



SANDUSKY COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2009



Mary Taylor, CPA
Auditor of State

**FINANCIAL CONDITION
SANDUSKY COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Sandusky County
100 North Park Avenue
Fremont, Ohio 43420-2472

To the County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sandusky County, Ohio (the County), as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sandusky County, Ohio, as of December 31, 2009, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Motor Vehicle and Gas Tax, Human Services, and County Board of Developmental Disabilities funds 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 31, 2010, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with

Government Auditing Standards. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 31, 2010

FINANCIAL CONDITION SANDUSKY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009 UNAUDITED

The management's discussion and analysis of Sandusky County's (the "County") financial performance provides an overall review of the County's financial activities for the year ended December 31, 2009. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

- The total net assets of the County increased \$532,984. Net assets of governmental activities increased \$566,811, which represents a 0.82% increase over fiscal year 2008. Net assets of business-type activities decreased \$33,827, or 0.83% from fiscal year 2008.
- General revenues accounted for \$20,298,759 or 39.97% of total governmental activities revenue. Program specific revenues accounted for \$30,484,986 or 60.03% of total governmental activities revenue.
- The County had \$50,216,934 in expenses related to governmental activities; \$30,484,986 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily property and sales taxes) of \$20,298,759 were adequate to provide for these programs.
- The general fund, the County's largest major fund, had revenues and other financing sources of \$14,639,142 in 2009, a decrease of \$1,235,852 from 2008 revenues and other financing sources. The general fund had expenditures and other financing uses of \$14,806,631 in 2009, a decrease of \$1,998,065 from 2008. The general fund, fund balance decreased \$167,489 from 2008 to 2009.
- The motor vehicle and gas tax fund, a County major fund, had revenues and other financing sources of \$5,484,453 in 2009. The motor vehicle and gas tax fund had expenditures of \$5,226,024 in 2009. The motor vehicle and gas tax fund, fund balance increased \$258,429 from 2008 to 2009.
- The human services fund, a County major fund, had revenues of \$9,161,843 in 2009. The human services fund had expenditures of \$8,808,004 in 2009. The human services fund, fund balance increased \$353,839 from 2008 to 2009.
- The County board of developmental disabilities (DD) fund, a County major fund, had revenues of \$8,831,289 in 2009. The County board of DD fund had expenditures of \$8,447,116 in 2009. The County board of DD fund, fund balance increased \$384,173 from 2008 to 2009.
- Net assets for the sanitary sewer enterprise fund decreased in 2009 by \$33,827 or 0.83%.
- In the general fund, the actual revenues and other financing sources came in \$250,811 lower than they were originally budgeted and actual expenditures and other financing uses were \$2,061,293 less than the amount in the original budget. These variances are a result of the County's conservative budgeting process

**FINANCIAL CONDITION
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)

Using the Basic Financial Statements (BFS)

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

The statement of net assets and statement of activities provide information about the activities of the whole County, presenting both an aggregate view of the County's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the County's most significant funds with all other non-major funds presented in total in one column. In the case of the County, there are four major governmental funds. The general fund is the largest major fund.

Reporting the County as a Whole

Statement of Net Assets and the Statement of Activities

The statement of net assets and the statement of activities answer the question, how did we do financially during 2009? These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. The accrual basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the County is divided into two distinct kinds of activities:

Governmental activities - Most of the County's programs and services are reported here including human services, health, public safety, public works and general government. These services are funded primarily by taxes and intergovernmental revenues including Federal and State grants and other shared revenues.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided.

Reporting the County's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)

Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the general fund, motor vehicle and gas tax, human services and county board of developmental disabilities (DD).

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation.

Proprietary Funds

The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for its sanitary sewer operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for a self-funded workers compensation insurance program for employees of the County and several governmental units within the County. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)

Government-Wide Financial Analysis

The table below provides a summary of the County's net assets for 2009 and 2008.

	Net Assets					
	Governmental Activities 2009	Business-type Activities 2009	Governmental Activities 2008	Business-type Activities 2008	2009 Total	2008 Total
	<u>2009</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>	<u>Total</u>	<u>Total</u>
<u>Assets</u>						
Current and other assets	\$ 42,749,905	\$ 772,722	\$ 42,131,531	\$ 844,748	\$ 43,522,627	\$ 42,976,279
Capital assets, net	<u>43,510,916</u>	<u>4,714,895</u>	<u>43,784,961</u>	<u>4,902,731</u>	<u>48,225,811</u>	<u>48,687,692</u>
Total assets	<u>86,260,821</u>	<u>5,487,617</u>	<u>85,916,492</u>	<u>5,747,479</u>	<u>91,748,438</u>	<u>91,663,971</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	6,568,646	1,380,365	7,176,042	1,562,964	7,949,011	8,739,006
Other liabilities	<u>10,087,497</u>	<u>44,278</u>	<u>9,702,583</u>	<u>87,714</u>	<u>10,131,775</u>	<u>9,790,297</u>
Total liabilities	<u>16,656,143</u>	<u>1,424,643</u>	<u>16,878,625</u>	<u>1,650,678</u>	<u>18,080,786</u>	<u>18,529,303</u>
<u>Net assets</u>						
Invested in capital assets, net of related debt	39,278,539	3,355,170	39,007,842	3,396,628	42,633,709	42,404,470
Restricted	22,103,573		22,170,381		22,103,573	22,170,381
Unrestricted	<u>8,222,566</u>	<u>707,804</u>	<u>7,859,644</u>	<u>700,173</u>	<u>8,930,370</u>	<u>8,559,817</u>
Total net assets	<u>\$ 69,604,678</u>	<u>\$ 4,062,974</u>	<u>\$ 69,037,867</u>	<u>\$ 4,096,801</u>	<u>\$ 73,667,652</u>	<u>\$ 73,134,668</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2009, the County's assets exceeded liabilities by \$73,667,652. This amounts to \$69,604,678 in governmental activities and \$4,062,974 in business-type activities. The County's finances remained strong during 2009, despite the decline in the economy.

Capital assets reported on the government-wide statements represent the largest portion of the County's net assets. At year-end, capital assets represented 52.56% of total governmental and business-type assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles, construction in progress, water and sewer lines and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2009, were \$42,633,709. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2009, the County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the County's net assets, \$22,103,573, represents resources that are subject to external restrictions on how they may be used. The remaining balance of government-wide unrestricted net assets of \$8,930,370 may be used to meet the government's ongoing obligations to citizens and creditors. The table below shows the changes in net assets for fiscal years 2009 and 2008.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)**

	Governmental Activities 2009	Business-type Activities 2009	Governmental Activities 2008	Business-type Activities 2008	2009 Total	2008 Total
Revenues						
Program revenues:						
Charges for services and sales	\$ 7,323,034	\$ 1,053,619	\$ 7,019,636	\$ 1,002,082	\$ 8,376,653	\$ 8,021,718
Operating grants and contributions	22,766,537		20,942,070		22,766,537	20,942,070
Capital grants and contributions	395,415	26,426	88,431		421,841	88,431
Total program revenues	30,484,986	1,080,045	28,050,137	1,002,082	31,565,031	29,052,219
General revenues:						
Property taxes	6,928,363		7,175,371		6,928,363	7,175,371
Sales tax	7,083,217		7,249,096		7,083,217	7,249,096
Unrestricted grants	3,680,317		3,139,562		3,680,317	3,139,562
Investment earnings	548,161		1,199,247		548,161	1,199,247
Other	2,058,701	9,175	2,439,583		2,067,876	2,439,583
Total general revenues	20,298,759	9,175	21,202,859		20,307,934	21,202,859
Total revenues	50,783,745	1,089,220	49,252,996	1,002,082	51,872,965	50,255,078
Expenses						
Program expenses:						
General government	9,624,720		9,974,280		9,624,720	9,974,280
Public safety	9,657,620		10,007,854		9,657,620	10,007,854
Public works	5,830,482		4,777,620		5,830,482	4,777,620
Health	468,558		434,833		468,558	434,833
Human services	23,817,690		23,149,503		23,817,690	23,149,503
Economic development and assistance	419,448		459,621		419,448	459,621
Intergovernmental	186,600		199,277		186,600	199,277
Other			241,233			241,233
Interest and fiscal charges	211,816		232,283		211,816	232,283
Sanitary sewer		1,123,047		1,286,362	1,123,047	1,286,362
Total expenses	50,216,934	1,123,047	49,476,504	1,286,362	51,339,981	50,762,866
Change in net assets before transfers	566,811	(33,827)	(223,508)	(284,280)	532,984	(507,788)
Transfers			(24,465)	24,465		
Change in net assets	\$ 566,811	\$ (33,827)	\$ (247,973)	\$ (259,815)	\$ 532,984	\$ (507,788)

**FINANCIAL CONDITION
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)

Governmental Activities

Governmental net assets increased by \$566,811 in 2009 over 2008. This increase is due primarily to an increase in program revenues, particularly operating grants and contributions, in 2009 over 2008.

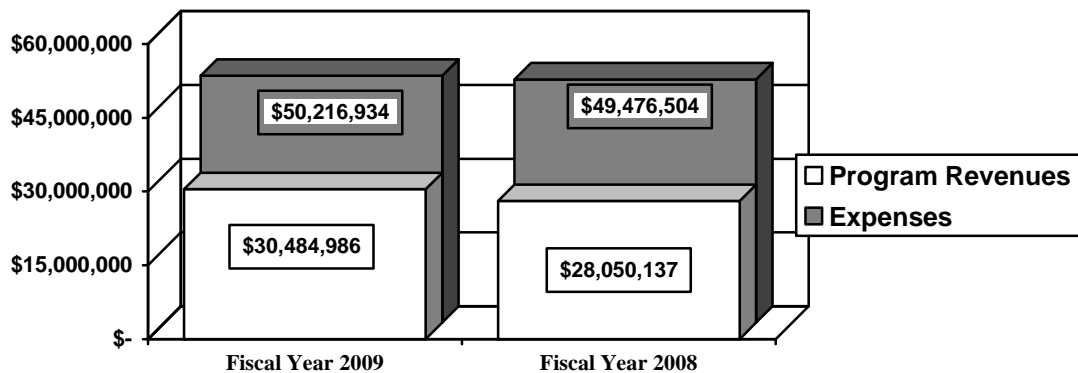
Human services expenses, which support the operations of the County Board of DD, Job and Family Services (human services fund), Veteran Services, and the Children Services Board, accounts for \$23,817,690 of expenses, or 47.43% of total governmental expenses of the County. These expenses were funded by \$354,309 in charges to users of services and \$16,319,579 in operating grants and contributions in 2009. General government expenses which includes legislative and executive and judicial programs, totaled \$9,624,720 or 19.17% of total governmental expenses. General government expenses were covered by \$3,490,599 of direct charges to users in 2009.

The State and Federal government contributed to the County revenues of \$22,766,537 in operating grants and contributions and \$395,415 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions \$16,319,579, or 71.68%, subsidized human services programs.

Governmental general revenues totaled \$20,298,759, and amounted to 39.97% of total revenues. These revenues primarily consist of property and sales tax revenue of \$14,011,580, or 69.03% of total governmental general revenues in 2009. The other primary source of general revenues is grants and entitlements not restricted to specific programs, which consists primarily of local government revenue and property tax reimbursements received from the State, \$3,680,317, or 18.13% of total governmental general revenues.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2009 and 2008. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities – Program Revenues vs. Total Expenses



**FINANCIAL CONDITION
SANDUSKY COUNTY**

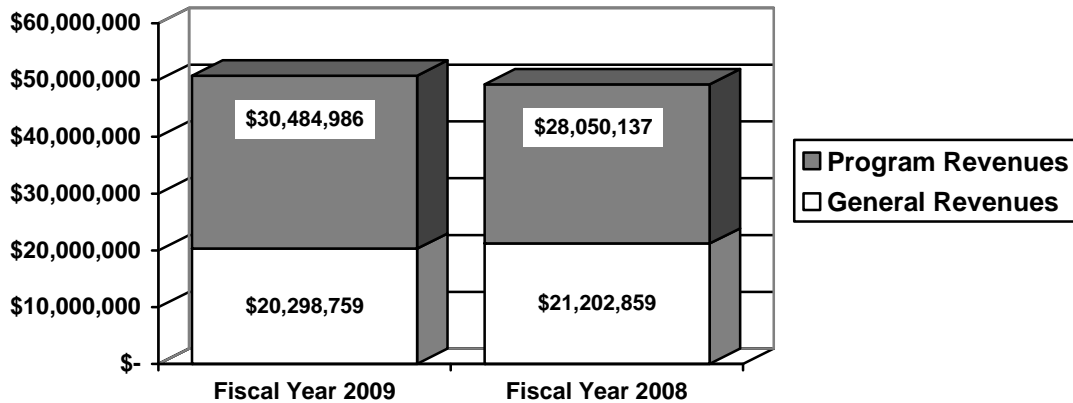
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)

Governmental Activities

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
Program expenses:				
General government	\$ 9,624,720	\$ 6,128,796	\$ 9,974,280	\$ 6,524,402
Public safety	9,657,620	6,748,511	10,007,854	7,303,261
Public works	5,830,482	(690,521)	4,777,620	(1,968,891)
Health	468,558	255,967	434,833	177,628
Human services	23,817,690	7,143,802	23,149,503	8,947,144
Economic development and assistance	419,448	76,300	459,621	(53,498)
Intergovernmental	186,600	186,600	199,277	199,277
Other			241,233	241,233
Interest and fiscal charges	<u>211,816</u>	<u>(117,507)</u>	<u>232,283</u>	<u>55,811</u>
Total	<u>\$ 50,216,934</u>	<u>\$ 19,731,948</u>	<u>\$ 49,476,504</u>	<u>\$ 21,426,367</u>

The dependence upon general revenues for governmental activities is apparent, with 39.29% of expenses supported through taxes and other general revenues during 2009.

Governmental Activities - General and Program Revenues



Business-Type Activities

The sanitary sewer is the County's only enterprise fund. This program had revenues of \$1,089,220 and expenses of \$1,123,047 for fiscal year 2009. The sanitary sewer fund's net asset balance decreased \$33,827 in 2009.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
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Financial Analysis of the Government's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the County's net resources available for spending at year-end.

The County's governmental funds reported a combined fund balance of \$23,862,570, which is \$367,864 greater than last year's total of \$23,494,706. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2009 for all major and non-major governmental funds.

	<u>Fund Balance</u> <u>December 31, 2009</u>	<u>Fund Balance</u> <u>December 31, 2008</u>	<u>Increase</u> <u>(Decrease)</u>
Major funds:			
General	\$ 3,848,688	\$ 4,016,177	\$ (167,489)
Motor vehicle and gas tax	2,484,593	2,226,164	258,429
Human services	807,780	453,941	353,839
County board of DD	6,254,566	5,870,393	384,173
Other nonmajor governmental funds	<u>10,466,943</u>	<u>10,928,031</u>	<u>(461,088)</u>
Total	<u>\$ 23,862,570</u>	<u>\$ 23,494,706</u>	<u>\$ 367,864</u>

General Fund

The general fund, the County's largest major fund, had revenues and other financing sources of \$14,639,142 in 2009, a decrease of \$1,235,852 from 2008 revenues and other financing sources. The general fund had expenditures and other financing uses of \$14,806,631 in 2009, a decrease of \$1,998,065 from 2008. The general fund, fund balance decreased \$167,489 from 2008 to 2009.

Motor Vehicle and Gas Tax Fund

The motor vehicle and gas tax fund, a County major fund, had revenues and other financing sources of \$5,484,453 in 2009. The motor vehicle and gas tax fund had expenditures of \$5,226,024 in 2009. The motor vehicle and gas tax fund, fund balance increased \$258,429 from 2008 to 2009.

Human Services Fund

The human services fund, a County major fund, had revenues of \$9,161,843 in 2009. The human services fund had expenditures of \$8,808,004 in 2009. The human services fund, fund balance increased \$353,839 from 2008 to 2009.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
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County Board of Developmental Disabilities Fund

The County Board of Developmental Disabilities (DD) fund, a County major fund, had revenues of \$8,831,289 in 2009. The County Board of DD fund had expenditures of \$8,447,116 in 2009. The County Board of DD fund's fund balance increased \$384,173 from 2008 to 2009.

Budgeting Highlights - General Fund

The County's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the County's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the County's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

The original budgeted revenues and other financing sources were \$170,312 greater than the final budgeted revenues. Actual revenues and other financing sources of \$14,555,889 are less than final budgeted revenues and other financing sources by \$80,499. The final budgeted appropriations and other financing uses were greater than actual expenditures and other financing uses by \$1,588,233.

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, but in more detail.

Capital Assets and Debt Administration

Capital Assets

At the end of 2009, the County had \$48,225,811 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, construction in progress, sewer and water lines and infrastructure. Of this total, \$43,510,916 was reported in governmental activities and \$4,714,895 was reported in business-type activities. The following table shows fiscal 2009 balances compared to 2008:

**Capital Assets at December 31
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2009	2008	2009	2008	2009	2008
Land	\$ 1,407,198	\$ 1,407,198	\$ 11,828	\$ 11,828	\$ 1,419,026	\$ 1,419,026
Land improvements	486,006	530,798	46,498	50,968	532,504	581,766
Building and improvements	12,802,153	13,361,332	144,203	163,875	12,946,356	13,525,207
Furniture and equipment	1,837,600	2,110,898	195,844	226,942	2,033,444	2,337,840
Vehicles	1,743,204	1,920,905	35,553	19,393	1,778,757	1,940,298
Infrastructure	24,343,812	24,362,650			24,343,812	24,362,650
Construction in progress	890,943	91,180	91,543	65,147	982,486	156,327
Sewer and water lines			4,189,426	4,364,578	4,189,426	4,364,578
Total	<u>\$ 43,510,916</u>	<u>\$ 43,784,961</u>	<u>\$ 4,714,895</u>	<u>\$ 4,902,731</u>	<u>\$ 48,225,811</u>	<u>\$ 48,687,692</u>

**FINANCIAL CONDITION
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)

During 2009, the County's governmental activities had \$2,666,216 in additions, \$279,262 (net of accumulated depreciation) in deletions and \$2,660,999 in depreciation expense. The decrease in the County's governmental activities capital assets for 2009 was \$274,045. See Note 10 to the basic financial statements for detail on governmental activities and business-type activities capital assets.

Debt Administration

At December 31, 2009 the County's governmental activities had \$6,568,646 in general obligation bonds, special assessment bonds, notes, capital leases and compensated absences outstanding. Of this total, \$1,470,297 is due within one year and \$5,098,349 is due in greater than one year. At December 31, 2009 the County's business-type activities had \$1,380,365 in general obligation bonds, OWPC/OPWC loans and compensated absences outstanding. Of this total, \$156,644 is due within one year and \$1,223,721 is due within greater than one year. The following table summarizes the bonds, notes, leases, loans and compensated absences outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2009	Business-Type Activities 2009	Governmental Activities 2008	Business-Type Activities 2008
Long-term obligations:				
General obligation bonds	\$ 4,025,000	\$ 40,000	\$ 4,340,000	\$ 80,000
Special assessment bonds	155,174		212,102	
OPWC/OWPC loans		1,319,725		1,470,782
Bond anticipation notes			155,000	
Capital lease obligation	52,203		70,017	
Compensated absences	2,336,269	20,640	2,398,923	12,182
Total	<u>\$ 6,568,646</u>	<u>\$ 1,380,365</u>	<u>\$ 7,176,042</u>	<u>\$ 1,562,964</u>

See Note 13 to the basic financial statements for additional disclosures and detail regarding the County's debt activity.

Economic Factors and Next Year's Budgets and Rates

The County's unemployment rate is currently 12.0%, compared to the 10.9% state average and the 10.0% national average.

These economic factors were considered in preparing the County's budget for fiscal year 2010. With the continuation of conservative budgeting practices, the County's financial position should remain strong in future years.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Honorable Bill Farrell, Sandusky County Auditor, 100 North Park Avenue, Fremont, Ohio 43420-2472.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

STATEMENT OF NET ASSETS
DECEMBER 31, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in pooled cash and investments.	\$ 23,096,026	\$ 704,294	\$ 23,800,320
Receivables (net of allowances for uncollectibles):			
Sales taxes	1,126,903		1,126,903
Real estate and other taxes	8,169,164		8,169,164
Accounts	638,470	83,113	721,583
Special assessments	288,291	8,212	296,503
Accrued interest	30,337		30,337
Due from other governments.	4,775,336		4,775,336
Loans receivable	190,602		190,602
Internal balances	24,000	(24,000)	
Prepayments	99,878	1,103	100,981
Materials and supplies inventory.	498,336		498,336
Investment in joint ventures	3,812,562		3,812,562
Capital assets:			
Land and construction in progress	2,298,141	103,371	2,401,512
Depreciable capital assets, net.	41,212,775	4,611,524	45,824,299
Total capital assets, net.	<u>43,510,916</u>	<u>4,714,895</u>	<u>48,225,811</u>
Total assets.	<u>86,260,821</u>	<u>5,487,617</u>	<u>91,748,438</u>
Liabilities:			
Accounts payable.	1,107,588	5,937	1,113,525
Accrued wages and benefits	964,735	10,750	975,485
Due to other governments	599,596	27,295	626,891
Accrued interest payable.	15,814	296	16,110
Amount to be repaid to claimants	115,694		115,694
Unearned revenue.	7,284,070		7,284,070
Long-term liabilities:			
Due within one year.	1,470,297	156,644	1,626,941
Due in more than one year	5,098,349	1,223,721	6,322,070
Total liabilities	<u>16,656,143</u>	<u>1,424,643</u>	<u>18,080,786</u>
Net assets:			
Invested in capital assets, net of related debt.	39,278,539	3,355,170	42,633,709
Restricted for:			
Capital projects	3,873,863		3,873,863
Debt service	468,786		468,786
Public works projects	3,799,326		3,799,326
Public safety programs.	2,263,286		2,263,286
Human services programs	9,848,221		9,848,221
Health programs.	117,759		117,759
Other purposes	1,732,332		1,732,332
Unrestricted	8,222,566	707,804	8,930,370
Total net assets.	<u>\$ 69,604,678</u>	<u>\$ 4,062,974</u>	<u>\$ 73,667,652</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
SANDUSKY COUNTY**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government:				
Legislative and executive	\$ 5,953,782	\$ 2,242,975	\$ 780	
Judicial	3,670,938	1,247,624	4,545	
Public safety	9,657,620	1,804,428	1,104,681	
Public works	5,830,482	1,137,111	4,988,477	\$ 395,415
Health	468,558	207,264	5,327	
Human services	23,817,690	354,309	16,319,579	
Economic development and assistance.	419,448		343,148	
Intergovernmental	186,600			
Interest and fiscal charges	211,816	329,323		
Total governmental activities.	<u>50,216,934</u>	<u>7,323,034</u>	<u>22,766,537</u>	<u>395,415</u>
Business-type activities:				
Sanitary sewer.	<u>1,123,047</u>	<u>1,053,619</u>		<u>26,426</u>
Total business-type activities	<u>1,123,047</u>	<u>1,053,619</u>		<u>26,426</u>
Total primary government.	<u>\$ 51,339,981</u>	<u>\$ 8,376,653</u>	<u>\$ 22,766,537</u>	<u>\$ 421,841</u>

General revenues:

Property taxes levied for:

- General fund
- Human services - County Board of DD
- Human services - Senior Citizens
- Public safety 911 system

Sales taxes levied for:

- General fund
- Public safety - EMS

- Grants and entitlements not restricted to specific programs
- Investment earnings.
- Miscellaneous.

Total general revenues

Change in net assets

Net assets at beginning of year

Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business-Type Activities	Total
\$ (3,710,027)		\$ (3,710,027)
(2,418,769)		(2,418,769)
(6,748,511)		(6,748,511)
690,521		690,521
(255,967)		(255,967)
(7,143,802)		(7,143,802)
(76,300)		(76,300)
(186,600)		(186,600)
117,507		117,507
<u>(19,731,948)</u>		<u>(19,731,948)</u>
	\$ (43,002)	(43,002)
	(43,002)	(43,002)
<u>\$ (19,731,948)</u>	<u>\$ (43,002)</u>	<u>\$ (19,774,950)</u>
2,518,343		2,518,343
3,750,805		3,750,805
438,180		438,180
221,035		221,035
5,593,991		5,593,991
1,489,226		1,489,226
3,680,317		3,680,317
548,161		548,161
2,058,701	9,175	2,067,876
<u>20,298,759</u>	<u>9,175</u>	<u>20,307,934</u>
566,811	(33,827)	532,984
69,037,867	4,096,801	73,134,668
<u>\$ 69,604,678</u>	<u>\$ 4,062,974</u>	<u>\$ 73,667,652</u>

**FINANCIAL CONDITION
SANDUSKY COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	General	Motor Vehicle and Gas Tax	Human Services
Assets:			
Equity in pooled cash and investments	\$ 3,050,057	\$ 1,816,043	\$ 1,178,691
Receivables (net of allowance for uncollectibles):			
Sales taxes	905,320		
Real estate and other taxes	2,815,679		
Accounts	145,584	11,308	16,801
Special assessments			
Accrued interest	30,337		
Due from other governments	952,111	2,038,423	655,416
Loans receivable			
Interfund loan receivable	25,000		
Due from other funds	37,946		
Advances to other funds			
Prepayments	96,074	1,262	
Materials and supplies inventory	181,590	234,151	55,703
Total assets	\$ 8,239,698	\$ 4,101,187	\$ 1,906,611
Liabilities:			
Accounts payable	\$ 253,941	\$ 185,652	\$ 219,920
Accrued wages and benefits	348,612	72,216	158,288
Compensated absences payable	7,890		
Due to other funds			
Due to other governments	209,015	53,147	65,207
Interfund loan payable			
Advances from other funds			
Amounts to be repaid to claimants	115,694		
Deferred revenue	945,246	1,305,579	655,416
Unearned revenue	2,510,612		
Total liabilities	4,391,010	1,616,594	1,098,831
Fund balances:			
Reserved for encumbrances	70,808	304,310	422,724
Reserved for prepayments	96,074	1,262	
Reserved for materials and supplies inventory	181,590	234,151	55,703
Reserved for advances			
Reserved for loans receivable			
Unreserved undesignated, reported in:			
General fund	3,500,216		
Special revenue funds		1,944,870	329,353
Debt service funds			
Capital projects funds			
Total fund balances	3,848,688	2,484,593	807,780
Total liabilities and fund balances	\$ 8,239,698	\$ 4,101,187	\$ 1,906,611

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

County Board of DD	Other Governmental Funds	Total Governmental Funds
\$ 6,459,539	\$ 10,375,436	\$ 22,879,766
	221,583	1,126,903
4,595,530	757,955	8,169,164
214,520	250,257	638,470
	288,291	288,291
		30,337
318,074	759,053	4,723,077
	190,602	190,602
	24,000	49,000
		37,946
	100,000	100,000
	2,542	99,878
13,177	13,715	498,336
<u>\$ 11,600,840</u>	<u>\$ 12,983,434</u>	<u>\$ 38,831,770</u>
\$ 135,567	\$ 312,508	\$ 1,107,588
199,007	186,612	964,735
		7,890
	37,946	37,946
119,460	152,767	599,596
	25,000	25,000
	100,000	100,000
		115,694
794,616	1,025,824	4,726,681
4,097,624	675,834	7,284,070
<u>5,346,274</u>	<u>2,516,491</u>	<u>14,969,200</u>
	821,435	2,267,720
648,443	2,542	99,878
13,177	13,715	498,336
	100,000	100,000
	190,602	190,602
		3,500,216
5,592,946	5,197,938	13,065,107
	443,862	443,862
	3,696,849	3,696,849
<u>6,254,566</u>	<u>10,466,943</u>	<u>23,862,570</u>
<u>\$ 11,600,840</u>	<u>\$ 12,983,434</u>	<u>\$ 38,831,770</u>

**FINANCIAL CONDITION
SANDUSKY COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2009

Total governmental fund balances		\$	23,862,570
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			43,510,916
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.			
Real estate and other taxes	\$	885,094	
Special assessments		288,291	
Accrued interest receivable		10,437	
Charges for services		22,455	
Intergovernmental revenues		3,520,404	
Total		4,726,681	4,726,681
The investments in joint ventures by governmental activities are not financial resources and therefore are not reported in fund balance at year end.			3,812,562
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.			268,519
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(15,814)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		4,025,000	
Special assessment bonds		155,174	
Capital lease payable		52,203	
Compensated absences		2,328,379	
Total		(6,560,756)	(6,560,756)
Net assets of governmental activities		\$	69,604,678

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**FINANCIAL CONDITION
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>General</u>	<u>Motor Vehicle and Gas Tax</u>	<u>Human Services</u>
Revenues:			
Real estate and other taxes	\$ 2,460,900		
Sales taxes	5,593,991		
Charges for services	1,689,499	\$ 66,503	
Licenses and permits	2,296		
Fines and forfeitures	437,021	58,610	
Intergovernmental	2,243,691	5,164,435	\$ 9,159,631
Special assessments			
Investment income	560,912	52,009	
Rental income	18,138		916
Contributions and donations	11,064		1,296
Refunds and reimbursements	1,589,096		
Other	12,534		
Total revenues	<u>14,619,142</u>	<u>5,341,557</u>	<u>9,161,843</u>
Expenditures:			
Current:			
General government:			
Legislative and executive	4,697,451		
Judicial	3,027,610		
Public safety	5,241,566		
Public works	91,598	5,226,024	
Health	140,269		
Human services	689,457		8,808,004
Economic development and assistance			
Intergovernmental	186,600		
Capital outlay			
Debt service:			
Principal retirement	14,400		
Interest and fiscal charges	3,904		
Total expenditures	<u>14,092,855</u>	<u>5,226,024</u>	<u>8,808,004</u>
Excess (deficiency) of revenues over (under) expenditures	<u>526,287</u>	<u>115,533</u>	<u>353,839</u>
Other financing sources (uses):			
Transfers in	20,000	142,896	
Transfers out	<u>(713,776)</u>		
Total other financing sources (uses)	<u>(693,776)</u>	<u>142,896</u>	
Net change in fund balances	(167,489)	258,429	353,839
Fund balances at beginning of year	4,016,177	2,226,164	453,941
Fund balances at end of year	<u>\$ 3,848,688</u>	<u>\$ 2,484,593</u>	<u>\$ 807,780</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

County Board of DD	Other Governmental Funds	Total Governmental Funds
\$ 3,693,275	\$ 655,668	\$ 6,809,843
	1,489,226	7,083,217
149,657	3,533,782	5,439,441
	133,026	135,322
	43,368	538,999
4,972,417	5,790,766	27,330,940
	377,422	377,422
	11,460	624,381
	757,250	776,304
15,940	25,240	53,540
	50,713	1,639,809
	53,120	65,654
<u>8,831,289</u>	<u>12,921,041</u>	<u>50,874,872</u>
	1,010,135	5,707,586
	621,220	3,648,830
	3,999,529	9,241,095
	269,808	5,587,430
	260,225	400,494
8,442,649	5,608,614	23,548,724
	422,956	422,956
		186,600
	1,004,243	1,004,243
3,414	526,928	544,742
1,053	209,351	214,308
<u>8,447,116</u>	<u>13,933,009</u>	<u>50,507,008</u>
<u>384,173</u>	<u>(1,011,968)</u>	<u>367,864</u>
	769,268	932,164
	(218,388)	(932,164)
	<u>550,880</u>	
384,173	(461,088)	367,864
5,870,393	10,928,031	23,494,706
<u>\$ 6,254,566</u>	<u>\$ 10,466,943</u>	<u>\$ 23,862,570</u>

**FINANCIAL CONDITION
SANDUSKY COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

Net change in fund balances - total governmental funds		\$	367,864
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>			
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.			
Capital outlay		\$ 2,666,216	
Depreciation expense		<u>(2,660,999)</u>	
Total			5,217
 The effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.			
Capital asset disposals		(802,314)	
Accumulated depreciation on disposals		<u>523,052</u>	
Total			(279,262)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Real estate and other taxes		118,520	
Special assessments		375	
Interest		(12,751)	
Charges for services		(5,796)	
Intergovernmental		<u>(533,387)</u>	
Total			(433,039)
 Increases in the value of investment in joint ventures that do not provide current financial resources are not reported in the funds.			
			341,912
 Repayments of bonds, notes and capital leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.			
			544,742
 In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.			
			2,492
 Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.			
			(35,374)
 The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.			
			<u>52,259</u>
Change in net assets of governmental activities		\$	<u>566,811</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Real estate and other taxes.	\$ 2,999,500	\$ 2,439,500	\$ 2,436,329	\$ (3,171)
Sales taxes.	5,900,000	5,540,000	5,541,215	1,215
Charges for services.	975,000	1,775,000	1,672,183	(102,817)
Licenses and permits	2,900	2,900	2,321	(579)
Fines and forfeitures	439,900	439,900	438,307	(1,593)
Intergovernmental.	3,885,400	2,263,400	2,301,215	37,815
Investment income	600,000	520,000	482,133	(37,867)
Rental income.			18,138	18,138
Contributions and donations	2,000	10,600	11,064	464
Refunds and reimbursements.		1,611,088	1,610,450	(638)
Other	2,000	12,000	12,534	534
Total revenues.	<u>14,806,700</u>	<u>14,614,388</u>	<u>14,525,889</u>	<u>(88,499)</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	5,351,409	5,239,896	4,820,333	419,563
Judicial.	3,422,699	3,312,105	2,967,063	345,042
Public safety	5,636,554	5,423,611	5,424,688	(1,077)
Public works	95,000	91,598	91,598	
Health	141,378	141,378	140,269	1,109
Human services	723,732	731,464	721,677	9,787
Intergovernmental	186,600	194,260	186,675	7,585
Total expenditures	<u>15,557,372</u>	<u>15,134,312</u>	<u>14,352,303</u>	<u>782,009</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(750,672)</u>	<u>(519,924)</u>	<u>173,586</u>	<u>693,510</u>
Other financing sources (uses):				
Transfers in.			20,000	20,000
Transfers out.	(1,570,000)	(1,470,000)	(713,776)	756,224
Advances in.		22,000	10,000	(12,000)
Advances out.	(25,000)	(75,000)	(25,000)	50,000
Total other financing sources (uses).	<u>(1,595,000)</u>	<u>(1,523,000)</u>	<u>(708,776)</u>	<u>814,224</u>
Net change in fund balance.	(2,345,672)	(2,042,924)	(535,190)	1,507,734
Fund balance at beginning of year	2,896,158	2,896,158	2,896,158	
Prior year encumbrances appropriated	<u>148,233</u>	<u>148,233</u>	<u>148,233</u>	
Fund balance at end of year	<u>\$ 698,719</u>	<u>\$ 1,001,467</u>	<u>\$ 2,509,201</u>	<u>\$ 1,507,734</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
MOTOR VEHICLE AND GAS TAX
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 50,000	\$ 50,000	\$ 60,973	\$ 10,973
Fines and forfeitures	50,000	50,000	58,815	8,815
Intergovernmental	4,450,000	5,338,593	5,105,030	(233,563)
Investment income	50,000	50,000	52,009	2,009
Total revenues	<u>4,600,000</u>	<u>5,488,593</u>	<u>5,276,827</u>	<u>(211,766)</u>
Expenditures:				
Current:				
Public works	<u>5,200,000</u>	<u>5,914,460</u>	<u>5,630,875</u>	<u>283,585</u>
Excess of expenditures over revenues	<u>(600,000)</u>	<u>(425,867)</u>	<u>(354,048)</u>	<u>71,819</u>
Other financing sources:				
Transfers in			<u>142,896</u>	<u>142,896</u>
Net change in fund balance	(600,000)	(425,867)	(211,152)	214,715
Fund balance at beginning of year	1,498,024	1,498,024	1,498,024	
Prior year encumbrances appropriated	<u>46,637</u>	<u>46,637</u>	<u>46,637</u>	
Fund balance at end of year	<u>\$ 944,661</u>	<u>\$ 1,118,794</u>	<u>\$ 1,333,509</u>	<u>\$ 214,715</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
HUMAN SERVICES
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 9,738,000	\$ 9,738,000	\$ 9,152,687	\$ (585,313)
Rental income			916	916
Contributions and donations	375	1,295	1,296	1
Total revenues	<u>9,738,375</u>	<u>9,739,295</u>	<u>9,154,899</u>	<u>(584,396)</u>
Expenditures:				
Current:				
Human services	10,235,189	9,830,024	9,579,165	250,859
Net change in fund balance	(496,814)	(90,729)	(424,266)	(333,537)
Fund balance at beginning of year	511,604	511,604	511,604	
Prior year encumbrances appropriated	<u>450,926</u>	<u>450,926</u>	<u>450,926</u>	
Fund balance at end of year	<u>\$ 465,716</u>	<u>\$ 871,801</u>	<u>\$ 538,264</u>	<u>\$ (333,537)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
COUNTY BOARD OF DD
FOR THE YEAR ENDED DECEMBER 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Real estate and other taxes	\$ 3,950,813	\$ 3,950,813	\$ 3,665,327	\$ (285,486)
Charges for services	150,000	150,000	153,604	3,604
Intergovernmental	4,273,000	5,478,299	4,744,021	(734,278)
Contributions and donations	15,000	15,000	15,890	890
Total revenues	8,388,813	9,594,112	8,578,842	(1,015,270)
Expenditures:				
Current:				
Human services	9,437,253	9,066,337	9,225,465	(159,128)
Excess (deficiency) of revenues over (under) expenditures	(1,048,440)	527,775	(646,623)	(1,174,398)
Other financing sources (uses):				
Transfers in	40,000	6,957		(6,957)
Net change in fund balance	(1,008,440)	534,732	(646,623)	(1,181,355)
Fund balance at beginning of year	6,066,715	6,066,715	6,066,715	
Prior year encumbrances appropriated	126,295	126,295	126,295	
Fund balance at end of year	\$ 5,184,570	\$ 6,727,742	\$ 5,546,387	\$ (1,181,355)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
SANDUSKY COUNTY**

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2009

	Business-Type Activities - Sanitary Sewer	Governmental Activities - Internal Service Fund
	<u> </u>	<u> </u>
Assets:		
Current assets:		
Equity in pooled cash and investments.	\$ 704,294	\$ 216,260
Receivables (net of allowance for uncollectibles):		
Accounts	83,113	
Special assessments.	8,212	
Due from other governments		52,259
Prepayments.	<u>1,103</u>	
Total current assets	<u>796,722</u>	<u>268,519</u>
Noncurrent assets:		
Capital assets:		
Land and construction in progress.	103,371	
Depreciable capital assets, net.	<u>4,611,524</u>	
Total noncurrent assets	<u>4,714,895</u>	
Total assets	<u>5,511,617</u>	<u>268,519</u>
Liabilities:		
Current liabilities:		
Accounts payable.	5,937	
Accrued wages and benefits	10,750	
Compensated absences payable.	10,037	
Interfund loan payable	24,000	
Due to other governments	27,295	
Accrued interest payable.	296	
Current portion of OPWC loans.	18,303	
Current portion of OWPC loans.	88,304	
Current portion of general obligation bonds payable	<u>40,000</u>	
Total current liabilities	<u>224,922</u>	
Long-term liabilities:		
Compensated absences	10,603	
OPWC loans.	208,242	
OWPC loans	<u>1,004,876</u>	
Total long-term liabilities.	<u>1,223,721</u>	
Total liabilities	<u>1,448,643</u>	
Net assets:		
Invested in capital assets, net of related debt.	3,355,170	
Unrestricted	<u>707,804</u>	268,519
Total net assets	<u>\$ 4,062,974</u>	<u>\$ 268,519</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Business-Type Activities - Sanitary Sewer	Governmental Activities - Internal Service Fund
Operating revenues:		
Charges for services	\$ 1,053,619	\$ 180,026
Other	9,175	
Total operating revenues	1,062,794	180,026
Operating expenses:		
Personal services	300,752	
Contract services	417,453	
Materials and supplies	26,366	
Utilities	48,499	
Depreciation	241,208	
Claims		127,767
Other	37,211	
Total operating expenses.	1,071,489	127,767
Operating income (loss)	(8,695)	52,259
Nonoperating expenses:		
Interest expense and fiscal charges	(51,558)	
Total nonoperating expenses	(51,558)	
Income (loss) before capital contributions	(60,253)	52,259
Capital contributions.	26,426	
Change in net assets.	(33,827)	52,259
Net assets at beginning of year	4,096,801	216,260
Net assets at end of year	\$ 4,062,974	\$ 268,519

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
SANDUSKY COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Business-Type Activities - Sanitary Sewer	Governmental Activities - Internal Service Fund
Cash flows from operating activities:		
Cash received from sales/service charges	\$ 1,050,290	\$ 127,767
Cash received from other operating revenue	9,864	
Cash payments for personal services	(292,908)	
Cash payments for contract services	(405,737)	
Cash payments for materials and supplies	(26,922)	
Cash payments for utilities	(45,308)	
Cash payments for claims		(127,767)
Cash payments for other expenses.	(69,434)	
	<u>219,845</u>	<u></u>
Net cash provided by operating activities.		
Cash flows from noncapital financing activities:		
Cash used in repayment of interfund loans	(12,000)	
	<u>(12,000)</u>	<u></u>
Net cash used in noncapital financing activities		
	<u>(12,000)</u>	<u></u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(53,372)	
Principal payments on bonds	(40,000)	
Interest payments on bonds	(7,425)	
Principal payments on loans.	(151,027)	
Interest payments on loans.	(69,187)	
OWPC loan issuance	26,396	
	<u>(294,615)</u>	<u></u>
Net cash used in capital and related financing activities		
	<u>(294,615)</u>	<u></u>
Net decrease in cash and investments	(86,770)	
Cash and investments at beginning of year	791,064	216,260
Cash and investments at end of year.	\$ 704,294	\$ 216,260
	<u>704,294</u>	<u>216,260</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss).	\$ (8,695)	\$ 52,259
Adjustments:		
Depreciation	241,208	
Changes in assets and liabilities:		
(Increase) in accounts receivable	(2,637)	
(Increase) in special assessments receivable	(3)	
(Increase) in due from other governments.		(52,259)
(Increase) in prepayments	(104)	
(Decrease) in accounts payable.	(26,336)	
Increase in accrued wages and benefits	828	
Increase in due to other governments	7,126	
Increase in compensated absences payable	8,458	
	<u>8,458</u>	<u></u>
Net cash provided by operating activities	<u>\$ 219,845</u>	<u>\$</u>

Non-cash transactions:

During 2009, the County had \$26,396 of principal forgiven on OWPC loan #5318.
During 2009, the County had a \$30 principal adjustment to OWPC loan #4506.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
SANDUSKY COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2009

	Investment Trust	Agency
Assets:		
Equity in pooled cash and investments	\$ 5,105,455	\$ 5,239,617
Cash in segregated accounts		1,098,226
Receivables:		
Real estate and other taxes.		40,941,092
Accounts	339,280	66,139
Special assessments.		768,255
Due from other governments	15,847	2,339,829
Accrued Interest	8,255	
Total assets	5,468,837	50,453,158
Liabilities:		
Accounts payable.	\$ 87,885	\$ 99,690
Due to other governments.	20,296	1,884
Undistributed monies		49,253,358
Deposits held and due to others.		1,098,226
Total liabilities	108,181	\$ 50,453,158
Net assets:		
Net assets available for pool participants	5,360,656	
Total net assets	\$ 5,360,656	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
SANDUSKY COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
INVESTMENT TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Investment Trust
Net increase in net assets resulting from operations	\$ 170,068
Share transactions:	
Purchase of units	3,930,201
Redemptions of units	<u>(2,981,554)</u>
Net increase in net assets and shares resulting from share transactions	<u>948,647</u>
Change in net assets	1,118,715
Net assets at beginning of year.	<u>4,241,941</u>
Net assets at end of year.	<u><u>\$ 5,360,656</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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, two 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 Developmental Disabilities (DD); 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 basic financial statements 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 also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The County has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise fund, subject to this same limitation. The County has elected not to apply this FASB guidance.

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 GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The basic financial statements include all funds, agencies, boards, commissions, and component units for which the County and the County Commissioners are "accountable". Accountability 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 basic financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of the 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.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Based on the foregoing criteria, the financial activities of the following PCU's have been reflected in the accompanying basic financial statements as follows:

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 commissions listed below, the County serves as fiscal agent but is not financially accountable for their operations. Accordingly, the following entities are presented as agency funds within the financial statements:

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 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 and a related organization as follows:

JOINT VENTURES WITH EQUITY INTEREST

Ottawa, Sandusky, and Seneca County Solid Waste District

The Solid Waste District (the "District") is a joint venture of Sandusky, Ottawa and Seneca Counties and is established under the authority of Section 3734.54 of the Ohio Revised Code. The cost of operations and expenses is to be funded by fees collected by the District. In the event that fees are not sufficient for the purpose, the counties shall share all operating costs and expenses incurred in the same proportions as the populations of the respective counties bear to the total population of all the counties. Upon the withdrawal of a county from the District, the Board of Directors shall ascertain, apportion, and order a division of the funds on hand, credits and real personal property of the District, either in money or in kind, on any equitable basis between the District and the withdrawing county. Should the District be dissolved, the Boards of County Commissioners shall continue to levy and collect taxes for the payment of any outstanding indebtedness. The District is governed by the three commissioners of each county involved.

The counties share in the equity of the District is based on relative percentages of population within the three counties. Based upon this calculation, Sandusky County's equity interest in the District is \$1,143,163 at December 31, 2009. Financial information can be obtained from the Sandusky County Auditor, 100 North Park Avenue, Fremont, Ohio 43420-2472.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Sandusky County - Seneca County - City of Tiffin Port Authority

The Port Authority, a joint venture between Sandusky and Seneca Counties and the City of Tiffin, is established under the authority of Sections 4582.21 et. seq., of the Ohio Revised Code, with territorial limits co-terminus with the boundaries of the counties, with Tiffin being within the boundaries of Seneca County. The Port Authority is governed by a seven member Board of Directors, consisting of two members from each of the counties and the city, with the seventh member being rotated between the three entities every four years. The members are appointed by the County Commissioners in the counties, and by the Mayor of Tiffin in the city. Appointed members may hold no other public office or public employment except Notary Public, member of the State Militia, or member of a reserve component of the United States Armed Forces. Initial funding for organizational expenses, including purchase of real or personal property by the Port Authority, were contributed by each subdivision with no obligation of future contributions or financial support. The contributions were equal and simultaneous. The Port Authority may be dissolved at any time upon the enactment of an ordinance by the city and resolutions by the counties. Any real or personal property will be returned to the subdivision from which it was received.

Upon dissolution of the Port Authority, any balance remaining in the Port Authority's funds or any real or personal property belonging to the Port Authority will be distributed equally to the city and the counties after paying all expenses and debts. Sandusky County's equity interest in the Port Authority is \$1,196,963 at December 31, 2009. 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.

Mental Health and Recovery Services

The Mental Health and Recovery Services (MHRS) is a joint venture between Seneca, Sandusky, and Wyandot Counties. The headquarters for MHRS is in Seneca County. MHRS provides community services to mentally ill and emotionally disturbed persons. Statutorily created, the MHRS Board is made of 18 members, 10 of the members are appointed by the county commissioners of each respective county, 4 are appointed by the State Department of Mental Health, and 4 are appointed by the State of Ohio Department of Alcohol and Drug Addiction Services. Revenues to provide mental health services are generated through State and Federal grants. The MHRS Board adopts its own budget, hires and fires staff and does not rely on the County to finance deficits.

The counties share in the equity of the MHRS Board based on the percentages of population within the three counties. Sandusky County's equity interest in this joint venture at December 31, 2009 is \$1,472,436.

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

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

SHARED RISK POOL

County Risk Sharing Authority, Inc. (CORSA)

The County Risk Sharing Authority, Inc., is a jointly governed organization among sixty-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. The County paid \$234,669 to CORSA during 2009.

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 sixty-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 Section 4123.29 of the Ohio Revised Code. The County Commissioners Association of Ohio Service Corporation (CCAOSC) was established through the County Commissioners 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.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the enterprise fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County and for each function or program of the County’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the County.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fund Financial Statements – Fund financial statements report detailed information about the County. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

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 statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its enterprise activities.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the County's proprietary funds are charges for sales and services. Operating expenses for the enterprise funds include personnel and other expenses related to the operations of the enterprise activity. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Agency funds do not report a measurement focus as they do not report operations.

C. Fund Accounting

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

General - The general fund is used to account for all activities of the County not required to be included 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.

Motor Vehicle and Gas Tax (MVGTT) - This fund accounts for revenues derived from motor vehicle licenses, and gasoline taxes. Expenditures are restricted by State law to County road and bridge repair and maintenance programs.

Human Services - This fund accounts for various federal and State grants, as well as transfers from the general fund used to provide public assistance to general relief recipients to pay their providers for medical assistance and for certain public services.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

County Board of Developmental Disabilities (DD) - This fund accounts for the operation of a school and the costs of administering a workshop for the developmentally disabled. Revenue sources include a countywide property tax levy and federal and state grants.

Other governmental funds of the County are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; (b) for the accumulation of resources for, and the repayment of, general long-term debt principal, interest and related costs and (c) grants and other resources, the use of which is restricted to a particular purpose.

PROPRIETARY FUNDS

Proprietary funds are used to account for the County's ongoing activities which are similar to those found in the private sector. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds - The enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises. The intent of the County is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The County has presented the following major enterprise fund:

Sanitary Sewer - This fund accounts for sanitary sewer services provided to individual and commercial users in the majority of the unincorporated areas of the County. The costs of providing these services are primarily financed through user charges. The sanitary sewer district has its own facilities and rate structure.

Internal Service Fund - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the County on a cost-reimbursement basis. The County's internal service fund accounts for a workers compensation program for employees of the County.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the County's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County's fiduciary funds are agency funds and an investment trust fund which account for monies held for other governments and undistributed assets.

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 financial statement to be misleading or incomplete. There were no component units for the County in 2009.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the full 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 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 a full accrual basis, revenue from sales taxes is recognized in the year in which the sales are made. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is 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 all other 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 tax (See Note 7), interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees and rentals.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2009, but which were levied to finance 2010 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as unearned revenue. Special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2009, are recorded as deferred revenue in the governmental funds.

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

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Expense/Expenditures - On the full accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Budgetary Data

All funds, other than agency funds, are required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations resolution, both of which are prepared on the budgetary basis of accounting. The County Auditor has waived the tax budget requirement. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by the County Commissioners at the fund, program, department and object level.

The certificate of estimated resources may be amended during the year if projected increases or the County Auditor identifies decreases in revenue. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts are on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during 2009.

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

F. 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 and equivalents" on the basic financial statements.

During 2009, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, repurchase agreements, corporate bonds and certificates of deposits. 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.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The County has invested funds in STAR Ohio during 2009. 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 Securities and Exchange Commission (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 shares price which is the price the investment could be sold for on December 31, 2009.

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 2009 amounted to \$560,912 which includes \$493,619 assigned from other County funds.

The County has segregated bank accounts for monies held separately from the County's central bank account. These interest-bearing depository accounts are presented as "Cash in segregated accounts" since they are not required to be deposited into the County treasury.

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.

An analysis of the County's investment account at year end is provided in Note 4.

G. External Investment Pool

By statute, the County serves as fiscal agent for various legally separate entities. The County pools the monies of these entities with the County's 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 interest that it earns. The fair value of investments for both the internal and external investment pools is disclosed in Note 4, "Deposits and Investments".

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Condensed financial information for the investment pool is as follows:

**Statement of Net Assets
December 31, 2009**

<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 34,145,392
Accrued interest receivable	38,592
Total	\$ 34,183,984
<u>Net assets held in trust for participants:</u>	
Internal portion	\$ 28,823,328
External portion	5,360,656
Total	\$ 34,183,984

**Statement of Changes in Net Assets
For the Year Ended December 31, 2009**

<u>Revenue:</u>	
Interest income	\$ 794,449
<u>Expenses:</u>	
Operating expenses	_____
Net increase in assets resulting from operations	794,449
Distribution to pool participants	(673,910)
<u>Capital transactions:</u>	
Proceeds of investments sold	(34,129,984)
Purchase of investments	34,145,392
Total increase in net assets	135,947
Net assets, beginning of year	34,048,037
Net assets, end of year	\$34,183,984

H. Inventories of Materials and Supplies

On the government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

On the governmental fund financial statements, reported material and 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.

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of \$5,000. The County's infrastructure consists of roads, bridges, culverts and sanitary sewers. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is also capitalized.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land improvements	15 - 30 years	15 - 30 years
Buildings and improvements	8 - 40 years	30 - 40 years
Furniture and equipment	5 - 15 years	10 - 20 years
Vehicles	8 - 15 years	15 years
Infrastructure	25 - 50 years	50 years

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 method over the estimated useful life of the asset. For 2009, the net interest expense incurred on proprietary fund construction projects was not material.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. 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 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 December 31, 2009, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. Sick leave benefits are accrued using the vesting method. 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 December 31, 2009 and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments.

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

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

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2009, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At year-end, because payments 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.

L. Loans Receivable

Loans receivable represent the right to receive repayment for certain loans made by the County. These loans are based upon written agreements between the County and the various loan recipients. Reported loans receivable is offset by a fund balance reserve in the governmental fund types, which indicates that the reserved portion does not constitute available expendable resources even though it is a component of net current assets.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability in the fund financial statements when due.

N. Interfund Transactions

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

During the normal course of operations, the County has numerous transactions between funds. Transfers represent movement of resources from a fund receiving revenue to a fund through which those resources will be expended and are recorded as other financing sources (uses) in governmental funds and as transfers in proprietary funds. Interfund transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the County are treated similarly when involving other funds of the County.

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivable/interfund payable" for the current portion of interfund loans or "advances to/from other funds" for the non-current portion of interfund loans. All other outstanding balances outstanding between funds are reported as "due to/from other funds." These amounts are eliminated in the statement of net assets, except for any residual balances outstanding between the governmental activities and business-type activities, which are reported in the government-wide financial statements as "internal balances".

O. Fund Balance Reserves

Reserved or designated fund balances indicate that a portion of fund equity is not available for current appropriation or use. The unreserved or undesignated portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

The County reports amounts representing encumbrances outstanding, prepayments, loans receivable, advances and materials and supplies inventories as reservations of fund balance in the governmental funds.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the proprietary funds. For the County, these revenues are charges for services for the sewer and workers compensation programs. Operating expenses are necessary costs incurred to provide the food or service that is the primary activity of the fund.

Q. Contributions of Capital

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

R. Net Assets

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

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

S. Estimates

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County administration and that are either unusual in nature or infrequent in occurrence. The County had no extraordinary or special items during 2009.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2009, the County has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)

GASB Statement No. 49 establishes the enhancement of the usefulness and comparability of pollution remediation obligations. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the County.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the County.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the County.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the County.

B. Deficit Fund Balances

Fund balances at December 31, 2009 included the following individual fund deficits:

<u>Nonmajor governmental funds:</u>	<u>Deficit</u>
Youth services subsidy grant	\$ 29,254
Americorp grant	7,662
HVEO grant	1,756
EB justice grant	2,387

The HVEO grant fund complied with Ohio State law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balance in the HVEO grant fund resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

Monies held by the County are classified by State statute into two categories. Active monies are public monies determined to be necessary to meet current demand upon the County treasury. Active monies 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.

Monies held by the County which are not considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities provided a written investment policy has been filed with the Ohio Auditor of State:

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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 and 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;
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 items (1) or (2) above 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 Treasury Asset Reserve of Ohio (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in items (1) or (2) above or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio; and,
10. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio.

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

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

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 County Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At year end, the County had \$1,550 in undeposited cash on hand which is included on the financial statements of the County as part of "equity in pooled cash and equivalents".

B. Cash in Segregated Accounts

At year end, \$1,464,356 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 financial statements as "equity in pooled cash and equivalents". The carrying value of these deposits was \$1,098,226 at December 31, 2009.

C. Deposits with Financial Institutions

At December 31, 2009, the carrying amount of all County deposits, including nonnegotiable certificates of deposit and cash in segregated accounts, was \$15,000,607. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2009, \$13,863,539 of the County's bank balance of \$15,966,210 was exposed to custodial risk as discussed below, while \$2,102,671 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the County's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the County. The County has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all 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.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Investments

As of December 31, 2009, the County had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FHLB	\$ 3,020,317				\$ 536,565	\$ 2,483,752
FHLMC	3,008,230					3,008,230
STAR Ohio	7,926,184	\$ 7,926,184				
Corporate bonds	6,286,730	3,010,584	\$ 2,276,706	\$ 999,440		
Total	\$ 20,241,461	\$ 10,936,768	\$ 2,276,706	\$ 999,440	\$ 536,565	\$ 5,491,982

The weighted average maturity of investments is 1.16 years.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the County's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The County's investments, except for STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAm money market rating.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities and corporate bonds are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the County's name. The County has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the County Treasurer or qualified trustee.

Concentration of Credit Risk: The County places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the County at December 31, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 7,926,184	39.16
FHLB	3,020,317	14.92
FHLMC	3,008,230	14.86
Corporate bonds	6,286,730	31.06
Total	\$ 20,241,461	100.00

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

E. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 15,000,607
Investments	20,241,461
Cash on hand	<u>1,550</u>
Total	<u>\$ 35,243,618</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 23,096,026
Business-type activities	704,294
Investment trust	5,105,455
Agency funds	<u>6,337,843</u>
Total	<u>\$ 35,243,618</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund transfers for the year ended December 31, 2009, consisted of the following, as reported on the fund financial statements:

<u>Transfer from</u>	<u>Transfer to</u>			<u>Total</u>
	<u>General</u>	<u>MVGT</u>	<u>Nonmajor Governmental</u>	
General			\$ 713,776	\$ 713,776
Nonmajor governmental	\$ 20,000	\$ 142,896	55,492	<u>218,388</u>
Total	<u>\$ 20,000</u>	<u>\$ 142,896</u>	<u>\$ 769,268</u>	<u>\$ 932,164</u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The transfer to the general fund is from the title administration fund, a nonmajor governmental fund. This transfer is allowable under Ohio Revised Code Section 325.33.

All other transfers complied with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Transfers between governmental funds are eliminated on the statement of activities.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

B. Interfund loans payable/receivable consisted of the following at December 31, 2009:

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 25,000
Nonmajor governmental fund	Sanitary sewer enterprise fund	<u>24,000</u>
Total		<u>\$ 49,000</u>

The interfund loan balances result from resources provided by the receivable fund to the payable fund to provide cash flow resources until anticipated revenues are received. Interfund loans payable/receivable between governmental funds are eliminated on the government-wide financial statements. Interfund loans payable/receivable between governmental and enterprise funds are shown as an internal balance on the statement of net assets.

C. Due to/from other funds consisted of the following at December 31, 2009:

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 37,946

The purpose of these interfund transactions was to cover deficit cash balances at December 31, 2009. This amount will be repaid in the next fiscal year. Amounts due between governmental funds are eliminated on the government-wide financial statements.

D. Long-term advances to/from other funds at December 31, 2009 as reported on the fund statements, consisted of the following:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Nonmajor governmental fund	Nonmajor governmental fund	\$100,000

On September 24, 2009, the County issued \$100,000 in notes to retire the notes payable for County Court Facilities discussed in Note 13.

Advances to/from other funds are for manuscript debt issued by the County in accordance with Ohio Revised Code Section 133.29. The debt service fund issued these notes which were purchased by the permanent improvement fund, both nonmajor governmental funds. These advances will be repaid on December 1 each year with the final maturity date of December 1, 2011. The interest rate is 3%.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

Principal and interest requirements to retire the long-term advances outstanding at December 31, 2009 are as follows:

Year Ending December 31,	Principal	Interest	Total
2010	\$ 50,000	\$ 3,550	\$ 53,550
2011	50,000	1,500	51,500
Total	<u>\$ 100,000</u>	<u>\$ 5,050</u>	<u>\$ 105,050</u>

Advances between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the County. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Beginning in calendar year 2009 tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property tax collections in calendar year 2009 represent delinquent collections.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the County due to the phasing out of the tax. In calendar years 2009-2010, the County will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 6 - PROPERTY TAXES - (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2009 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2009 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The full tax rate for all County operations, excluding 911 operations, for the year ended December 31, 2009, was \$7.80 per \$1,000 of assessed value. The full tax rate for the County 911 operations, excluding the City of Bellevue and the Village of Green Springs, for the year ended December 31, 2009, was \$0.30 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which the 2009 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 878,973,080
Commercial/industrial/mineral	186,802,160
<u>Public utility</u>	
Real	568,660
Personal	<u>42,213,880</u>
Total assessed value	<u>\$ 1,108,557,780</u>

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. In 2005, an additional 0.25 percent tax was levied and earmarked solely for Emergency Medical Services. 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 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 fund and Emergency Medical Services fund, a nonmajor governmental fund. Amounts that are measurable and available at year end are accrued as revenue on the fund financial statements. Permissive sales and use tax revenue totaled \$7,083,217 in 2009.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 8 - RECEIVABLES

Receivables at December 31, 2009, consisted of taxes, accounts (billings for user charged services), interfund transactions related to charges for goods and services rendered, intergovernmental receivables arising from grants, entitlements and shared revenue, special assessments, accrued interest, and loans. All intergovernmental receivables have been classified as "due from other governments" on the financial statements. Receivables have been recorded as described in Note 2.D. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Sales taxes	\$ 1,126,903
Real estate and other taxes	8,169,164
Accounts	638,470
Special assessments	288,291
Accrued interest	30,337
Due from other governments	4,775,336
Loans	190,602

Business-type activities:

Accounts	83,113
Special assessments	8,212

Receivables have been disaggregated on the financial statements. The only receivables not expected to be collected within the subsequent year are the special assessments and loans, which are collected over the life of the assessment or loan.

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 fund, a nonmajor governmental fund. The following is a summary of the changes in the loans receivable during 2009.

Loans receivable at 12/31/08	\$ 222,310
Principal payments received in 2009	(20,831)
Principal considered uncollectable	<u>(10,877)</u>
Loans receivable at 12/31/09	<u>\$ 190,602</u>

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2009 was as follows:

<u>Governmental activities:</u>	<u>Balance</u> <u>12/31/2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2009</u>
<i>Capital asset not being depreciated:</i>				
Land	\$ 1,407,198			\$ 1,407,198
Construction in progress	91,180	\$ 799,763		890,943
Total capital assets not being depreciated:	<u>1,498,378</u>	<u>799,763</u>		<u>2,298,141</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,384,371			1,384,371
Buildings and improvements	23,290,053			23,290,053
Furniture and equipment	5,537,573	31,891	\$ (5,500)	5,563,964
Vehicles	5,846,046	264,575	(13,976)	6,096,645
Infrastructure	39,252,598	1,569,987	(782,838)	40,039,747
Total capital assets, being depreciated:	<u>75,310,641</u>	<u>1,866,453</u>	<u>(802,314)</u>	<u>76,374,780</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(853,573)	(44,792)		(898,365)
Buildings and improvements	(9,928,721)	(559,179)		(10,487,900)
Furniture and equipment	(3,426,675)	(302,074)	2,385	(3,726,364)
Vehicles	(3,925,141)	(442,276)	13,976	(4,353,441)
Infrastructure	(14,889,948)	(1,312,678)	506,691	(15,695,935)
Total accumulated depreciation	<u>(33,024,058)</u>	<u>(2,660,999)</u>	<u>523,052</u>	<u>(35,162,005)</u>
Total capital assets, being depreciated net	<u>42,286,583</u>	<u>(794,546)</u>	<u>(279,262)</u>	<u>41,212,775</u>
Governmental activities capital assets, net	<u>\$ 43,784,961</u>	<u>\$ 5,217</u>	<u>\$ (279,262)</u>	<u>\$ 43,510,916</u>

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 10 - CAPITAL ASSETS - (Continued)

<u>Business-type activities:</u>	Balance <u>12/31/2008</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>12/31/2009</u>
<i>Capital asset not being depreciated:</i>				
Land	\$ 11,828			\$ 11,828
Construction in progress	<u>65,147</u>	\$ 26,396		<u>91,543</u>
Total capital assets not being depreciated:	<u>76,975</u>	<u>26,396</u>		<u>103,371</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	105,384			105,384
Buildings and improvements	667,123			667,123
Furniture and equipment	654,508			654,508
Vehicles	129,857	26,976		156,833
Infrastructure	<u>8,757,567</u>			<u>8,757,567</u>
Total capital assets, being depreciated:	<u>10,314,439</u>	<u>26,976</u>		<u>10,341,415</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(54,416)	(4,470)		(58,886)
Buildings and improvements	(503,248)	(19,672)		(522,920)
Furniture and equipment	(427,566)	(31,098)		(458,664)
Vehicles	(110,464)	(10,816)		(121,280)
Infrastructure	<u>(4,392,989)</u>	<u>(175,152)</u>		<u>(4,568,141)</u>
Total accumulated depreciation	<u>(5,488,683)</u>	<u>(241,208)</u>		<u>(5,729,891)</u>
Total capital assets, being depreciated net	<u>4,825,756</u>	<u>(214,232)</u>		<u>4,611,524</u>
Business-type activities capital assets, net	<u>\$ 4,902,731</u>	<u>\$ (187,836)</u>	<u>\$</u>	<u>\$ 4,714,895</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

<u>Governmental activities:</u>	
Legislative and executive	\$ 290,495
Judicial	59,181
Public safety	427,151
Public works	1,558,198
Health	66,961
Human services	<u>259,013</u>
Total depreciation expense - governmental	<u>\$2,660,999</u>
<u>Business-type activities:</u>	
Sanitary sewer	<u>\$ 241,208</u>

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the County entered into lease agreements for copier equipment and a lease agreement for printers. These lease agreements meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers the benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as function expenditures in the budgetary statements.

General capital assets consisting of equipment and vehicles have been capitalized in the statement of net assets in the amount of \$86,894. This amount represents the present value of the minimum lease payments at the time of the lease inception. A corresponding liability was recorded in the statement of net assets. Accumulated depreciation as of December 31, 2009 was \$35,350, leaving a current book value of \$51,544. During 2009, principal and interest payments totaled \$17,814 and \$4,957, respectively, paid by the general fund and the county board of DD fund. As of December 31, 2009, the liability for capital lease obligation included in the long-term liabilities of governmental activities totaled \$52,203.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2009:

<u>Year Ended December 31,</u>	<u>Amount</u>
2010	\$ 20,471
2011	17,250
2012	14,989
2013	6,148
2014	<u>424</u>
Total	59,282
Less: amount representing interest	<u>(7,079)</u>
Present value of net minimum lease payments	<u>\$ 52,203</u>

NOTE 12 - COMPENSATED ABSENCES

County employees earn vacation leave at varying rates ranging from two to five 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.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 13 - LONG-TERM OBLIGATIONS

Long-term obligation activity for the fiscal year ended December 31, 2009 was as follows:

<u>Governmental activities:</u>	<u>Rate</u>	<u>12/31/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/09</u>	<u>One Year</u>
<u>General obligation bonds:</u>						
Various Purpose/Improvement and Refunding - 2002	2.25-5%	\$ 4,340,000	_____	\$ (315,000)	\$ 4,025,000	\$ 315,000
Total general obligation bonds		<u>4,340,000</u>	_____	<u>(315,000)</u>	<u>4,025,000</u>	<u>315,000</u>
<u>Special assessment bonds:</u>						
Loy Ditch	3.50%	8,701	_____	(2,900)	5,801	2,900
Nighswander Ditch	3.00%	2,580	_____	(860)	1,720	860
Carroll Russell Ditch	3.50%	2,039	_____	(680)	1,359	680
Bierly Ditch	3.00%	704	_____	(235)	469	235
Williams Ditch	5.00%	6,534	_____	(1,634)	4,900	1,633
Lewis Ditch	5.00%	2,407	_____	(2,407)	_____	_____
Gries Ditch	4.30%	147,774	_____	(29,555)	118,219	29,554
Havens Ditch	6.00%	8,095	_____	(2,024)	6,071	2,024
Trick Ditch	5.00%	21,505	_____	(10,752)	10,753	10,753
Gschwind Ditch	6.00%	11,763	_____	(5,881)	5,882	5,882
Total special assessment bonds		<u>212,102</u>	_____	<u>(56,928)</u>	<u>155,174</u>	<u>54,521</u>
<u>Notes payable:</u>						
County Court Facilities - 2008	6.00%	155,000	_____	(155,000)	_____	_____
<u>Other long-term obligations:</u>						
Compensated absences payable		2,398,923	\$ 1,057,932	(1,120,586)	2,336,269	1,083,815
Capital lease obligations		70,017	_____	(17,814)	52,203	16,961
Total other long-term obligations		<u>2,468,940</u>	<u>1,057,932</u>	<u>(1,138,400)</u>	<u>2,388,472</u>	<u>1,100,776</u>
Total governmental obligations		<u>\$ 7,176,042</u>	<u>\$ 1,057,932</u>	<u>\$ (1,665,328)</u>	<u>\$ 6,568,646</u>	<u>\$ 1,470,297</u>

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

<u>Business-type activities:</u>	<u>Interest Rate</u>	<u>Balance 12/31/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/09</u>	<u>Due in One Year</u>
<u>General obligation bonds:</u>						
Sewer District #1 - 1980	9.00%	\$ 80,000		\$ (40,000)	\$ 40,000	\$ 40,000
<u>Ohio Water Pollution Control loan:</u>						
State Route 6 Sanitary Sewer Design	2.75%	57,905		(14,815)	43,090	12,000
Sandusky/Rice Joint Sewer Improvement	4.16%	820,539		(77,664)	742,875	54,506
Rice Township Sewer Improvement	4.16%	220,285		(20,850)	199,435	14,633
Rice Township/Shorewood Sewer Improvements	3.64%	34,242		(3,182)	31,060	2,219
Route 53 Area Sewers	3.64%	83,813		(7,093)	76,720	4,946
Home Sewage Treatment Systems	0%	-	\$ 26,396	(26,396)	-	-
Total OWPC Loans		<u>1,216,784</u>	<u>26,396</u>	<u>(150,000)</u>	<u>1,093,180</u>	<u>88,304</u>
<u>Ohio Public Works Commission loans:</u>						
Sunny Acres Sewer Improvements	N/A	31,153		(3,738)	27,415	2,492
Rice Township Sewer Improvements - Phase II	N/A	86,475		(9,608)	76,867	6,406
Rice/Sandusky Sewer Improvements	N/A	136,370		(14,107)	122,263	9,405
Total OPWC Loans		<u>253,998</u>		<u>(27,453)</u>	<u>226,545</u>	<u>18,303</u>
<u>Other long-term obligations:</u>						
Compensated absences payable		12,182	17,412	(8,954)	20,640	10,037
Total business-type obligations		<u>\$ 1,562,964</u>	<u>\$ 43,808</u>	<u>\$ (226,407)</u>	<u>\$ 1,380,365</u>	<u>\$ 156,644</u>

In 2002, the County issued \$6,410,000, Series 2002, in general obligation various purpose improvement and refunding bonds. \$3,910,000 of the proceeds of these bonds were used to advance refund Series 1994 County Service Building bonds and Series 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 refunded bonds are not included in the County's outstanding debt since the refunded debt is considered defeased (in-substance) and all future obligations have been satisfied through the advance refunding. The remaining \$2,500,000 of the proceeds were used to construct a new Juvenile Detention Center. Interest on the Series 2002 bonds is payable in June and December with the principal payment in December. The Series 2002 bonds mature on December 1, 2022.

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.

In 2008, the County issued \$155,000 in bond anticipation notes on September 26, 2008 to finance County Court facilities. These notes matured on September 25, 2009 and were paid from the issuance of manuscript debt discussed in Note 5.D.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

Capital lease obligations will be paid from the general fund and the county board of DD fund. See Note 11 for detail.

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, 2009, the County has outstanding borrowings of \$226,545. The loan agreements require semi-annual payments based on the actual amount loaned. The OPWC loans are interest free. The loans are payable from the sanitary sewer fund.

The County entered into five debt financing arrangements through the Ohio Water Pollution Control Loan Fund (OWPCLF) to fund sewer improvements. The amounts due to the OWPCLF are payable solely from operating revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2009, the County has outstanding borrowings of \$1,093,180. The State Route 6 Loan has not been fully disbursed as of December 31, 2009 and is not included in the amortization schedules shown below. The loan agreements require semi-annual payments based on the actual amount loaned. The loans are payable from the sanitary sewer fund.

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 sewer enterprise fund. Interest is payable on June and December 1 of each year with principal payments due in December.

The compensated absences liability will be paid from the fund from which the employees' salaries are paid, which, for the County, is primarily the general fund, county board of DD fund, the motor vehicle and gas tax fund, the human services fund and the sanitary sewer fund.

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 shall never 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, shall never 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 assessed valuation used in determining the County's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the County's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. Based on this calculation, the County's voted legal debt margin was \$22,667,600 at December 31, 2009 and the unvoted legal debt margin was \$7,518,357 at December 31, 2009.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the County's future annual debt service principal and interest requirements for governmental activities long-term obligations:

Year Ended	General Obligation Bonds			Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 315,000	\$ 182,865	\$ 497,865	\$ 54,521	\$ 6,899	\$ 61,420
2011	325,000	170,265	495,265	37,886	4,377	42,263
2012	325,000	156,453	481,453	33,212	2,745	35,957
2013	335,000	142,802	477,802	29,555	1,271	30,826
2014	340,000	128,397	468,397			
2015 - 2019	1,840,000	402,148	2,242,148			
2020 - 2022	545,000	55,250	600,250			
Total	\$ 4,025,000	\$ 1,238,180	\$ 5,263,180	\$ 155,174	\$ 15,292	\$ 170,466

The following is a summary of the County's future annual debt service requirements for business-type activities obligations:

Year Ended	OPWC Loans			OWPCLF Loans		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 18,303		\$ 18,303	\$ 76,304	\$ 42,347	\$ 118,651
2011	18,303		18,303	79,473	39,178	118,651
2012	18,303		18,303	82,774	35,877	118,651
2013	18,303		18,303	86,212	32,438	118,650
2014	18,303		18,303	89,794	28,857	118,651
2015 - 2019	91,512		91,512	508,127	85,126	593,253
2020 - 2023	43,518		43,518	127,406	4,451	131,857
Total	\$ 226,545	\$	\$ 226,545	\$ 1,050,090	\$ 268,274	\$ 1,318,364

Year Ended	General Obligation Bonds		
	Principal	Interest	Total
2010	\$ 40,000	\$ 3,600	\$ 43,600
Total	\$ 40,000	\$ 3,600	\$ 43,600

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 14 - 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 2009, 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:

<u>Type of Coverage</u>	<u>Amount</u>
General Liability (per occurrence)	\$ 1,000,000
Law Enforcement Liability (per occurrence)	1,000,000
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
Errors and Omissions	1,000,000
Excess Liability	1,000,000
Property	91,859,867
Equipment Breakdown	100,000,000
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 prior year, 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. The County purchases commercial health insurance coverage through SummaCare. The County pays 87% of the monthly premium while the employee pays 13%. The entire risk of loss transfers to the commercial insurance carrier. The County's monthly premium requirement is as follows:

Family Plan Premium				
Employer Contribution	\$926.40/mo	87%	\$11,116.83/yr	87%
Employee Contribution	\$138.43/mo	13%	\$63.89/pay	13%
Single Plan Premium				
Employer Contribution	\$378.52/mo	87%	\$4,542.24/yr	87%
Employee Contribution	\$56.56/mo	13%	\$26.10/pay	13%

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 14 - RISK MANAGEMENT - (Continued)

C. Insurance Purchasing Pool

For 2009, 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 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 County did not have any claims for fiscal year 2008. The claims activity for 2009 is as follows:

<u>Year</u>	<u>Beginning Balance</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2009	\$	\$ 127,767	\$ (127,767)	\$

D. Natural Gas

The County participates in the County Commissioners Association of Ohio Service Corporation National Gas Program (the Program), a natural gas cost savings pool. In 1999 the CCAO Service Corporation (CCAOSC) Board of Trustees authorized the establishment of a Natural Gas Program for CCAO members. The 30 counties that enrolled in the program save money in two ways: 1) Pre-payment - 1 bcf of gas was purchased from CMS, a Michigan corporation, for the next ten years. Members save \$.07 per mcf below the FERC index. 2) Aggregation - buying as a group.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 14 - RISK MANAGEMENT - (Continued)

CCAOSC Natural Gas Program currently has 31 member counties enrolled in the program. The program was designed by Seasongood and Mayer. Taxable bonds in the amount of \$29,890,000 were issued by Hamilton County on October 31, 2000 to assist the CCAOSC and the CCAOSC Natural Gas Program member counties. The program began on November 1, 2000. Huntington Bank is the trustee for the program.

Counties sign up for the program through CCAO, who also receives payments and handles administrative duties. The gas commodity is managed by Exelon Energy. Since 2000, the member counties have saved \$3.5 million. Sandusky County has saved \$27,003. CCAO earns approximately \$15,000 to defray expenses. No staff salaries are paid from the program. CCAO established the program as a service to the Counties. The Ohio schools have a similar program administrated by the Ohio Schools Council.

NOTE 15 – DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2009 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.10%. The County's contribution

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

rate for 2009 was 14.00%, except for those plan members in law enforcement or public safety, for whom the County's contribution was 17.63% of covered payroll.

The County's contribution rate for pension benefits for 2009 was 7.00% from January 1 through March 31, 2009 and 8.50% from April 1 through December 31, 2009, except for those plan members in law enforcement and public safety. For those classifications, pension contributions were 10.63% from January 1 through March 31, 2009 and 12.13% from April 1 through December 31, 2009. The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2009, 2008 and 2007 were \$1,402,305, \$1,342,995 and \$1,555,837, respectively; 95.40% has been contributed for 2009 and 100% has been contributed for 2008 and 2007.

B. State Teachers Retirement System

Plan Description - Certified teachers, employed by the school for developmental disabilities, 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 retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.50% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For 2009, plan members were required to contribute 10.00% of their annual covered salaries. The County was required to contribute 14.00%; 13.00% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to STRS Ohio for the years ended December 31, 2009, 2008, and 2007 were \$37,859, \$45,334 and \$40,652, respectively; 100 % has been contributed for 2009, 2008 and 2007. There were no contributions made to the DC and Combined Plans for fiscal year 2009.

NOTE 16 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but not does mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, local government employers contributed 14.00% of covered payroll (17.63% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for 2009 was 7.00% from January 1 through March 31, 2009 and 5.50% from April 1 through December 31, 2009.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008 and 2007 were \$961,192, \$1,271,472 and \$979,132, respectively; 95.40% has been contributed for 2009 and 100% has been contributed for 2008 and 2007.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

B. State Teachers Retirement System

Plan Description - The County contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1.00% of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the years ended December 31, 2009, 2008 and 2007 were \$2,912, \$3,487 and \$3,127, respectively; 100% has been contributed for 2009, 2008 and 2007.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures, and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund and major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as payables (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (e) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund and major special revenue funds are as follows:

Net Change in Fund Balances

	Major Governmental Funds			
	General	Motor Vehicle and Gas Tax	Human Services	County Board of DD
Budget basis	\$ (535,190)	\$ (211,152)	\$ (424,266)	\$ (646,623)
Net adjustment for revenue accruals	93,253	64,730	6,944	252,447
Net adjustment for expenditure accruals	41,066	(77,683)	130,734	41,271
Net adjustment for other financing sources/(uses) accruals	15,000			
Encumbrances (budget basis)	218,382	482,534	640,427	737,078
GAAP basis	\$ (167,489)	\$ 258,429	\$ 353,839	\$ 384,173

NOTE 18 - CONTINGENT LIABILITIES

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 the terms of the grant. Based on prior experience, the County Commissioners believe such disallowance, if any, will be immaterial.

B. Litigation

Several claims and lawsuits are pending against the County. In the opinion of the County Prosecutor, no liability is anticipated in excess of insurance coverage.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 19 - 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, 2009, there are four series of Industrial Revenue Bonds outstanding, aggregate principal \$5,815,900; and three series of Health Care Facility Bonds outstanding, aggregate principal \$23,380,081.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2009**

FEDERAL GRANTOR	Federal		
<i>Pass Through Grantor</i>	CFDA	Project	
Program Title	Number	Number	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Job and Family Services</i>			
State Administrative Assistance Grants for the Supplemental Nutrition Assistance Program	10.561	FY09	329,980
State Administrative Assistance Grants for the Supplemental Nutrition Assistance Program	10.561	FY10	155,325
ARRA - State Administrative Assistance Grants for the Supplemental Nutrition Assistance Program	10.561		<u>28,189</u>
Total CFDA # 10.561			<u>513,494</u>
 <i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster			
National School Lunch Program			
NonCash Assistance (Food Distribution)	10.555	FY 2009	\$7,989
Cash Assistance	10.555	FY 2009	<u>27,237</u>
Total National School Lunch Program			<u>35,226</u>
School Breakfast Program	10.553	FY 2009	<u>12,920</u>
Total Child Nutrition Cluster			<u>48,146</u>
Total U.S. Department of Agriculture			<u>561,640</u>
 U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grants/State's Program			
Small Cities Program	14.228	B-F-07-067-1	114,599
Small Cities Program	14.228	B-C-07-067-1	29,451
Small Cities Program	14.228	C-07-067-1	512
Small Cities Program	14.228	B-F-08-067-1	58,013
Revolving Loan Program	14.228		<u>375</u>
Total CFDA #14.228			202,950
HOME Investment Partnerships Program	14.239	B-C-08-067-2	<u>241,927</u>
Total U.S. Department of Housing and Urban Development			<u>444,877</u>
 U.S. DEPARTMENT OF JUSTICE			
<i>Passed Through the Ohio Office of Criminal Justice Services</i>			
Crime Victim Assistance	16.575	2008VAGENE251T	32,644
Crime Victim Assistance	16.575	2009VAGENE251T	<u>8,629</u>
Total CFDA # 16.575			41,273
 <i>Passed Through the Ohio Attorney General</i>			
Crime Victim Assistance - State Victims Assistance Act	16.803	2009-RA-C01-2038	30,696
Crime Victim Assistance - Victims of Crime Act	16.803	2009-RA-C01-2055	13,626
Crime Victim Assistance - Victims of Crime Act	16.803	2009-RA-C01-2069	<u>5,076</u>
Total CFDA # 16.803			49,398
Total U.S. Department of Justice			<u>90,671</u>

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2009**

FEDERAL GRANTOR	Federal		
<i>Pass Through Grantor</i>	CFDA	Project	
Program Title	Number	Number	Disbursements
U.S. DEPARTMENT OF LABOR			
<i>Passed Through Montgomery County WIA Area 7</i>			
WIA Cluster			
Workforce Investment Act - Adult Program - Administration	17.258	2008-7172-1	(681)
Workforce Investment Act - Adult Program - Administration	17.258	2008-7172-1	1,681
Workforce Investment Act - Adult Program - Administration	17.258	2009-7172-2	6,282
VSTP- Administration	17.258	2010-7172-2	364
Workforce Investment Act - Adult Program		2008-7172-1	1,716
Workforce Investment Act - Adult Program		2008-7172-1	12,268
Workforce Investment Act - Adult Program	17.258	2009-7172-2	171,207
Workforce Investment Act - Adult Program	17.258	2009-7172-2	614
One Stop Resource Sharing - Multiple Grants	17.258	2010-7172-2	6,939
Workforce Investment Act - Adult Program	17.258	2010-7172-2	57
ARRA-Workforce Investment Act - Adult Program - Administration	17.258	2009-7172-1	67,129
ARRA-Workforce Investment Act - Adult Program - Administration	17.258	2009-7172-1	4,294
Total CFDA #17.258			<u>271,870</u>
Workforce Investment Act - Youth Activities - Administration	17.259	2008-7172-1	719
Workforce Investment Act - Youth Activities	17.259	2008-7172-1	158,984
ARRA - Workforce Investment Act - Youth Activities	17.259	2009-7172-1	235,282
Total CFDA #17.259			<u>394,985</u>
Workforce Investment Act - Dislocated Workers - Administration	17.260	2008-7172-1	2,174
Workforce Investment Act - Dislocated Workers - Administration	17.260	2008-7172-1	4,609
Workforce Investment Act - Dislocated Workers - Administration	17.260	2009-7172-2	6,700
Workforce Investment Act - Dislocated Workers	17.260	2009-7172-2	172,631
Workforce Investment Act - Dislocated Workers	17.260	2009-7172-2	66,482
ARRA - Workforce Investment Act - Dislocated Workers	17.260	2009-7172-1	12,694
Workforce Investment Act - CAA Demo Grant	17.260	2009-7172-2	1,064
Workforce Investment Act - CAA Demo Grant	17.260	2009-7172-2	3,406
Workforce Investment Act - CAA Account	17.260	2008-7172-1	(877)
Workforce Investment Act - CAA Account	17.260	2009-7172-2	225,757
ARRA - Workforce Investment Act - Dislocated Workers	17.260	2009-7172-1	11,300
ARRA - Workforce Investment Act - Dislocated Workers-Admin.	17.260	2009-7172-1	64,417
Total CFDA #17.260			<u>570,357</u>
Total WIA Cluster			<u>1,237,212</u>
Employment Service/Wagner-Peyser Funded Activities	17.207	2009-7172-2	11,014
WIA Pilots, Demonstrations, and Research Projects	17.261	2009-7172-2	2,530
Disabled Vet Outreach Program	17.801	2009-7172-2	3,035
Local Veterans Employment Representative Program	17.804	2009-7172-2	142
Total U.S. Department of Labor			<u>1,253,933</u>

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2009**

FEDERAL GRANTOR	Federal	Project	
<i>Pass Through Grantor</i>	CFDA	Number	Disbursements
Program Title	Number	Number	
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction	20.205	80638	286,201
Highway Planning and Construction	20.205	84932	150,000
Total CFDA # 20.205			<u>436,201</u>
<i>Passed Through Ohio Department of Public Safety</i>			
State and Community Highway Safety-High Visibility Enforcement	20.600	HVEO-2009-7200000024100	22,958
State and Community Highway Safety-High Visibility Enforcement	20.600	HVEO-2009-7200000027700	5,218
Total CFDA # 20.600			<u>28,176</u>
Total U.S. Department of Transportation			<u>464,377</u>
U.S. ELECTION ASSISTANCE COMMISSION			
<i>Passed Through Ohio Secretary of State</i>			
Help America Vote Act	90.401	FY09	980
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Job and Family Services</i>			
Temporary Assistance for Needy Families -Childcare Services	93.558	G-89-20-1142/G-1011-11-5109	1,095,780
Temporary Assistance for Needy Families -Help Me Grow	93.558	G-89-20-1142/G-1011-11-5109	187,355
Temporary Assistance for Needy Families -Student Intervention	93.558	G-89-20-1142/G-1011-11-5109	56,006
Temporary Assistance for Needy Families - Independent Living	93.558	G-89-20-1142/G-1011-11-5109	11,570
Temporary Assistance for Needy Families - Administration	93.558	G-89-20-1142/G-1011-11-5109	128,287
Temporary Assistance for Needy Families - Regular	93.558	G-89-20-1142/G-1011-11-5109	1,658,615
Total CFDA # 93.558			<u>3,137,613</u>
Child Care Cluster			
Child Care and Development Block Grant	93.575	G-89-20-1142/G-1011-11-5109	784,273
ARRA-Child Care and Development Block Grant	93.713	G-89-20-1142/G-1011-11-5109	27,839
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G-89-20-1142/G-1011-11-5109	770,291
Total Child Care Cluster			<u>1,582,403</u>
Child Support Enforcement	93.563	G-89-20-1142/G-1011-11-5109	303,107
ARRA - Child Support Enforcement	93.563	G-89-20-1142/G-1011-11-5109	331,316
Total CFDA # 93.563			<u>634,423</u>
Foster Care Title IV-E -FCM	93.658	G-89-20-1142/G-1011-11-5109	223,627
Foster Care Title IV-E -Admin and Training	93.658	G-89-20-1142/G-1011-11-5109	506,905
Total CFDA # 93.658			<u>730,532</u>
Child Welfare Services - State Grant	93.645	G-89-20-1142/G-1011-11-5109	50,640
Chafee Foster Care Independence Program	93.674	G-89-20-1142/G-1011-11-5109	95,095
Child Abuse and Neglect State Grant	93.669	G-89-20-1142/G-1011-11-5109	2,000
Promoting Safe and Stable Families	93.556	G-89-20-1142/G-1011-11-5109	2,130

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2009**

FEDERAL GRANTOR	Federal		
Pass Through Grantor	CFDA	Project	
Program Title	Number	Number	Disbursements
<i>Passed Through Ohio Department of Developmental Disabilities</i>			
Childrens Health Insurance Program (SCHIP)	93.767		636
<i>Passed Through Ohio Department of Job and Family Services</i>			
Social Services Block Grant	93.667		436,090
<i>Passed Through Ohio Department of Developmental Disabilities</i>			
Social Services Block Grant	93.667		57,656
Total CFDA # 93.667			<u>493,746</u>
<i>Passed Through Ohio Department of Job and Family Services</i>			
Medical Assistance Program	93.778	G-89-20-1142/G-1011-11-5109	398,232
<i>Passed Through Ohio Department of Developmental Disabilities</i>			
Medical Assistance Program	93.778	FY 09/10	1,361,327
Total CFDA # 93.778			<u>1,759,559</u>
Block Grants for Prevention and Treatment of Substance Abuse	93.959	74-3007-TASC-T-09-9191	101,009
Block Grants for Prevention and Treatment of Substance Abuse	93.959	74-3007-TASC-O-10-9191	58,725
Total CFDA # 93.959			<u>159,734</u>
Total U.S. Department of Health and Human Services			<u>8,648,511</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through Ohio Emergency Management Agency</i>			
Homeland Security Cluster			
Emergency Food and Shelter National Board Program	97.067		4,294
ARRA - Emergency Food and Shelter National Board Program	97.067		13,911
Emergency Management Performance Grants	97.067	2008-EM-E8-0002	18,600
Total CFDA # 97.067			<u>36,805</u>
Homeland Security Grant Program	97.074	2007-GE-T7-0030	2,752
Homeland Security Grant Program	97.074	2007-GE-T7-0030	77,643
Total CFDA # 97.074			<u>80,395</u>
Total Homeland Security Cluster			<u>117,200</u>
Homeland Security Grant Program	97.042	2007-GE-T7-0030	26,369
Homeland Security Grant Program	97.042	2007-GE-T7-0030	10,883
Homeland Security Grant Program	97.042	2007-GE-T7-0030	19,757
Total CFDA # 97.042			<u>57,009</u>
Total U.S. Department of Homeland Security			<u>174,209</u>

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2009**

FEDERAL GRANTOR	Federal		
<i>Pass Through Grantor</i>	CFDA	Project	
Program Title	Number	Number	Disbursements
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Special Education Cluster			
Special Education Grants to States	84.027	FY 09	24,862
Special Education Grants to States	84.027	FY 10	14,461
Total CFDA # 84.027			<u>39,323</u>
Special Education Preschool Grants	84.173	FY 2009	4,789
Special Education Preschool Grants	84.173	FY 2010	2,276
Total CFDA # 84.173			<u>7,065</u>
Total Special Education Cluster			<u>46,388</u>
Total U.S. Department of Education			<u>46,388</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$ 11,685,586</u>

The accompanying notes are an integral part of this schedule.

**SANDUSKY COUNTY FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

The County commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the County assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The County reports commodities consumed on the Schedule at the fair value. The County allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

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

The County has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money to eligible persons to rehabilitate homes. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the County, passed through the Ohio Department of Development. The Schedule reports loans made and administrative costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized by mortgages on the property.

Activity in the CDBG revolving loan fund during 2009 is as follows:

Beginning loans receivable balance as of January 1, 2009	\$222,310
Loan principal repaid	<u>20,831</u>
Ending loans receivable balance as of December 31, 2009	<u><u>\$201,479</u></u>
Cash balance on hand in the revolving loan fund as of December 31, 2009	\$62,304
Administrative costs expended during 2009	375

The table above reports gross loans receivable. Of the loans receivable as of December 31, 2009, the County estimates \$10,877 to be uncollectible.

NOTE E - MATCHING REQUIREMENTS

Certain Federal programs require the County to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

**SANDUSKY COUNTY FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2009**

NOTE F - TRANSFERS BETWEEN FEDERAL PROGRAMS

During fiscal year 2009, the County made allowable transfers of \$491,025 from the Temporary Assistance for Needy Families (TANF) (93.558) program to the Social Services Block Grant (SSBG) (93.667) program. The Schedule shows the County spent approximately \$3,137,613 on the TANF program. The amount reported for the TANF program on the Schedule excludes the amount transferred to the SSBG program. The amount transferred to the SSBG program is included as SSBG expenditures when disbursed. The following table shows the gross amount drawn for the TANF program during fiscal year 2009 and the amount transferred to the Social Services Block Grant program.

Temporary Assistance for Needy Families	\$ 3,628,638
Transfer to Social Services Block Grant	<u>(491,025)</u>
Total Temporary Assistance for Needy Families	<u>\$ 3,137,613</u>

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Mary Taylor, CPA

Auditor of State

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

Sandusky County
100 North Park Avenue
Fremont, Ohio 43420-2472

To the County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sandusky County, Ohio, (the County) as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 31, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the County's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated August 31, 2010.

We intend this report solely for the information and use of management, the audit committee, the County Commissioners, federal awarding agencies, pass-through entities and others within the County. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

August 31, 2010



Mary Taylor, CPA

Auditor of State

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

Sandusky County
100 North Park Avenue
Fremont, Ohio 43420-2472

To the County Commissioners:

Compliance

We have audited the compliance of Sandusky County, Ohio (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 apply to each of its major federal programs for the year ended December 31, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Sandusky County, Ohio complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB

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Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 31, 2010

**SANDUSKY COUNTY FINANCIAL CONDITION
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	CFDA #93.558 – Temporary Assistance for Needy Families CFDA #93.778 – Medical Assistance Program CFDA #93.575/596/713 – Child Care Cluster CFDA #17.259/259/260 – WIA Cluster CFDA #93.658 – Foster Care Title IV-E CFDA #10.561 – Food Stamps Cluster (SNAP) CFDA #93.667 – Social Services Block Grant CFDA #93.563 – Child Support Enforcement
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 350,568 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

Material Weakness

Capital Assets

The County does not maintain a detailed capital asset list along with the use of coordinating asset tags or other specific identifying means. Capital assets account for fifty-one percent of total assets on the accompanying financial statements. A capital asset ledger should be maintained and regularly updated. At minimum, the records should contain the following data: a) department name and location; b) date of purchase; c) description; d) model/serial vehicle identification number, if applicable; e) asset tag number; f) quantity; g) purchase cost; h) annual depreciation amount; i) accumulated depreciation amount; j) book value; k) fund ownership; l) useful life of assets; and m) disposition date.

Infrastructure additions were calculated based on cost per square yard calculated by the County Engineer rather than on actual cost.

The County does not have a written capital asset policy that addresses useful lives for each asset class, depreciation method, and what items will be considered improvements and included as the cost of the asset and what items will be considered maintenance and not included as part of the cost of the asset.

These weaknesses do not allow an accurate accounting over capital assets to be in place and could result in the misappropriation of capital assets and could allow capital assets to be misstated on the financial statements.

To maintain an accurate accounting over the capital assets process, we recommend the County establish a written capital asset policy addressing the abovementioned areas, infrastructure additions be valued and reported at actual cost and an updated listing of the capital assets be maintained.

Officials' Response:

We did not receive a response from the Officials to this finding.

3. FINDINGS FOR FEDERAL AWARDS

None

**SANDUSKY COUNTY FINANCIAL CONDITION
SANDUSKY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Material Weakness – Financial Reporting	Yes	
2008-002	Material Weakness – Capital Assets	No	Repeated in this report as Finding 2009-001
2008-003	ORC 5705.41 (D) - County Auditor Certification	Yes	



Mary Taylor, CPA
Auditor of State

SANDUSKY COUNTY 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
SEPTEMBER 21, 2010**