745,418
Less: accumulated depreciation	(6,390,998)
Total net assets	\$ 10,354,420

A summary of the changes in general fixed assets during 2002 follows:

	Balance at 01/01/02	Additions	Deletions	Balance at 12/31/02
Land/buildings	\$ 17,708,219	\$ -	\$ -	\$ 17,708,219
Vehicles	3,668,722	203,656	(94,582)	3,777,796
Machinery/equipment	5,689,797	172,212	(68,398)	5,793,611
Construction in progress	902,606	1,832,233	(862,559)	1,872,280
Total general fixed assets	\$ 27,969,344	\$ 2,208,101	\$ (1,025,539)	\$ 29,151,906

**NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE**

In prior years, and in the current year, the County has entered into a capital lease agreement for equipment. This lease meets the criteria of a capital lease as defined by FASB Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Equipment and vehicles acquired by lease have been capitalized in the general fixed assets account group in the amount of \$404,663, and in the enterprise funds in the amount of \$19,312. These amounts equal the present value of the future minimum lease payments at the time of acquisition. At inception, capital lease transactions are accounted for as a capital outlay expenditure or fixed asset addition and other financing source or non-operating revenue in the appropriate fund, and a corresponding liability was recorded in the general long-term obligations account group or enterprise fund.

Principal payments in 2002 totaled \$134,406 in the general fund. Capital lease payments in governmental funds have been reclassified on the financial statements to reflect debt principal and interest retired. These payments are reported as program expenditures on the budgetary statement.

Principal payments in 2002 totaled \$3,768 in the enterprise funds. These expenses are reported as function expenses on a budgetary basis.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of December 31, 2002:



**SANDUSKY COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)

Year Ending December 31,	GLTOAG
2003	\$ 7,244
Total future minimum lease payments	7,244
Less: amount representing interest	(381)
Present value of future minimum lease payments	\$ 6,863

**NOTE 12 – LONG-TERM OBLIGATIONS**

A. The following is a summary of the changes in the County's long-term obligations during 2002:

	Interest Rate	Restated Balance 01/01/02	Additions	Reductions	Balance 12/31/02
<b><u>General Long-Term Obligations:</u></b>					
<u>General Obligation Bonds:</u>					
County Service Building - 1994	3.5-6.25%	\$ 3,400,000	\$ -	\$ (3,400,000)	\$ -
Various Purpose Refunding - 1996	4.4-7.90%	1,935,000	-	(1,935,000)	-
Various Purpose/Improvement and Refunding - 2002	2.25-5%	-	6,410,000	(275,000)	6,135,000
Total General Obligation Bonds		5,335,000	6,410,000	(5,610,000)	6,135,000
<u>Special Assessment Bonds:</u>					
Devries Ditch	5.00%	20,483	-	(2,926)	17,557
Dibert Ditch	5.50%	535	-	(184)	351
Wahl Ditch	5.50%	-	7,159	(2,386)	4,773
C.E. Wolfe Ditch	5.00%	737	-	(246)	491
Eva Haar Ditch	5.50%	3,168	-	(3,168)	-
Township road 55 Ditch	6.00%	6,323	-	(2,107)	4,216
Lewis Saam Joint County Ditch	6.00%	10,739	-	(3,580)	7,159
Lewis Saam Joint County Ditch	6.00%	34,125	-	(11,375)	22,750
Bowe Ditch	5.00%	3,575	-	(1,788)	1,787
Total Special Assessment Bonds		79,685	7,159	(27,760)	59,084
<u>Ohio Public Works Commission Loans:</u>					
Sunny Acres Sewer Improvements	N/A	47,352	-	(2,492)	44,860
Rice Township Sewer Improvements - Phase II	N/A	128,111	-	(6,406)	121,705
Rice/Sandusky Sewer Improvements	N/A	59,533	128,310	-	187,843
Total OPWC Loans		234,996	128,310	(8,898)	354,408

## SANDUSKY COUNTY

### NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002 (Continued)

Ohio Water Pollution Control Loans:

Sandusky/Rice Joint Sewer Improvement	4.16%	1,108,720	-	(39,277)	1,069,443
Sunny Acres Sewer Improvements	4.16%	324,134	-	(11,483)	312,651
Rice Township/Shorewood Sewer Improvement	3.64%	53,900	-	(1,940)	51,960
Route 53 Area Sewers	3.64%	-	111,582	(1,922)	109,660
<b>Total OWPC Loans</b>		<u>1,486,754</u>	<u>111,582</u>	<u>(54,622)</u>	<u>1,543,714</u>

Other Long-term Obligations:

Compensated absences payable	\$ 2,246,828	\$ -	\$ (72,242)	\$ 2,174,586
Due to other governments	467,867	-	(308,694)	159,173
Capital lease payable	141,269	-	(134,406)	6,863
<b>Total Other Long-term Obligations</b>	<u>2,855,964</u>	<u>-</u>	<u>(515,342)</u>	<u>2,340,622</u>
<b>Total General Long-term Obligations</b>	<u>\$ 9,992,399</u>	<u>\$ 6,657,051</u>	<u>\$ (6,216,622)</u>	<u>\$ 10,432,828</u>

Enterprise Funds Obligations:

General Obligation Bonds:

Sewer District #1 - 1980	9.00%	\$ 380,000	\$ -	\$ (60,000)	\$ 320,000
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Other long-term obligations:

Capital Lease Obligation	3,768	-	(3,768)	-
<b>Total Enterprise Fund Obligations</b>	<u>\$ 383,768</u>	<u>\$ -</u>	<u>\$ (63,768)</u>	<u>\$ 320,000</u>

- B.** The 1994 County Service Building Bonds were issued to pay for the construction of a building for the Department of Human Services and related offices. The bonds are retired with general resources of the County. Interest is payable on June and December 1 each year with principal payments due in December.

The 1996 Various Purpose Refunding Bonds were issued to advance refund the County's outstanding Various Purpose Improvement Bonds, dated February 15, 1989. The Series 1989 Bonds had an outstanding principal amount of \$3,290,000 at the time of refunding. This refunded debt is considered defeased (in-substance); accordingly, it has been removed from the general long-term obligations account group.

In 2002, the County issued \$6,410,000 in general obligation various purpose improvement refunding bonds. \$3,910,000 of the proceeds of these bonds were used to advance refund the 1994 County Service Building bonds and the 1996 various purpose refunding bonds. These proceeds were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the advance refunded debt. The advance refunding bonds are not included in the County's outstanding debt since all future obligations have been satisfied through the advance refunding. The remaining \$2,500,000 of the proceeds will be used to construct a new Juvenile Detention Center.

The County entered into three debt financing arrangements through the Ohio Public Works Commission (OPWC) to fund sewer improvements. The amounts due to the OPWC are payable solely from operating revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2002, the County has outstanding borrowings of \$354,408

## SANDUSKY COUNTY

### NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002 (Continued)

in the capital projects funds. The loan agreements require semi-annual payments based on the actual amount loaned. The OPWC loans are interest free.

The County entered into four debt financing arrangements through the OhioWater Pollution Control Loan Fund (OWPCLF) to fund sewer improvements. The amounts due to the OWDA are payable solely from operating revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2002, the County has outstanding borrowings of \$1,543,714 in the capital projects funds. The loan agreements require semi-annual payments based on the actual amount loaned.

The 1980 Sewer District Improvement Bonds are general obligation revenue bonds, which are supported by the full faith and credit of the County. These bonds were issued to pay for the costs of improving the Sewer District #1. The bonds are retired with revenues from the sanitary engineer enterprise fund. Interest is payable on June and December 1 of each year with principal payments due in December.

Special assessment bonds will be paid from the proceeds of special assessments levied against the property owners who are primarily benefited from the project. In the event that property owners fail to make their payments, the County is responsible for providing the resources to meet annual principal and interest payments.

Capital leases will be paid from the fund that maintains custody of the related asset. The compensated absences liability will be paid from the fund from which the employees' salaries are paid.

- C. The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors should not exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and unvoted net debt of the County less the same exempt debt should not exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000.

The effects of the debt limitations described above at December 31, 2002 are an overall debt margin of 18,274,066 and an unvoted debt margin of \$4,458,802, both of which include available funds of \$383,625.

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

**SANDUSKY COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
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Year Ended December 31,	General Obligation Bonds	OPWC Loans	Special Assessment Bonds	Total
2003	\$ 551,428	\$ 19,291	\$ 27,806	\$ 598,525
2004	542,873	19,291	24,615	586,779
2005	539,023	19,291	3,608	561,922
2006	524,123	19,291	3,457	546,871
2007	523,798	19,291	3,219	546,308
2008-2012	2,497,408	96,455	3,072	2,596,935
2013-2017	2,313,453	96,455	-	2,409,908
2018-2022	<u>1,475,142</u>	<u>65,043</u>	<u>-</u>	<u>1,540,185</u>
Total Payments	8,967,248	354,408	65,777	9,387,433
Less: interest	<u>(2,832,248)</u>	<u>-</u>	<u>(6,693)</u>	<u>(2,838,941)</u>
Total Principal	<u>\$ 6,135,000</u>	<u>\$ 354,408</u>	<u>\$ 59,084</u>	<u>\$ 6,548,492</u>

The loan agreement with the Ohio Water Pollution Control in the amount of \$1,543,714 is for projects in progress, thus no final debt schedule is available as of December 31, 2002.

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

Year Ended December 31,	Principal on General Obligation Bonds	Interest on General Obligation Bonds	Total
2003	\$ 40,000	\$ 28,800	\$ 68,800
2004	40,000	25,200	65,200
2005	40,000	21,600	61,600
2006	40,000	18,000	58,000
2007	40,000	14,400	54,400
2008-2010	<u>120,000</u>	<u>21,600</u>	<u>141,600</u>
Total	<u>\$ 320,000</u>	<u>\$ 129,600</u>	<u>\$ 449,600</u>

**NOTE 13 - NOTES PAYABLE**

The County had the following general obligation bond anticipation notes outstanding at December 31, 2002:

	Issue Date	Balance at 1/1/2002	Issued	Reductions	Balance at 12/31/2002
Capital Projects Funds					
County Court Facilities	12/05/02	\$ 135,000	\$ 110,000	\$ (135,000)	\$ 110,000
County Court Facilities	12/05/02	<u>665,000</u>	<u>665,000</u>	<u>(665,000)</u>	<u>665,000</u>
Total Capital Projects Funds		<u>\$ 800,000</u>	<u>\$ 775,000</u>	<u>\$ (800,000)</u>	<u>\$ 775,000</u>

**SANDUSKY COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
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During the fiscal year, on December 5, 2002, the County issued \$775,000 in bond anticipation notes. These notes are general obligations of the County, for which the full faith and credit of the County is pledged for repayment. Current operating funds will provide the source of repayment. This note is a fund liability in the capital projects fund.

**NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The County maintains two enterprise funds to account for nursing home care and waste disposal services. Segment information as of and for the year ended December 31, 2002 is as follows:

	County Home	Sanitary Sewer	Total
Operating revenues	\$ 1,343,002	\$ 863,024	\$ 2,206,026
Operating expenses before depreciation	1,848,295	610,170	2,458,465
Depreciation expense	142,170	194,143	336,313
Operating income/(loss)	(647,463)	58,711	(588,752)
Operating transfers in	-	15,990	15,990
Operating transfers out	(1,588,917)	(121,757)	(1,710,674)
Net loss	(1,543,527)	(80,211)	(1,623,738)
Fixed assets:			
Acquisitions	-	15,364	15,364
Disposals	-	(12,853)	(12,853)
Net working capital	663,097	629,309	1,292,406
Total assets	3,536,340	8,154,657	11,690,997
Long-term liabilities:			
General obligation bonds	-	320,000	320,000
Compensated absences	-	72,762	72,762
Advances from other funds	-	10,000	10,000
Total fund equity	3,515,702	7,737,629	11,253,331
Encumbrances outstanding at December 31, 2002 (budget basis)	4,575	17,887	22,462

**NOTE 15 - RISK MANAGEMENT**

**A. General Insurance**

The County is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2002, the County contracted with County Risk Sharing Authority (CORSA) for liability, property and crime insurance. The CORSA program has a \$2,500 deductible. Coverages provided by CORSA are as follows:

Type of Coverage	Amount
General Liability (per occurrence)	\$ 1,000,000
Law Enforcement Liability (per occurrence)	1,000,000

**SANDUSKY COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
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Automobile Liability and Physical Damage	
Liability (per occurrence)	1,000,000
Medical payments	
Per Person	5,000
Per Occurrence	50,000
Uninsured Motorist (per person)	250,000
Physical Damage	Actual Cost
Flood (pool limit)	100,000,000
Earthquake (pool limit)	100,000,000
Property	58,946,527
Other Property Insurance:	
EDP Extra Expense	50,000
Extra Expense	1,000,000
EDP Media	100,000
911 Equipment	225,000
Contractor's Equipment	1,250,000
Money and Securities	1,000,000
Valuable Papers and Records	1,000,000
Motor Truck Cargo	100,000
Crime Insurance:	
Faithful Performance	1,000,000

With the exceptions of health insurance, life insurance, and workers' compensation, all insurance is held with CORSA (see Note 2). There has been no significant reduction in coverage from 1999, and settled claims have not exceeded limits of coverage in the past three years. The County pays all elected officials' bonds in accordance with statute.

**B. Health and Vision Insurance**

The County provides comprehensive health and vision insurance coverage to its employees through a traditionally funded plan. Effective January 1, 2001, the County switched from being self-insured for health and vision benefits to obtaining full coverage from an outside insurance carrier. The County purchases commercial health insurance coverage through Community Health Plan of Ohio. The County pays 87 percent of the monthly premium while the employee pays 13 percent. The entire risk of loss transfers to the commercial insurance carrier. The County's monthly premium requirement under each plan is as follows:

	Family Coverage	Single Coverage
Low co-pay option	\$ 502.93	\$ 198.00
Select one option	603.79	237.71

**C. Insurance Purchasing Pool**

For 2002, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (see Note 2). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the

**SANDUSKY COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
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State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to counties that can meet the Plan's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

The County may withdraw from the Plan if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal, and any participant leaving the Plan allows representatives of the Plan to access loss experience for three years following the last year of participation.

In prior years, the County paid the State Workers' Compensation System using a retrospective rating plan. The County continues to pay claims resulting from this plan. The activity is accounted for in an internal service fund. The claims activity for the past two fiscal periods is as follows:

Year	Beginning	Current Year	Claims	Ending
Liability	Balance	Changes in	Payments	Balance
	-	Estimates	-	-
2002	\$ -	\$ 32,306	\$ 32,306	\$ -
2001	-	110,813	(110,813)	-

**NOTE 16 - DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

All County full-time employees, other than teachers, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system created by the State of Ohio. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. 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 which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 2002 was 8.5 percent for employees other than law enforcement and public safety. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1 percent. Public safety division members contribute at 9 percent. The employer contribution rate for employees other than law enforcement and public safety division was 13.55 percent of covered payroll and 8.55 percent was the portion used to fund pension obligations for 2002. The employer contribution rate for law enforcement and public safety divisions was 16.70 percent of covered payroll and 11.70 percent was the portion used to fund pension obligations for 2002. Required employer contributions are equal to 100 percent of the dollar amount billed to each employer

## SANDUSKY COUNTY

### NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002 (Continued)

and must be extracted from the employer's records. The County's contributions to OPERS for the years ended December 31, 2002, 2001, and 2000 were \$2,325,407, \$2,001,376 and \$2,110,026 respectively; 93.16 percent has been contributed for 2002 and 100 percent for 2001 and 2000. \$159,173, representing the unpaid contribution for 2002, is recorded as a liability in the general long-term obligations account group.

#### **B. State Teachers Retirement System of Ohio**

Certified teachers employed by the school for the Mental Retarded/Developmentally Disabled participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2002 Comprehensive Annual Financial Report may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the County is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The County's contributions for pension obligations to STRS Ohio for the years ended December 31, 2002, 2001, and 2000 were \$41,608, \$50,206, and \$41,436, respectively; 73.77 percent been contributed for 2002 and 100 percent for the years 2001 and 2000. \$10,914, representing the unpaid contributions for 2002, is recorded as a liability within the respective funds and the General Long-Term Debt Account Group.

#### **NOTE 17 - POSTEMPLOYMENT BENEFITS**

##### **A. Ohio Public Employees Retirement System**

OPERS provides postretirement health care coverage to age and service retirants with 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, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". 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 2002 employer contribution rate for local government employers was 13.55 percent of covered payroll and 5.00 percent was the portion that was used to fund health care. For both the public safety and law enforcement divisions the 2002 employer rate was 16.70 percent of covered payroll and 5.00 percent was the portion used to fund health care.



## SANDUSKY COUNTY

### NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002 (Continued)

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. The County's contribution actually made to fund postemployment benefits was \$835,188.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. OPEBs are advance funded on an actuarially determined basis.

As of December 31, 2001 (the latest information available), the actuarial value of the Retirement System's net assets available for future OPEB payments were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively, at December 31, 2001 (the latest information available). The number of benefit recipients eligible for OPEB at December 31, 2001 (the latest information available) was 402,041.

In December 2001, the OPERS 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 under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, 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 their allowance toward specific medical expenses, much like a Medical Spending Account.

Additional information on the OPERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due, is available in the OPERS December 31, 2002, Comprehensive Annual Financial Report.

#### **B. State Teachers Retirement System of Ohio**

Comprehensive health care benefits are provided to retired teachers and their dependents through the STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by the State Teachers Retirement Board based on authority granted by State statute.

All benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to the Health Care Stabilization Fund equal to 4.5 percent of covered payroll for the fiscal year ended June 30, 2002. Effective July 1, 2002, 1 percent of covered payroll was allocated to the Health Care Stabilization Fund. For the County, this amount equaled \$13,374 during calendar year 2002. As of June 30, 2002, the balance in the Health Care Stabilization Fund was \$3.011 billion and eligible benefit recipients totaled 105,300 for STRS Ohio as a whole. For the fiscal year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354.697 million.

## SANDUSKY COUNTY

### NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

(Continued)

#### **NOTE 18 - OTHER EMPLOYEE BENEFITS**

##### **Compensated Absences**

County employees earn vacation leave at varying rates ranging from two to five weeks per weeks per year. Accumulated vacation cannot exceed three times the annual accumulation rate for an employee. All accumulated, unused vacation time is paid upon separation from the County. Sick leave is accumulated at the rate of three weeks per year. Upon retirement, employees hired before August 12, 1982, are entitled to 100 percent of their accumulated sick leave up to a maximum of 260 days. Employees hired after August 12, 1982, with seven years of service, are entitled to 25 percent of their accumulated sick leave up to a maximum of 30 days. As of December 31, 2002 the total liability for compensated absences was \$2,409,473 for the Primary Government. Of that amount, the liability for governmental funds was \$2,336,711; the current portion was \$162,125, and \$2,174,586 was reported in the general long-term obligations account group. The total liability for the enterprise funds was \$72,762, of which \$4,267 was current, and the balance of \$68,495 was reported as long-term.

#### **NOTE 19 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances \_ Budget and Actual (Budget Basis), All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Outstanding year-end encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance for governmental fund types (GAAP).
4. Cash activity of accounts which are held separately by the County and not budgeted for by the County are excluded on the budget basis, but are recorded on the GAAP basis.
5. Short-term note proceeds and note principal retirement are operating transactions (budget) as opposed to the fund that received the proceeds (GAAP).
6. State statute requires short-term note debt to be repaid from the debt service fund (budget) as opposed to the fund that received the proceeds (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:

**SANDUSKY COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)

**Excess of Revenue and Other Financing Sources  
Over/(Under) Expenditures and Other Financing Uses**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Budget basis	\$ 36,778	\$ (1,919,580)	\$ (367,303)	\$ (549,062)
Net adjustment for revenue accruals	1,034,175	2,044,900	7,159	48,317
Net adjustment for expenditure accruals	(167,499)	(350,171)	655,651	(558,180)
Net adjustment for other financing sources/(uses)	(987,273)	(1,916,274)	(662,810)	112,060
Budget basis encumbrances outstanding at year-end	<u>374,445</u>	<u>933,001</u>	<u>-</u>	<u>1,880,798</u>
GAAP basis	<u>\$ 290,626</u>	<u>\$ (1,208,124)</u>	<u>\$ (367,303)</u>	<u>\$ 933,933</u>

**NOTE 20 - CONTINGENCIES**

**A. Grants**

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the County Commissioners believe such disallowances, if any, will be immaterial.

**B. Litigations**

Several claims and lawsuits are pending against the County. In the opinion of the County Prosecuting Attorney, any potential liability would not have a material effect on the financial statements.

**NOTE 21 - FEDERAL FOOD STAMP PROGRAM**

The County's Department of Human Services distributes federal food stamps through the department as well as through contracting issuance centers to entitled recipient within The County. The receipt and issuance of these stamps have the characteristics of federal "grants"; however, the Department of Human Services merely acts in an intermediary capacity.

The inventory value of these stamps is not reflected in the accompanying financial statements as the only economic interest related to the stamps rests with the ultimate recipient. Federal food stamp activity for the year is as follows:

Balance at beginning of year	\$ 96,967
Amount distributed to entitled recipients	<u>(83,500)</u>
Balance at end of year	<u>\$ 13,467</u>

## **SANDUSKY COUNTY**

### **NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002**

(Continued)

#### **NOTE 22 - CONDUIT DEBT OBLIGATIONS**

From time to time, the County has issued Industrial Revenue Bonds and Health Care Facility Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2002 there are four series of Industrial Revenue Bonds outstanding, aggregate principal \$10,030,000; and three series of Health Care Facility Bonds outstanding, aggregate principal \$13,950,000.

#### **NOTE 23 - SIGNIFICANT SUBSEQUENT EVENTS**

On April 12, 2002, the County contracted with a private firm to operate the County Home; therefore, employees of the County Home will no longer be employees of the County.

#### **NOTE 24 - COMPONENT UNIT - CONVENTION AND VISITORS BUREAU**

##### **A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **1. Description of the Entity**

The Sandusky County Commissioners enacted Resolution 1985-0194 on February 25, 1985 to levy a hotel lodging excise tax of three percent (3%) Resolution 1985-0341 authorized Sandusky County to enter into an agreement with the Chamber of Commerce of Sandusky County to provide for the operation of a Convention and Visitors Bureau. Resolution 1989-0452 on June 1, 1989 terminated the involvement of the Chamber of Commerce and authorized the Convention and Visitors Bureau to incorporate as an Ohio not-for-profit corporation. Resolution 1989-0541 authorized Sandusky County to enter into an agreement with the Sandusky County Convention and Visitors Bureau, Inc. for the operation of the Bureau. The purpose of the Convention and Visitors Bureau is the provision and publicizing of Sandusky County in order to bring the patronage of business and tourists and cultural, educational, religious, professional, and sports organizations into the county.

The current contract is a five year agreement, beginning January 1, 2001 and ending December 31, 2005. In the event of termination, any and all monies remaining originally received from the County shall be returned to the General Fund of the County.

The Bureau is directed by a twelve member Board of Trustees. Eleven members are appointed by the Sandusky County Commissioners and one member is appointed by the Tourist Board.

The Bureau is a component unit of Sandusky County.

The Bureau's management believes these financial statements present all activities for which the Bureau is financially accountable.

## SANDUSKY COUNTY

### NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

(Continued)

#### 2. **Basis of Accounting**

The financial statements of the Sandusky county Convention and Visitors Bureau have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Bureau also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the Bureau's accounting policies are described below.

#### 3. **Fund Accounting**

The Bureau uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Bureau functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or allowing certain objectives in accordance with special restrictions or limitations.

For financial statement presentation purposes, the various funds of the Bureau are grouped into the following generic fund type under the broad fund category proprietary.

##### **Proprietary Fund Type**

Proprietary funds are used to account for the Bureau's ongoing activities which are similar to those found in the private sector. The following is the Bureau's proprietary fund type;

*Enterprise Funds* – Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

#### 4. **Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e. net total assets) is segregated into contributed capital and retained earnings components. Enterprise funds' operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets.

## SANDUSKY COUNTY

### NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002 (Continued)

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting related to the timing of the measurement made.

The accrual basis of accounting is utilized for reporting purposes by the enterprise funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

#### **5. Fixed Assets and Depreciation**

All fixed assets are capitalized at cost (or historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The Bureau maintains a capitalization threshold of one hundred dollars. The Bureau does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Depreciation of furniture and equipment is computed using the straight-line method over an estimated useful life of three to ten years.

#### **6. Statement of Cash Flows**

For purposes of the statement of cash flows, the Bureau considers all highly liquid instruments purchased with a maturity of less than three months to be cash equivalents.

### **B. CASH AND CASH EQUIVALENTS**

The Bureau maintains its cash in checking and savings accounts. The carrying amount of cash at December 31 was \$720. All deposits are insured by the Federal Depository Insurance Corporation.

### **C. HOTEL/MOTEL TAX**

The Convention and Visitors Bureau receives 99 percent of the hotel/motel taxes collected by the Sandusky County Auditor. The tax, levied by the County Commissioners on February 25, 1985, is an excise tax of three percent on lodging furnished to transient guests throughout the County.

### **D. FIXED ASSETS**

A summary of the enterprise fund's fixed assets at December 31, 2002, follows:

**SANDUSKY COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)

Building	\$ 104,232
Leasehold Improvements	5,178
Furniture and Fixtures	<u>35,771</u>
Total	145,181
Less: Accumulated Depreciation	<u>34,954</u>
Net Property and Equipment	<u><u>\$ 110,227</u></u>

**E. DEBT ACTIVITY**

The Bureau has a credit line in the amount of \$40,000 with First Star Bank. This obligation is payable on demand, is unsecured, and bears interest at the current prime rate. The balance as of December 31, 2001 was \$7,500.

During 2001 the Bureau executed a note in the amount of \$100,000 to finance the construction of a building. The note is unsecured, payable over 20 years, and bears interest at the rate of 4.15 percent.

	Balance 12/31/01	Principal Paid	Balance 12/31/02
Note Payable	<u>\$ 100,000</u>	<u>\$ 3,046</u>	<u>\$ 96,954</u>

The future annual requirements to amortize this obligation, including interest, are as follows:

Year Ending	
2003	\$ 7,405
2003	7,405
2005	7,405
2006	7,405
2007	7,405
2008 - 2012	37,027
2013-2017	37,027
2013-2021	<u>29,621</u>
Total	<u>\$ 140,700</u>

**F. RETIREMENT SYSTEM**

Employees are covered under the Social Security System. The Bureau's liability is 6.2 percent of employees' wages.

**G. OTHER BENEFITS**

The Bureau pays the annual premium of the health insurance policy of the Executive Director. The Board raised the deductible amount of the policy to \$1,000 to reduce the cost of the premium. The Board pays the deductible.

The Board also established a pension plan (Simple IRA) for employees. Participation is optional. The Board contributes up to 3 percent matching employee contributions.

## **SANDUSKY COUNTY**

### **NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002 (Continued)**

#### **H. RISK MANAGEMENT**

##### **Commercial Insurance**

The Bureau has obtained commercial insurance for the following risks:

- Comprehensive property and general liability.

#### **NOTE 25 - COMPONENT UNIT - SANDCO INDUSTRIES**

##### **A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

###### **1. Nature of Operations**

Sandco Industries is an Ohio nonprofit corporation established for the purpose of operating a workshop and special training center for adults with developmental disabilities residing within Sandusky County. The Organization performs assembly work for outside corporations. The Organization is a component unit of Sandusky County, Ohio. The Organization's operations serve customers primarily in Northwest Ohio.

###### **2. Accounting Estimates**

Income and expenses are recorded on the accrual basis. Income is reported at the time it is earned and expenses are reported at the time they are incurred. The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

###### **3. Cash and Cash Equivalents**

The Organization considers all highly-liquid investments and certificates of deposit with maturities of three months or less to be cash equivalents.

###### **4. Income Tax Status**

The Corporation operates as a non-profit organization under Section 501 (c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is included in these financial statements.

###### **5. Classification of Net Assets**

None of the Organization's net assets are subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as unrestricted net assets.

###### **6. Functional Allocation of Expenses**

The costs of program and supporting services have been reported on a functional basis in the statement of activities and statement of functional expenses. Costs have been allocated between program and supporting services based on actual costs incurred.



## **SANDUSKY COUNTY**

### **NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002 (Continued)**

Although the method of allocation is considered appropriate, other methods could be used that would produce different amounts.

#### **7. Accounts Receivable**

The organization believes that all accounts are collectible as of December 31, 2002. Therefore, no allowance for uncollectible accounts is necessary.

#### **B. PROPERTY AND EQUIPMENT**

The Organization does not own any property. Property acquired by the Organization is charged to expense with ownership vesting in the Sandusky County Board of Mental Retardation and Developmental Disabilities (MR/DD) which then provides under contract for the use of such property by the Organization. During the years ended December 31, 2002, the Organization had no expenditures for equipment or improvements.

#### **C. RELATED PARTY TRANSACTIONS**

Administrative salaries, workshop salaries, rent and other operating costs of the Organization are paid by Sandusky County, of which the Organization is a component unit. These expenses are not reimbursed by the Organization. For the year ended December 31, 2002, the Organization received in-kind donations of \$204,704 from Sandusky County. The amount of the in-kind donations is determined by Sandusky County and reported to the Organization.

#### **D. CONCENTRATIONS**

Workshop revenue accounted for 70 percent of the total revenue for the year ended December 31, 2002.

One customer accounted for approximately 91 percent of total workshop revenue for the year ended December 31, 2002. This customer also accounted for approximately 94 percent of the accounts receivable balance at December 31, 2002.

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**SANDUSKY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education</i>				
<u>Child Nutrition Cluster:</u>				
Food Distribution	10.550	N/A		\$4,852
Special Milk Program for Children	10.556	066233-LLP4-2002	\$9,860	
Total Child Nutrition Cluster			<u>9,860</u>	<u>4,852</u>
Total U.S. Department of Agriculture			<u><b>9,860</b></u>	<u><b>4,852</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education</i>				
<u>Special Education Cluster</u>				
Special Education Grants to States - Title VI-B	84.027	066233-6B-SF-02P 066233-6B-SF-03P	20,712 3,790	
Total Special Education Grants to States			<u>24,502</u>	
Preschool Disabilities	84.173	066233-6B-SF-02P 066233-PG-S1-03P	1,375 851	
Total Preschool Disabilities			<u>2,226</u>	
Total Special Education Cluster			<u>26,728</u>	
Innovative Education Program - Title II	84.298	066233-C2-S1-2003	543	
Total Innovative Education Program - Title II			<u>543</u>	
Total U.S. Department of Education			<u><b>27,271</b></u>	
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
<i>Passed Through Ohio Department of Development:</i>				
Community Development Block Grant	14.228	B-F-00-067-1 B-F-01-067-1	10,177 49,482	
Total Community Development Block Grant			<u>59,659</u>	
Community Housing Improvement	14.228	B-C-98-067-1 B-C-98-067-2 B-C-01-067-01	14,583 4,600 139,301	
Total Community Housing Improvement			<u>158,484</u>	
HOME Investment Partnership Program	14.238	B-C-01-067-2	142,730	
Total U. S. Department of Housing and Urban Development			<u><b>360,873</b></u>	
<b>U.S. DEPARTMENT OF JUSTICE</b>				
<i>Passed Through Ohio Attorney General's Office:</i>				
Crime Victims Assistance	16.575	02-VAG-ENE-251 02-VAG-ENE-251-T	14,128 3,691	
Total Crime Victims Assistance			<u>17,819</u>	

(Continued)

**SANDUSKY COUNTY**

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Disbursements	Non-Cash Disbursements
Juvenile Justice and Delinquent Prevention	16.540	02-VAG -ENE-58	9,737	
		02-VAG-EG-558T	2,438	
Total Juvenile Justice and Delinquent Prevention			<u>12,175</u>	
Juvenile Accountability Incentive Block Grant	16.523	02-JB-013-A-058	31,581	
		02-JB-002-A-171	58,563	
		02-JB-013-A-188	64,235	
Total Juvenile Accountability Incentive Block Grant			<u>154,379</u>	
Domestic Preparedness Equipment Supply Program	16.007	J809	43,876	
Total U.S. Department of Justice			<u>228,249</u>	
<b>U. S. DEPARTMENT OF LABOR</b>				
<i>Passed Through Ohio Department of Jobs and Family Services:</i>				
Workforce Investment Act				
Adult Program	17.258		441,267	
Youth Activities	17.259		219,906	
Dislocated Workers	17.260		156,305	
Total Work Investment Act Cluster			<u>817,478</u>	
Total U.S. Department of Labor			<u>817,478</u>	
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>				
<i>Passed Through Ohio Department of Emergency Management:</i>				
Emergency Management Performance Grant	83.552	J236	25,201	
Total Federal Emergency Management Agency			<u>25,201</u>	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i>				
Medical Assistance Program - Title XIX	93.778	7200013	659,104	
Child Welfare - Title IV-B	93.563		53,673	
Social Services Block Grant - Title XX	93.667		51,396	
Total U.S. Department of Health and Human Services			<u>764,173</u>	
<b>U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICES</b>				
<i>Passed through Ohio Department of Youth Services:</i>				
Americorps	94.006	YCP-014-02	16,054	
Total U.S. Corporation for national and Community Services			<u>16,054</u>	
<b>UNITED STATES DEPARTMENT OF TRANSPORTATION</b>				
<i>Passed through Ohio Department of Transportation</i>				
Highway Planning and Construction	20.205	24332	394,169	
Total U. S. Department of Transportation			<u>394,169</u>	
<b>TOTAL FEDERAL AWARDS EXPENDITURES</b>			<u><b>\$2,643,328</b></u>	<u><b>\$4,852</b></u>

*The accompanying notes are an integral part of this schedule.*

## **SANDUSKY COUNTY**

### **NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES DECEMBER 31, 2002**

#### **NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

#### **NOTE B - FOOD DISTRIBUTION**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At December 31, 2002, the County had no significant food commodities in inventory.

#### **NOTE C - MATCHING REQUIREMENTS**

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

#### **NOTE D - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS**

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

These loans are collateralized by mortgages on the property. ODOD has informed us that all their CDBG loans should be collateralized. At December 31, 2002, the gross amounts of loans outstanding under this program were \$100,167.

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**Auditor of State  
Betty Montgomery**

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

Sandusky County  
100 N. Park Avenue, Suite A  
Fremont, Ohio 43420-2477

To the County Commissioners:

We have audited the financial statements of Sandusky County (the County) as of and for the year ended December 31, 2002, and have issued our report thereon dated August 7, 2003, which referenced the report to other auditors of the component unit (Sandco Industries). We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the component unit (Sandco Industries) were not audited in accordance with *Government Auditing Standards* and accordingly this report does not extend to that component unit.

**Compliance**

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 through 2002-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated August 7, 2003.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2002-006.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. The reportable condition described above as item 2002-006 is considered to be a material weakness. We also 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 County in a separate letter dated August 7, 2003.

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

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

**Betty Montgomery**  
Auditor of State

August 7, 2003





**Auditor of State  
Betty Montgomery**

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

Sandusky County  
100 N. Park Avenue, Suite A  
Fremont, Ohio 43420-2477

To the County Commissioners:

**Compliance**

We have audited the compliance of Sandusky County (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2002. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2002. We noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of the County in a separate letter dated August 7, 2003.

### **Internal Control over Compliance**

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

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

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



**Betty Montgomery**  
Auditor of State

August 7, 2003

**SANDUSKY COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2002**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Workforce Investment Act (WIA) Cluster CFDA # 17.258 CFDA # 17.259 CFDA # 17.260 Highway Planning and Construction CFDA # 20.205.
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

**FINDING NUMBER 2002-001**

**Finding Repaid Under Audit**

A County employee's severance pay was incorrectly calculated for the period under audit. As a result an overpayment in the amount of \$133.89 was calculated.

**FINDING NUMBER 2002-001  
 (Continued)**

In accordance with the foregoing facts, and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for illegal expenditures is hereby issued against Mary Voss and William Farrell, jointly and severally, in the amount of one hundred and thirty three dollars and eighty nine cents (\$133.89) and in favor of the General Fund.

The finding for recovery was repaid during the audit on August 1, 2003.

**FINDING NUMBER 2002-002**

**Noncompliance Citation**

Ohio Revised Code § 5705.36 requires that on or about the first day of each fiscal year, the fiscal officer is to certify the total amounts from all sources which are available for expenditures from each fund. Also this section allows the County to request increased amended certificates of estimated resources and reduce amended certifications upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriations.

The fiscal officer did not certify the total amount from all sources until February 4, 2002 and the estimated resources were not posted to the accounting records until December 2002.

As of June 30, 2002 the County should have received an increased amended certificate for the following funds:

<u>Fund</u>	<u>Estimated Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
Various Purpose Improv. Bonds	\$ 391,560	\$ 1,608,657	\$ 1,217,097
Sunny Acres Construction	78,330.00	255,202.00	176,872.00
County Courts Renovations	3,871.00	102,706.00	98,835.00
Permanent Improvements	200,000.00	211,892.00	11,892.00

As of December 31, 2002 the County should have received an increase/decreased amended certificate for the following funds:

<u>Fund</u>	<u>Estimated Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 15,159,768	\$ 15,759,901	\$ 600,133
Revolving Loan	340,000	35,775	(304,225)
Genesis Program	235,123	235,545	422
Various Purpose Bonds	2,021,802	2,136,121	114,319
MRDD	5,168,440	5,954,676	786,236

To avoid over appropriating, we recommend the County obtain reduced and/ or increased amended certificates when required and post them to the accounting records on a timely basis.

**FINDING NUMBER 2002-003**

Ohio Revised Code § 5705.41 (B) states no subdivision is to expend money unless it has been appropriated. In June 2002 the County had expenditures that exceeded appropriations as follows:

<u>Fund</u>	<u>Appropriations and Carry over</u>	<u>Expenditures and Encumbrances</u>	<u>Variance</u>
Common Pleas Special Project	\$ 12,722	\$ 22,000	\$ (9,278)
Various Purpose Improvements Bonds	330,080	2,025,522	(1,695,442)
Shorewood Phase II	1,830,437	2,245,823	(415,386)
CDBG	12,967	17,011	(4,044)

As of December 31, 2002 the County had expenditures that exceeded appropriations as follows:

<u>Fund</u>	<u>Appropriations and Carry over</u>	<u>Expenditures and Encumbrances</u>	<u>Variance</u>
General	\$ 16,135,762	\$ 16,514,638	\$ (378,876)
Genesis Program	360,907	370,842	(9,935)
Various Purpose Imp. Bonds	699,862	2,558,568	(1,858,706)
County Service Building	369,862	533,046	(163,184)
County Home	2,165,955	2,207,198	(41,243)
Medical Benefits Plan	100,436	188,430	(87,994)

We recommend the County refrain from making expenditures that exceed appropriations. The County should compare appropriation measures to the latest amended certificate of estimated resources and appropriate modifications should be made.

**FINDING NUMBER 2002-004**

Ohio Revised Code § 5705.41(D) states no orders or contracts involving the expenditure of money is to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirement:

- a. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- b. If the amount involved is less than \$100, the fiscal officer may authorize it to be paid without the affirmation of the Board, if such expenditure is otherwise valid.

Sixty one percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred. To improve controls over disbursements, we recommend that all county disbursements receive certification of the fiscal officer that the funds are or will be available.

**FINDING NUMBER 2002-005**

Ohio Revised Code § 5705.14 states that no transfer can be made from one fund of a subdivision to any other fund unless money is transferred from the general fund by resolution of the taxing authority. In addition, the taxing authority, with the approval of the Tax Commissioner and the Court of Common Pleas may transfer from one fund to another. Over sixty percent of the total transfers were made without complying with the above requirements.

**FINDING NUMBER 2002-006**

**Material Weakness**

The County does not maintain a fixed asset listing. We recommend the County maintain a fixed asset ledger. At a minimum the equipment records should be updated annually and contain the following data: a) department name and location; b) date of purchase; c) description of item; d) model/serial number, if applicable; e) tag number; f) quantity; g) purchase cost; h) disposition; i) estimated value, and j) fund ownership. Failure to properly identify equipment, or errors not being detected in a timely manner could result in difficulty processing insurance claims in the event of loss. This lack of accountability for the County's fixed assets resulted in incorrect balances included on the financial statements.

To ensure accurate accounting over the fixed assets process we recommend the County implement procedures to maintain and update the fixed assets records.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

**SANDUSKY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
60172-2001-001	ORC § 5705.41 (D) Failure to certify expenditures	No	Not corrected. Repeated as finding number 2002-004.
60172-2001- 002	Failure to maintain fixed assets list	No	Not corrected. Repeated as finding number 2002-006.







**Auditor of State  
Betty Montgomery**

88 East Broad Street  
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## **FINANCIAL CONDITION**

### **SANDUSKY COUNTY**

#### **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 2, 2003**