



Dave Yost • Auditor of State

SANDUSKY COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sandusky County, Ohio (the County), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the County's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Discretely Presented Component Unit	Adverse
General Fund	Unmodified
Motor Vehicle and Gas Tax Fund	Unmodified
County Board of DD	Unmodified
Sanitary Sewer Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Adverse Opinion on the Discretely Presented Component Unit

As discussed in Note 2 to the financial statements, the financial information for Sandusky County Regional Airport Authority, the County's discretely presented component unit, is presented using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America.

We cannot reasonably determine the amounts by which this departure from accounting principles generally accepted in the United States of America would affect the assets, liabilities, net position, revenues and expenses of the accompanying statements.

Adverse Opinion

In our opinion, because of the significance of the matter described in the *Basis for Adverse Opinion on the Discretely Presented Component Unit* paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of Sandusky County, Ohio, as of December 31, 2013, or the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Sandusky County, Ohio as of December 31, 2013, and the respective changes in its financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Motor Vehicle and Gas Tax, and County Board of DD funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2013, the County restated beginning net position in the Sewer Fund. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the County's basic financial statements taken as a whole.

The Federal Award Expenditures Schedule presents additional analysis as required by the 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 financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

September 18, 2014

SANDUSKY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 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, 2013. 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 2013 are as follows:

- The total net position of the County increased \$4,061,469. Net position of governmental activities increased \$3,920,456, which represents a 5.28% increase over 2012. Net position of business-type activities increased \$141,013, or 3.06% from 2012.
- General revenues accounted for \$25,603,727 or 48.27% of total governmental activities revenue. Program specific revenues accounted for \$27,438,047 or 51.73% of total governmental activities revenue.
- The County had \$49,121,318 in expenses related to governmental activities; \$27,438,047 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property and sales taxes) of \$25,603,727 were adequate to provide for these programs.
- The general fund, the County's largest major fund, had revenues and other financing sources of \$17,596,125 in 2013, an increase of \$491,985 from 2012 revenues. The general fund had expenditures and other financing uses of \$16,698,258 in 2013, an increase of \$21,388 from 2012. The fund balance of the general fund increased \$897,867 from 2012 to 2013.
- The motor vehicle and gas tax fund, a County major fund, had revenues of \$4,901,705 in 2013. The motor vehicle and gas tax fund had expenditures of \$5,569,304 in 2013. The fund balance of the motor vehicle and gas tax fund decreased \$667,599 from 2012 to 2013.
- The County board of developmental disabilities (DD) fund, a County major fund, had revenues of \$11,112,962 in 2013. The County board of DD fund had expenditures of \$9,408,092 in 2013. The fund balance of the County board of DD fund increased \$1,704,870 from 2012 to 2013.
- Net position for the sanitary sewer enterprise fund increased in 2013 by \$141,013 or 3.06%.
- In the general fund, the actual revenues and other financing sources came in \$862,851 greater than they were originally budgeted and actual expenditures and other financing uses were \$379,044 less than the amount in the original budget. These variances are a result of the County's conservative budgeting process.

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 position 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 three major governmental funds. The general fund is the largest major fund.

SANDUSKY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 UNAUDITED (CONTINUED)

Reporting the County as a Whole

Statement of Net Position and the Statement of Activities

The statement of net position and the statement of activities answer the question, how did we do financially during 2013? These statements include all assets, deferred outflows, liabilities, deferred inflows, 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 position and changes in net position. This change in net position 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 position 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.

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 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

SANDUSKY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 UNAUDITED (CONTINUED)

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.

Government-Wide Financial Analysis

The statement of net position provides the perspective of the County as a whole. The table below provides a summary of the County's net position for 2013 and 2012. The 2012 amounts for Business-type Activities have been restated as shown in Note 3.C.

SANDUSKY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED
(CONTINUED)

	Net Position					
			Restated			
	Governmental Activities 2013	Business-type Activities 2013	Governmental Activities 2012	Business-type Activities 2012	2013 Total	Restated 2012 Total
Assets						
Current and other assets	\$ 52,091,500	\$ 1,006,448	\$ 46,919,101	\$ 1,082,136	\$ 53,097,948	\$ 48,001,237
Capital assets, net	<u>45,199,573</u>	<u>5,622,583</u>	<u>44,552,859</u>	<u>5,463,312</u>	<u>50,822,156</u>	<u>50,016,171</u>
Total assets	<u>97,291,073</u>	<u>6,629,031</u>	<u>91,471,960</u>	<u>6,545,448</u>	<u>103,920,104</u>	<u>98,017,408</u>
Deferred outflows	<u>32,625</u>	<u>-</u>	<u>36,284</u>	<u>-</u>	<u>32,625</u>	<u>36,284</u>
Liabilities						
Long-term liabilities outstanding	7,076,511	1,809,598	7,513,286	1,636,304	8,886,109	9,149,590
Other liabilities	<u>2,379,836</u>	<u>66,486</u>	<u>2,782,491</u>	<u>297,210</u>	<u>2,446,322</u>	<u>3,079,701</u>
Total liabilities	<u>9,456,347</u>	<u>1,876,084</u>	<u>10,295,777</u>	<u>1,933,514</u>	<u>11,332,431</u>	<u>12,229,291</u>
Deferred inflows	<u>9,659,315</u>	<u>-</u>	<u>6,924,887</u>	<u>-</u>	<u>9,659,315</u>	<u>6,924,887</u>
Net Position						
Net investment in capital assets	41,399,351	3,834,520	41,129,561	3,844,150	45,233,871	44,973,711
Restricted	21,020,795	-	20,316,117	-	21,020,795	20,316,117
Unrestricted	<u>15,787,890</u>	<u>918,427</u>	<u>12,841,902</u>	<u>767,784</u>	<u>16,706,317</u>	<u>13,609,686</u>
Total net position	<u>\$ 78,208,036</u>	<u>\$ 4,752,947</u>	<u>\$ 74,287,580</u>	<u>\$ 4,611,934</u>	<u>\$ 82,960,983</u>	<u>\$ 78,899,514</u>

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2013, the County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$82,960,983. This amounts to \$78,208,036 in governmental activities and \$4,752,947 in business-type activities. The County's finances remained strong during 2013, despite the slow economic recovery.

Capital assets reported on the government-wide statements represent the largest portion of the County's net position. At year-end, net capital assets represented 48.90% of total governmental and business-type position and deferred outflows of resources. Net capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles, construction in progress, water and sewer lines and infrastructure. The net investment in capital assets at December 31, 2013, was \$45,233,871. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital position 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, 2013, the County is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the County's governmental net position, \$21,020,795, represents resources that are subject to external restrictions on how they may be used. The remaining balance of governmental net position of \$15,787,890 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net position for 2013 and 2012. The 2012 amounts for Business-type Activities have been restated as shown in Note 3.C.

SANDUSKY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 UNAUDITED (CONTINUED)

	Change in Net Position					
			Restated			
	Governmental Activities 2013	Business-type Activities 2013	Governmental Activities 2012	Business-type Activities 2012	2013 Total	Restated 2012 Total
Revenues						
Program revenues:						
Charges for services and sales	\$ 8,085,865	\$ 1,376,999	\$ 8,456,566	\$ 1,303,566	\$ 9,462,864	\$ 9,760,132
Operating grants and contributions	16,999,968	76,120	18,001,850	-	17,076,088	18,001,850
Capital grants and contributions	<u>2,352,214</u>	<u>275,000</u>	<u>2,189,692</u>	<u>452,067</u>	<u>2,627,214</u>	<u>2,641,759</u>
Total program revenues	<u>27,438,047</u>	<u>1,728,119</u>	<u>28,648,108</u>	<u>1,755,633</u>	<u>29,166,166</u>	<u>30,403,741</u>
General revenues:						
Property taxes	10,107,988	-	7,491,613	-	10,107,988	7,491,613
Sales tax	10,224,769	-	9,793,761	-	10,224,769	9,793,761
Unrestricted grants	3,372,007	-	3,045,920	-	3,372,007	3,045,920
Investment earnings	55,461	935	107,803	2,975	56,396	110,778
Other	<u>1,843,502</u>	<u>15,764</u>	<u>1,569,244</u>	<u>16,026</u>	<u>1,859,266</u>	<u>1,585,270</u>
Total general revenues	<u>25,603,727</u>	<u>16,699</u>	<u>22,008,341</u>	<u>19,001</u>	<u>25,620,426</u>	<u>22,027,342</u>
Total revenues	<u>53,041,774</u>	<u>1,744,818</u>	<u>50,656,449</u>	<u>1,774,634</u>	<u>54,786,592</u>	<u>52,431,083</u>
Expenses						
Program expenses:						
General government	10,845,191	-	10,527,672	-	10,845,191	10,527,672
Public safety	10,572,574	-	11,479,763	-	10,572,574	11,479,763
Public works	7,335,993	-	5,667,826	-	7,335,993	5,667,826
Health	490,931	-	476,501	-	490,931	476,501
Human services	18,960,069	-	19,276,761	-	18,960,069	19,276,761
Economic development and assistance	602,823	-	388,145	-	602,823	388,145
Intergovernmental	166,300	-	1,721,818	-	166,300	1,721,818
Interest and fiscal charges	147,437	-	134,886	-	147,437	134,886
Bond issuance costs	-	-	172,371	-	-	172,371
Sanitary sewer	-	1,603,805	-	1,693,652	1,603,805	1,693,652
Total expenses	<u>49,121,318</u>	<u>1,603,805</u>	<u>49,845,743</u>	<u>1,693,652</u>	<u>50,725,123</u>	<u>51,539,395</u>
Increase in net position	3,920,456	141,013	810,706	80,982	4,061,469	891,688
Net position at the beginning of the year (restated)	<u>74,287,580</u>	<u>4,611,934</u>	<u>73,476,874</u>	<u>4,530,952</u>	<u>78,899,514</u>	<u>78,007,826</u>
Net position at the end of the year	<u>\$ 78,208,036</u>	<u>\$ 4,752,947</u>	<u>\$ 74,287,580</u>	<u>\$ 4,611,934</u>	<u>\$ 82,960,983</u>	<u>\$ 78,899,514</u>

Governmental Activities

Governmental net position increased by \$3,920,456 in 2013 over 2012. This increase is due primarily to an increase in taxes caused by a new board of DD levy being passed in 2013.

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 \$18,960,069 of expenses, or 38.60% of total governmental expenses of the County. These expenses were funded by \$423,209 in charges to users of services and \$10,311,339 in operating grants and contributions in 2013. General government expenses which

SANDUSKY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED
(CONTINUED)

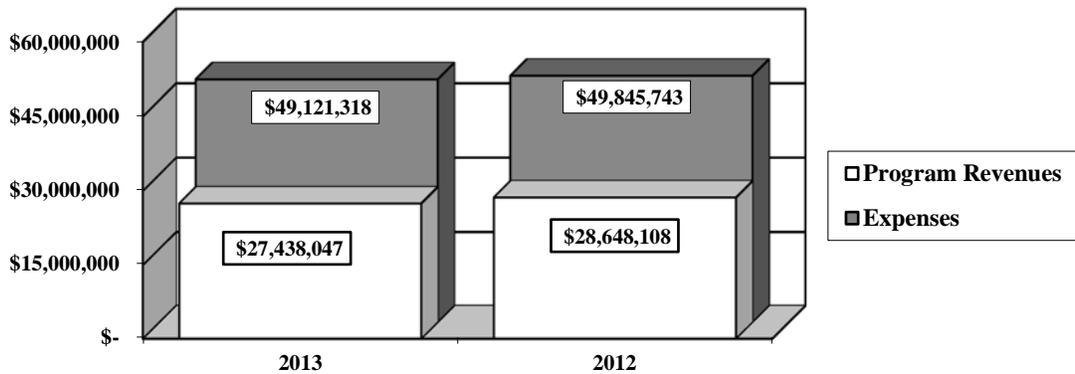
includes legislative and executive and judicial programs, totaled \$10,845,191 or 22.08% of total governmental expenses. General government expenses were covered by \$3,737,501 of direct charges to users in 2013. The decrease in intergovernmental expense is due to the County granting money to the Airport Authority for airport facilities and equipment acquisition, in the prior year.

The State and Federal government contributed to the County revenues of \$16,999,968 in operating grants and contributions and \$2,352,214 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions \$10,311,339, or 60.66%, subsidized human services programs.

Governmental general revenues totaled \$25,603,727, and amounted to 48.27% of total revenues. These revenues primarily consist of property and sales tax revenue of \$20,332,757, or 79.41% of total governmental general revenues in 2013. 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, \$3,372,007, or 13.17% 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 2013 and 2012. 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



SANDUSKY COUNTY

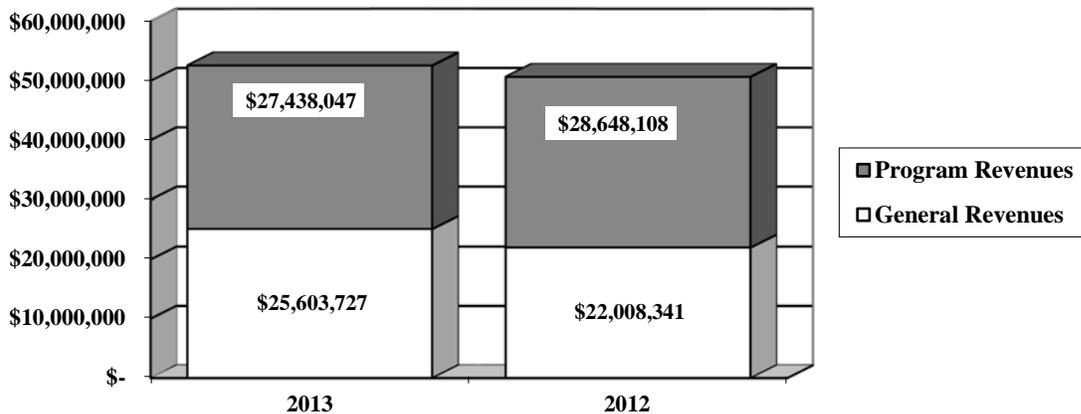
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED
(CONTINUED)

Governmental Activities

	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
Program expenses:				
General government	\$ 10,845,191	\$ 7,034,545	\$ 10,527,672	\$ 6,696,716
Public safety	10,572,574	6,090,297	11,479,763	7,286,401
Public works	7,335,993	638,622	5,667,826	(320,304)
Health	490,931	142,451	476,501	170,297
Human services	18,960,069	8,225,521	19,276,761	7,011,345
Economic development and assistance	602,823	(737,049)	388,145	(1,509,069)
Intergovernmental	166,300	166,300	1,721,818	1,721,818
Interest and fiscal charges	147,437	122,584	134,886	(31,940)
Bond issuance costs	-	-	172,371	172,371
Total	\$ 49,121,318	\$ 21,683,271	\$ 49,845,743	\$ 21,197,635

The dependence upon general revenues for governmental activities is apparent, with 44.14% of expenses supported through taxes and other general revenues during 2013.

Governmental Activities - General and Program Revenues



Business-Type Activities

The sanitary sewer is the County's only enterprise fund. This program had revenues of \$1,744, 818 and expenses of \$1,603,805 for 2013. The sanitary sewer fund's net position balance increased \$141,013 in 2013.

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.

SANDUSKY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED
(CONTINUED)

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 \$30,403,505, which is \$3,013,017 greater than last year's total of \$27,390,488. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2013 for all major and non-major governmental funds.

	<u>Fund Balance</u> <u>December 31, 2013</u>	<u>Fund Balance</u> <u>December 31, 2012</u>	<u>Increase</u> <u>(Decrease)</u>
Major funds:			
General	\$ 6,861,586	\$ 5,963,719	\$ 897,867
Motor vehicle and gas tax	1,906,558	2,574,157	(667,599)
County board of DD	6,724,239	5,019,369	1,704,870
Other nonmajor governmental funds	<u>14,911,122</u>	<u>13,833,243</u>	<u>1,077,879</u>
Total	<u>\$ 30,403,505</u>	<u>\$ 27,390,488</u>	<u>\$ 3,013,017</u>

General Fund

The general fund, the County's largest major fund, had revenues and other financing sources of \$17,596,125 in 2013, an increase of \$491,985 from 2012 revenues. The general fund had expenditures and other financing uses of \$16,698,258 in 2013, an increase of \$21,388 from 2012. The fund balance of the general fund increased \$897,867 from 2012 to 2013 due to increased sales tax and intergovernmental receipts.

Motor Vehicle and Gas Tax Fund

The motor vehicle and gas tax fund, a County major fund, had revenues of \$4,901,705 in 2013. The motor vehicle and gas tax fund had expenditures of \$5,569,304 in 2013. The fund balance of the motor vehicle and gas tax fund decreased \$667,599 from 2012 to 2013 due to less reimbursements for road work.

County Board of Developmental Disabilities Fund

The County board of developmental disabilities (DD) fund, a County major fund, had revenues of \$11,112,962 in 2013. The County board of DD fund had expenditures of \$9,408,092 in 2013. The fund balance of the County board of DD fund increased \$1,704,870 from 2012 to 2013 due to an increased tax levy.

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 the same as the final budgeted revenues and other financing sources. Actual revenues and other financing sources of \$16,782,236 were more than final and original budgeted revenues and other financing sources by \$862,851. The final budgeted appropriations and other financing

SANDUSKY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED
(CONTINUED)

uses were greater than actual expenditures and other financing uses by \$809,761.

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 2013, the County had \$50,822,156 (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, \$45,199,573 was reported in governmental activities and \$5,622,583 was reported in business-type activities. The 2012 amounts for Business-type Activities have been restated as shown in Note 3.C.

The following table shows 2013 balances compared to 2012:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2013	2012	2013	Restated 2012	2013	Restated 2012
Land	\$ 1,407,198	\$ 1,407,198	\$ 56,828	\$ 56,828	\$ 1,464,026	\$ 1,464,026
Land improvements	330,634	369,477	30,131	33,591	360,765	403,068
Building and improvements	14,840,141	12,719,315	84,480	91,171	14,924,621	12,810,486
Furniture and equipment	2,040,143	1,861,584	82,052	104,425	2,122,195	1,966,009
Vehicles	2,858,450	2,549,794	31,703	39,099	2,890,153	2,588,893
Infrastructure	23,499,683	23,077,165	-	-	23,499,683	23,077,165
Construction in progress	223,324	2,568,326	-	490,947	223,324	3,059,273
Sewer and water lines	-	-	5,337,389	4,647,251	5,337,389	4,647,251
Total	\$ 45,199,573	\$ 44,552,859	\$ 5,622,583	\$ 5,463,312	\$ 50,822,156	\$ 50,016,171

During 2013, the County's governmental activities had \$6,606,409 in additions, \$417,760 (net of accumulated depreciation) in deletions and \$2,911,901 in depreciation expense. The increase in the County's governmental activities capital assets for 2013 was \$646,714. See Note 10 to the basic financial statements for detail on governmental activities and business-type activities capital assets.

Debt Administration

At December 31, 2013 the County's governmental activities had \$7,034,798 in special assessment bonds, capital leases, OPWC loans and compensated absences outstanding. Of this total, \$1,714,560 is due within one year and \$5,320,238 is due in greater than one year. At December 31, 2013 the County's business-type activities had \$1,809,598 in OWPC/OPWC loans and compensated absences outstanding. Of this total, \$170,169 is due within one year and \$1,639,429 is due within greater than one year. The 2012 amounts for Business-type Activities have been restated as shown in Note 3.C. The following table summarizes the bonds, leases, loans and compensated absences outstanding.

SANDUSKY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 UNAUDITED (CONTINUED)

Outstanding Debt, at Year End

	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities Restated
	2013	2013	2012	2012
Long-term obligations:				
Special obligation bonds	\$ 4,805,000	\$ -	\$ 5,300,000	\$ -
Special assessment bonds	21,469	-	39,818	-
OPWC/OWPC loans	105,358	1,788,063	-	1,619,162
Capital lease obligation	201,182	-	239,099	-
Compensated absences	1,901,789	21,535	1,887,642	17,142
Total	<u>\$ 7,034,798</u>	<u>\$ 1,809,598</u>	<u>\$ 7,466,559</u>	<u>\$ 1,636,304</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 current estimated population is 60,098.

The County's unemployment rate is currently 6.7%, compared to the 6.6% state average and the 6.7% national average.

These economic factors were considered in preparing the County's budget for 2013. 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.

SANDUSKY COUNTY

STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	(cash basis) Airport Authority
Assets:				
Equity in pooled cash and investments	\$ 27,693,788	\$ 882,054	\$ 28,575,842	\$ 49,599
Cash and cash equivalents with fiscal agents	56,144	-	56,144	-
Receivables (net of allowance for uncollectibles):				
Sales taxes	2,613,358	-	2,613,358	-
Real estate and other taxes	10,858,605	-	10,858,605	-
Accounts	797,697	109,094	906,791	-
Special assessments	186,841	26,412	213,253	-
Accrued interest	26,627	-	26,627	-
Due from other governments	4,710,662	-	4,710,662	-
Loans receivable	90,115	-	90,115	-
Internal balances	12,000	(12,000)	-	-
Prepayments	283,425	888	284,313	-
Materials and supplies inventory	440,257	-	440,257	-
Loans due from other funds	55	-	55	-
Investment in joint ventures	4,321,926	-	4,321,926	-
Capital assets:				
Non-depreciable capital assets	1,525,164	56,828	1,581,992	-
Depreciable capital assets, net	43,674,409	5,565,755	49,240,164	-
Total capital assets, net	45,199,573	5,622,583	50,822,156	-
Total assets	97,291,073	6,629,031	103,920,104	49,599
Deferred outflows of resources:				
Unamortized deferred charges on debt refunding	32,625	-	32,625	-
Liabilities:				
Accounts payable	591,414	8,665	600,079	-
Contracts payable	198,125	-	198,125	-
Accrued wages and benefits payable	513,003	6,243	519,246	-
Due to other governments	951,028	51,578	1,002,606	-
Accrued interest payable	10,572	-	10,572	-
Amount to be repaid to claimants	115,694	-	115,694	-
Long-term liabilities:				
Due within one year	1,714,560	170,169	1,884,729	-
Due in more than one year	5,361,951	1,639,429	7,001,380	-
Total liabilities	9,456,347	1,876,084	11,332,431	-
Deferred inflows of resources:				
Property taxes levied for the next year	9,659,315	-	9,659,315	-
Net position:				
Net investment in capital assets	41,399,351	3,834,520	45,233,871	-
Restricted for:				
Debt service	268,549	-	268,549	-
Public works projects	3,211,223	-	3,211,223	-
Public safety programs	4,082,366	-	4,082,366	-
Human services programs	10,276,732	-	10,276,732	-
Health programs	130,592	-	130,592	-
Other purposes	3,051,333	-	3,051,333	33
Unrestricted	15,787,890	918,427	16,706,317	49,566
Total net position	\$ 78,208,036	\$ 4,752,947	\$ 82,960,983	\$ 49,599

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SANDUSKY COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<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	\$ 6,762,114	\$ 2,190,680	\$ -	\$ -
Judicial	4,083,077	1,546,821	73,145	-
Public safety	10,572,574	2,671,068	1,811,209	-
Public works	7,335,993	896,503	4,316,748	1,484,120
Health	490,931	332,731	15,749	-
Human services	18,960,069	423,209	10,311,339	-
Economic development and assistance	602,823	-	471,778	868,094
Intergovernmental	166,300	-	-	-
Interest and fiscal charges	147,437	24,853	-	-
Total governmental activities	<u>49,121,318</u>	<u>8,085,865</u>	<u>16,999,968</u>	<u>2,352,214</u>
Business-type activities:				
Sanitary sewer	<u>1,603,805</u>	<u>1,376,999</u>	<u>76,120</u>	<u>275,000</u>
Totals primary government	<u>\$ 50,725,123</u>	<u>\$ 9,462,864</u>	<u>\$ 17,076,088</u>	<u>\$ 2,627,214</u>
Component unit: (cash basis)				
Airport authority	<u>\$ 439,075</u>	<u>\$ 407,840</u>	<u>\$ 25,421</u>	<u>\$ -</u>

General revenues:

Property taxes levied for:

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

Net position at beginning of year (restated)

Net position at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Airport Authority
\$ (4,571,434)	\$ -	\$ (4,571,434)	\$ -
(2,463,111)	-	(2,463,111)	-
(6,090,297)	-	(6,090,297)	-
(638,622)	-	(638,622)	-
(142,451)	-	(142,451)	-
(8,225,521)	-	(8,225,521)	-
737,049	-	737,049	-
(166,300)	-	(166,300)	-
(122,584)	-	(122,584)	-
<u>(21,683,271)</u>	<u>-</u>	<u>(21,683,271)</u>	<u>-</u>
-	124,314	124,314	-
<u>(21,683,271)</u>	<u>124,314</u>	<u>(21,558,957)</u>	<u>-</u>
-	-	-	<u>(5,814)</u>
2,641,284	-	2,641,284	-
6,673,485	-	6,673,485	-
508,977	-	508,977	-
284,242	-	284,242	-
8,523,056	-	8,523,056	-
1,701,713	-	1,701,713	-
3,372,007	-	3,372,007	-
55,461	935	56,396	-
<u>1,843,502</u>	<u>15,764</u>	<u>1,859,266</u>	<u>15,763</u>
<u>25,603,727</u>	<u>16,699</u>	<u>25,620,426</u>	<u>15,763</u>
3,920,456	141,013	4,061,469	9,949
<u>74,287,580</u>	<u>4,611,934</u>	<u>78,899,514</u>	<u>39,650</u>
<u>\$ 78,208,036</u>	<u>\$ 4,752,947</u>	<u>\$ 82,960,983</u>	<u>\$ 49,599</u>

SANDUSKY COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General	Motor Vehicle and Gas Tax	County Board of DD	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and investments	\$ 5,173,055	\$ 1,132,915	\$ 6,899,787	\$ 14,353,780	\$ 27,559,537
Cash and cash equivalents with fiscal agents	-	-	-	56,144	56,144
Receivables (net of allowance for uncollectibles):					
Sales taxes	2,178,865	-	-	434,493	2,613,358
Real estate and other taxes	2,865,592	-	7,126,873	866,140	10,858,605
Accounts	207,399	2,237	139,880	448,181	797,697
Special assessments	-	-	-	186,841	186,841
Accrued interest	26,627	-	-	-	26,627
Due from other governments	988,243	2,193,322	487,917	1,041,180	4,710,662
Loans receivable	-	-	-	90,115	90,115
Interfund loans receivable	205,940	-	-	149,514	355,454
Due from other funds	23,953	-	-	-	23,953
Prepayments	130,671	3,312	-	149,442	283,425
Materials and supplies inventory	192,019	192,896	13,017	42,325	440,257
Loans due from other funds	-	-	-	55	55
Total assets	<u>\$ 11,992,364</u>	<u>\$ 3,524,682</u>	<u>\$ 14,667,474</u>	<u>\$ 17,818,210</u>	<u>\$ 48,002,730</u>
Liabilities:					
Accounts payable	\$ 122,104	\$ 100,901	\$ 89,318	\$ 279,091	\$ 591,414
Contracts payable	-	-	-	198,125	198,125
Accrued wages and benefits payable	200,770	45,272	99,726	167,235	513,003
Compensated absences payable	2,926	-	12,496	-	15,422
Due to other funds	-	-	-	23,953	23,953
Due to other governments	270,989	49,550	126,905	503,584	951,028
Interfund loans payable	137,514	-	-	205,940	343,454
Amount to be repaid to claimants	115,694	-	-	-	115,694
Total liabilities	<u>849,997</u>	<u>195,723</u>	<u>328,445</u>	<u>1,377,928</u>	<u>2,752,093</u>
Deferred inflows of resources:					
Property taxes levied for the next year	2,549,099	-	6,339,738	770,478	9,659,315
Delinquent property tax revenue not available	316,493	-	787,135	95,662	1,199,290
Accrued interest not available	8,749	-	-	-	8,749
Sales tax revenue not available	795,328	-	-	158,778	954,106
Special assessments revenue not available	-	-	-	186,841	186,841
Other nonexchange transactions	435,574	1,384,967	432,843	56,381	2,309,765
Unavailable grant revenue	-	37,434	55,074	201,654	294,162
Miscellaneous revenue not available	175,538	-	-	59,366	234,904
Total deferred inflows of resources	<u>4,280,781</u>	<u>1,422,401</u>	<u>7,614,790</u>	<u>1,529,160</u>	<u>14,847,132</u>
Fund balances:					
Nonspendable	630,227	196,208	13,017	191,767	1,031,219
Restricted	17,061	1,710,350	6,711,222	9,966,558	18,405,191
Committed	235,130	-	-	4,926,187	5,161,317
Assigned	1,627,692	-	-	-	1,627,692
Unassigned (deficit)	4,351,476	-	-	(173,390)	4,178,086
Total fund balances	<u>6,861,586</u>	<u>1,906,558</u>	<u>6,724,239</u>	<u>14,911,122</u>	<u>30,403,505</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,992,364</u>	<u>\$ 3,524,682</u>	<u>\$ 14,667,474</u>	<u>\$ 17,818,210</u>	<u>\$ 48,002,730</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SANDUSKY COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2013

Total governmental fund balances		\$	30,403,505
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			45,199,573
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows in the funds.			
Real and other taxes receivable	\$	1,199,290	
Sales taxes receivable		954,106	
Special assessments receivable		186,841	
Accrued interest receivable		8,749	
Charges for services		59,366	
Intergovernmental revenues		2,779,465	
Total		5,187,817	5,187,817
The investments in joint ventures by governmental activities are not financial resources and therefore are not reported in fund balance at year end.			4,321,926
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 position.			134,251
On the statement of net position interest is accrued on outstanding bonds payable, whereas in the governmental funds, interest is accrued when due.			(10,572)
Unamortized premiums are amortized over the life of the bonds on the statement of net position.			(50,052)
Unamortized discounts are amortized over the life of the bonds on the statement of net position.			8,339
Unamortized deferred amounts on refundings are not recognized in the governmental funds.			32,625
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Special obligation bonds		4,805,000	
Special assessment bonds		21,469	
Capital lease payable		201,182	
Loans payable		105,358	
Compensated absences		1,886,367	
Total		(7,019,376)	(7,019,376)
Net position of governmental activities		\$	78,208,036

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SANDUSKY COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	General	Motor Vehicle and Gas Tax	County Board of DD	Other Governmental Funds	Total Governmental Funds
Revenues:					
Real estate and other taxes	\$ 2,637,658	\$ -	\$ 6,335,677	\$ 791,303	\$ 9,764,638
Sales taxes	8,503,586	-	-	1,698,299	10,201,885
Charges for services	2,143,189	78,705	167,069	3,845,169	6,234,132
Licenses and permits	2,810	-	-	216,059	218,869
Fines and forfeitures	466,124	42,034	-	254,422	762,580
Intergovernmental	1,923,468	4,729,550	4,590,861	11,853,957	23,097,836
Special assessments	-	-	-	237,809	237,809
Investment income	54,137	6,440	-	2,792	63,369
Rental income	143,739	-	-	483,687	627,426
Contributions and donations	8,850	-	19,355	17,843	46,048
Refunds and reimbursements	1,648,380	44,976	-	171,742	1,865,098
Other	32,241	-	-	30,000	62,241
Total revenues	17,564,182	4,901,705	11,112,962	19,603,082	53,181,931
Expenditures:					
Current:					
General government:					
Legislative and executive	5,656,905	-	-	893,327	6,550,232
Judicial	3,179,605	-	-	856,961	4,036,566
Public safety	5,915,180	-	-	4,968,231	10,883,411
Public works	30,740	5,569,304	-	282,615	5,882,659
Health	93,483	-	-	353,971	447,454
Human services	618,086	-	9,375,731	8,935,660	18,929,477
Economic development and assistance	-	-	-	846,249	846,249
Intergovernmental	166,300	-	-	-	166,300
Capital outlay	31,943	-	-	1,799,198	1,831,141
Debt service:					
Principal retirement	11,932	-	26,344	576,235	614,511
Interest and fiscal charges	1,853	-	6,017	141,647	149,517
Total expenditures	15,706,027	5,569,304	9,408,092	19,654,094	50,337,517
Excess (deficiency) of revenues over (under) expenditures	1,858,155	(667,599)	1,704,870	(51,012)	2,844,414
Other financing sources (uses):					
Loan issuance	-	-	-	105,358	105,358
Bond issuance	-	-	-	23,606	23,606
Capital lease transaction	31,943	-	-	7,696	39,639
Transfers in	-	-	-	1,077,885	1,077,885
Transfers (out)	(992,231)	-	-	(85,654)	(1,077,885)
Total other financing sources (uses)	(960,288)	-	-	1,128,891	168,603
Net change in fund balances	897,867	(667,599)	1,704,870	1,077,879	3,013,017
Fund balances at beginning of year	5,963,719	2,574,157	5,019,369	13,833,243	27,390,488
Fund balances at end of year	\$ 6,861,586	\$ 1,906,558	\$ 6,724,239	\$ 14,911,122	\$ 30,403,505

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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, 2013

Net change in fund balances - total governmental funds	\$	3,013,017
<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. This is the amount by which capital outlays exceeds depreciation expense in the current period.		
Capital asset additions	\$ 3,976,375	
Current year depreciation	(2,911,901)	
Total		1,064,474
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(417,760)
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	343,350	
Sales taxes	22,884	
Special assessments	(48,395)	
Interest	1,324	
Charges for services	(38,509)	
Intergovernmental	(426,177)	
Total		(145,523)
Decreases in the value of investment in joint ventures that do not provide current financial resources are not reported in the funds.		
		5,366
Proceeds of bonds, loans and capital leases are reported as other financing sources in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position.		
		(168,603)
Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		614,511
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
Decrease in accrued interest payable	725	
Amortization of deferred amounts on refunding	(3,659)	
Amortization of bond premiums	5,613	
Amortization of bond discounts	(599)	
Total		2,080
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.		
		(81,477)
The internal service fund used by management to charge the costs 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.		
		34,371
Change in net position of governmental activities	\$	3,920,456

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Real estate and other taxes	\$ 2,523,507	\$ 2,562,112	\$ 2,562,112	\$ -
Sales taxes	5,134,910	5,058,530	5,030,955	(27,575)
Charges for services.	1,600,200	1,600,200	1,691,907	91,707
Licenses and permits	2,500	2,500	2,810	310
Fines and forfeitures	460,000	460,000	467,858	7,858
Intergovernmental.	1,160,970	1,882,088	1,877,592	(4,496)
Investment income.	60,000	60,000	145,502	85,502
Rental income	6,000	122,219	142,027	19,808
Refunds and reimbursements.	1,440,000	1,490,438	1,621,111	130,673
Other	850,000	-	-	-
Total revenues	<u>13,238,087</u>	<u>13,238,087</u>	<u>13,541,874</u>	<u>303,787</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	5,487,403	5,660,242	5,374,575	285,667
Judicial	3,448,241	3,484,002	3,193,111	290,891
Public safety	5,910,827	6,117,769	5,987,036	130,733
Public works	36,567	36,834	36,968	(134)
Health	131,940	132,590	93,483	39,107
Human services.	720,067	724,325	618,673	105,652
Intergovernmental.	166,300	166,300	166,300	-
Total expenditures	<u>15,901,345</u>	<u>16,322,062</u>	<u>15,470,146</u>	<u>851,916</u>
Excess of expenditures over revenues	<u>(2,663,258)</u>	<u>(3,083,975)</u>	<u>(1,928,272)</u>	<u>1,155,703</u>
Other financing sources (uses):				
Transfers in	2,681,298	2,681,298	3,059,348	378,050
Transfers out.	(736,693)	(746,693)	(789,354)	(42,661)
Advances in	-	-	181,014	181,014
Advances out	(209,529)	(209,529)	(209,023)	506
Total other financing sources (uses).	<u>1,735,076</u>	<u>1,725,076</u>	<u>2,241,985</u>	<u>516,909</u>
Net change in fund balances	(928,182)	(1,358,899)	313,713	1,672,612
Fund balances at beginning of year	1,498,241	1,498,241	1,498,241	-
Prior year encumbrances appropriated	236,037	236,037	236,037	-
Fund balance at end of year	<u>\$ 806,096</u>	<u>\$ 375,379</u>	<u>\$ 2,047,991</u>	<u>\$ 1,672,612</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Charges for services	\$ 94,000	\$ 64,000	\$ 88,738	\$ 24,738
Fines and forfeitures	40,000	40,000	40,741	741
Intergovernmental	4,250,000	4,708,350	4,721,320	12,970
Investment income	6,000	6,440	6,440	-
Refunds and reimbursements	-	44,976	44,976	-
Total revenues	<u>4,390,000</u>	<u>4,863,766</u>	<u>4,902,215</u>	<u>38,449</u>
Expenditures:				
Current:				
Public works	5,475,000	5,948,853	5,676,282	272,571
Total expenditures	<u>5,475,000</u>	<u>5,948,853</u>	<u>5,676,282</u>	<u>272,571</u>
Net change in fund balances	(1,085,000)	(1,085,087)	(774,067)	311,020
Fund balances at beginning of year	1,218,328	1,218,328	1,218,328	-
Prior year encumbrances appropriated . . .	456,677	456,677	456,677	-
Fund balance at end of year	<u>\$ 590,005</u>	<u>\$ 589,918</u>	<u>\$ 900,938</u>	<u>\$ 311,020</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SANDUSKY COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 COUNTY BOARD OF DEVELOPMENTAL DISABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Real estate and other taxes	\$ 3,931,578	\$ 6,031,442	\$ 6,031,442	\$ -
Charges for services.	-	165,393	166,881	1,488
Intergovernmental.	3,369,811	3,888,262	4,457,585	569,323
Contributions and donations.	15,000	18,607	18,830	223
Total revenues	<u>7,316,389</u>	<u>10,103,704</u>	<u>10,674,738</u>	<u>571,034</u>
Expenditures:				
Current:				
Human services.	10,063,795	10,369,305	9,760,498	608,807
Total expenditures	<u>10,063,795</u>	<u>10,369,305</u>	<u>9,760,498</u>	<u>608,807</u>
Net change in fund balances	(2,747,406)	(265,601)	914,240	1,179,841
Fund balances at beginning of year	4,880,533	4,880,533	4,880,533	-
Prior year encumbrances appropriated . . .	361,817	361,817	361,817	-
Fund balance at end of year	<u>\$ 2,494,944</u>	<u>\$ 4,976,749</u>	<u>\$ 6,156,590</u>	<u>\$ 1,179,841</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SANDUSKY COUNTY

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2013

	Business-Type Activities - Sanitary Sewer	Governmental Activities - Internal Service Fund
Assets:		
Current assets:		
Equity in pooled cash and investments	\$ 882,054	\$ 134,251
Receivables (net of allowance for uncollectables):		
Accounts	109,094	-
Special assessments	26,412	-
Prepayments	888	-
	1,018,448	134,251
Total current assets		
Noncurrent assets:		
Capital assets:		
Non-depreciable capital assets	56,828	-
Depreciable capital assets, net	5,565,755	-
Total capital assets, net.	5,622,583	-
	6,641,031	134,251
Total assets		
Liabilities:		
Current liabilities:		
Accounts payable	8,665	-
Accrued wages and benefits payable	6,243	-
Compensated absences payable	13,939	-
Interfund loans payable.	12,000	-
Due to other governments	51,578	-
OPWC loans payable	18,303	-
OWPC loans payable	137,927	-
	248,655	-
Total current liabilities		
Long-term liabilities:		
Compensated absences payable	7,596	-
OPWC loans payable	135,031	-
OWPC loans payable	1,496,802	-
Total long-term liabilities	1,639,429	-
	1,888,084	-
Total liabilities		
Net position:		
Net investment in capital assets.	3,834,520	-
Unrestricted	918,427	134,251
	4,752,947	134,251
Total net position		
	\$ 4,752,947	\$ 134,251

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SANDUSKY COUNTY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Business-Type Activities - Sanitary Sewer	Governmental Activities - Internal Service Fund
Operating revenues:		
Charges for services	\$ 1,376,999	\$ 169,023
Other	15,764	-
Total operating revenues.	1,392,763	169,023
Operating expenses:		
Personal services	349,403	134,652
Contract services.	577,178	-
Materials and supplies.	78,072	-
Utilities	56,775	-
Depreciation.	249,808	-
Capital Outlay	192,952	-
Other	25,467	-
Total operating expenses.	1,529,655	134,652
Operating income (loss).	(136,892)	34,371
Nonoperating revenues (expenses):		
Intergovernmental	76,120	-
Interest and fiscal charges	(74,150)	-
Interest income.	935	-
Total nonoperating revenues (expenses)	2,905	-
Income (loss) before capital contributions	(133,987)	34,371
Capital contributions.	275,000	-
Change in net position	141,013	34,371
Net position at beginning of year (restated) .	4,611,934	99,880
Net position at end of year	\$ 4,752,947	\$ 134,251

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SANDUSKY COUNTY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2013

	Business-Type Activities - Sanitary Sewer	Governmental Activities - Internal Service Fund
Cash flows from operating activities:		
Cash received from sales/charges for services	\$ 1,371,277	\$ 169,023
Cash received from other operating revenue	12,087	-
Cash payments for personal services.	(343,647)	(159,005)
Cash payments for contractual services	(597,042)	-
Cash payments for materials and supplies	(79,684)	-
Cash payments for utilities	(56,545)	-
Cash payments for other expenses.	(43,174)	-
Net cash provided by operating activities.	263,272	10,018
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(602,031)	-
Principal payments on loans	(202,225)	-
OPWC grant funds	76,120	-
OWDA loan issuance	321,531	-
Capital contributions.	275,000	-
Net cash used in capital and related financing activities	(131,605)	-
Cash flows from investing activities:		
Interest received	935	-
Net cash provided by investing activities	935	-
Net increase in cash and cash equivalents	132,602	10,018
Cash and cash equivalents at beginning of year	749,452	124,233
Cash and cash equivalents at end of year	\$ 882,054	\$ 134,251
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ (136,892)	\$ 34,371
Adjustments:		
Depreciation.	249,808	-
Changes in assets and liabilities:		
Decrease in accounts receivable.	488	-
(Increase) in intergovernmental receivable	(9,887)	-
Decrease in prepayments	182	-
Increase in accounts payable	153,588	-
Increase in accrued wages and benefits	811	-
Increase (decrease) in intergovernmental payable.	781	(24,353)
Increase in compensated absences payable	4,393	-
Net cash provided by operating activities.	\$ 263,272	\$ 10,018

Noncash capital and related financing activities:
 During 2012, the sanitary sewer fund purchased \$192,952 in capital assets on account.
 During 2013, the sanitary sewer fund increase OWDA loan liability \$192,952.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SANDUSKY COUNTY

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2013

	Investment Trust	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 7,123,652	\$ 5,370,723
Cash in segregated accounts.	-	1,165,813
Receivables:		
Real estate and other taxes	-	42,772,636
Accounts	-	459,480
Special assessments	-	1,195,597
Due from other governments.	-	2,101,516
Accrued interest	5,599	-
Total assets	7,129,251	\$ 53,065,765
Liabilities:		
Accounts payable	-	\$ 7,426
Due to other governments	-	67,313
Loans due to other funds.	-	55
Undistributed monies.	-	51,825,158
Deposits held and due to others	-	1,165,813
Total liabilities	-	\$ 53,065,765
Net position:		
Net position available for pool participants	7,129,251	
Total net position.	\$ 7,129,251	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SANDUSKY COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 INVESTMENT TRUST FUND
 FOR THE YEAR ENDED DECEMBER 31, 2013

	Investment Trust
Additions:	
Net increase in net position resulting from operations	\$ 605
Total additions	605
 Share transactions:	
Purchase of units	2,891,007
Redemption of units	(2,804,608)
Net increase in net position and shares resulting from share transactions	86,399
Change in net position	87,004
 Net position at beginning of year	 7,042,247
 Net position at end of year	 \$ 7,129,251

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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SANDUSKY COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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 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" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The basic financial statements include all funds, agencies, boards, commissions, and component units for which the County and the County Commissioners are "accountable". Accountability as defined in GASB Statement No. 14, GASB Statement No. 39 and GASB Statement No. 61 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.

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

COMPONENT UNITS

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the County in that the County approves the budget, the issuance of debt, or the levying of taxes.

SANDUSKY COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

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

DISCRETELY PRESENTED COMPONENT UNIT

The component unit columns in the financial statements present the financial data of the County's discretely presented component unit, the Sandusky County Regional Airport Authority. It is reported separately to emphasize that it is legally separate from the County.

Sandusky County Regional Airport Authority – The constitution and laws of the State of Ohio establish the rights and privileges of the Sandusky Regional Airport Authority, Sandusky County, Ohio (the “Authority”), as a body corporate and politic. The Sandusky County Commissioners appoint five Board members to direct the Authority. The Authority is responsible for the safe and efficient operation and maintenance of the Authority. The County Commissioners are responsible for the debt issued on behalf of the Authority. Due to the financial burden for the Authority, the Authority is presented separately as a component unit of the County. The Authority operates on a year ending December 31 and is presented on a cash basis of accounting. Separately issued financial statements can be obtained from Sandusky Regional Airport Authority, 2511 Countryside Drive, Suite D, Fremont Ohio 43420.

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

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 and 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.

SANDUSKY COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)

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

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 \$1,381,908 at December 31, 2013. Financial information can be obtained from the Sandusky County Auditor, 100 North Park Avenue, Fremont, Ohio 43420-2472.

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 \$1,351,639 at December 31, 2013. 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 Board of Seneca, Sandusky and Wyandot Counties

The Mental Health and Recovery Services Board (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, 2013 is \$1,588,379.

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

SANDUSKY COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(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-three counties and eighteen county facilities 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 \$270,928 to CORSA during 2013.

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.

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.

B. Basis of Presentation

Government-wide Financial Statements - The statement of net position 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.

SANDUSKY COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)

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

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.

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 deferred outflows of resources and current liabilities and deferred inflows of resources, 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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. 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.

SANDUSKY COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)

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

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Motor vehicle and gas tax (MVGT) - 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.

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 that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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 position and changes in net position. 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.

SANDUSKY COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(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 outflows of resources, 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.

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the County that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the County that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of December 31, 2013, but which were levied to finance year 2014 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows of resources. 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, 2013, are recorded as deferred inflows of resources on the governmental fund financial statements.

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

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

SANDUSKY COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)

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

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 2013.

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 investments" on the basic financial statements.

During 2013, investments were limited to federal agency securities and negotiable and nonnegotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

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 2013 amounted to \$54,137 which includes \$47,104 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 on the combined balance sheet 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.

SANDUSKY COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

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

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".

Condensed financial information for the investment pool is as follows:

**Statement of Net Position
December 31, 2013**

<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 41,070,217
Accrued interest receivable	<u>26,627</u>
Total	<u>\$ 41,096,844</u>
<u>Net position held in trust for participants:</u>	
Internal portion	\$ 33,967,593
External portion	<u>7,129,251</u>
Total	<u>\$ 41,096,844</u>

**Statement of Changes in Net Position
For the Year Ended December 31, 2013**

<u>Revenue:</u>	
Interest income	\$ 64,909
<u>Expenses:</u>	
Operating expenses	<u>-</u>
Net increase in assets resulting from operations	64,909
Distribution to pool participants	(33,519)
<u>Capital transactions:</u>	
Proceeds of investments sold	(38,652,002)
Purchase of investments	<u>41,070,217</u>
Total increase in net position	2,449,605
Net position, beginning of year	<u>38,647,239</u>
Net position, end of year	<u>\$ 41,096,844</u>

SANDUSKY COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

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

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.

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance 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 position, 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 position 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	20 - 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 2013, the net interest expense incurred on proprietary fund construction projects was not material.

SANDUSKY COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(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 payments 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, 2013, 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, 2013 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, 2013, 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.

On the fund financial statements, reported prepayments are equally offset by a nonspendable fund balance classification in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

L. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivable/payable". These amounts are eliminated in the governmental column on the statement of net position. Loans between governmental funds and agency funds are reported as "loans due from/to other funds" on the financial statements.

M. 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 restricted for loans fund balance in the governmental special revenue fund types.

SANDUSKY COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)

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

N. 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 and compensated absences 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.

O. 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 "interfund receivable/interfund payable" for the current portion of interfund loans. All other balances outstanding between funds are reported as "due to/from other funds." These amounts are eliminated in the statement of net position, 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".

P. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

SANDUSKY COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

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

P. Fund Balance (Continued)

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Commissioners (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the Board of Commissioners removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Board of Commissioners.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The County applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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. During fiscal year 2013, \$275,000 was contributed to the sanitary sewer fund from the Ohio Public Works Commission for the Grandview Lift Station project.

R. Operating Revenues and Expenses

Operating revenues are those 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 service that is the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as nonoperating.

S. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation 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 position is available.

SANDUSKY COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)

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

T. Bond Issuance Costs, Bond Premium/Discount and Accounting Loss

On government-wide financial statements and in the enterprise funds, issuance costs are expensed during the year in which they incurred.

Bond premiums/discounts are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond discounts are presented as a reduction to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt reported in the government-wide financial statements and enterprise funds, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as deferred outflows of resources on the statement of net position in the government-wide financial statements and enterprise funds.

The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 13.

U. 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.

V. 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 2013.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2013, the County has implemented GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*" and GASB Statement No. 66, "*Technical Corrections-2012*".

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the County.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the County.

SANDUSKY COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at December 31, 2013 included the following individual fund deficits:

<u>Nonmajor governmental funds:</u>	<u>Deficit</u>
JR PITT grant	\$ 1,010
DRETAC	2,279
HVEO grant	4,929
Homeland security grant	105,485
Civic justice corp grant	31
Reentry task force grant	44,077
Juvenile reentry grant	60
Citizens corp grant	15,500
HMEP grant	19

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 balances resulted from adjustments for accrued liabilities.

C. Sewer Restatement

Sewer fund restatement is required in order to report proper long-term liability and capital asset balances at January 1, 2013. These restatements had the following effect on the County's proprietary net position as previously reported:

SANDUSKY COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

	Sewer
Long-term obligations as previously reported	\$ 1,206,720
Restatement of OWDA Loans	429,584
Restated Long-Term obligations at January 1, 2013	\$ 1,636,304
Capital assets as previously reported	\$ 5,665,843
Restatement of non-depreciable capital assets	(1,146,596)
Restatement of depreciable capital assets	973,263
Restatement of accumulated depreciation	(29,198)
Total capital asset reclassifications	(202,531)
Restated Capital assets at January 1, 2013	\$ 5,463,312
Net position as previously reported	\$ 5,244,049
Long-term obligation restatements	(429,584)
Capital asset restatements	(202,531)
Restated net position at January 1, 2013	\$ 4,611,934

D. Compliance

The County did not prepare an accurate Federal Awards Expenditure Schedule in accordance with OMB Circular A133 §____.300.

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:

SANDUSKY COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (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 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.

SANDUSKY COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

At year end, the County had \$900 in undeposited cash on hand which is included on the financial statements of the County as part of “equity in pooled cash and investments”.

B. Cash in Segregated Accounts

At year end, \$1,522,337 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 investments”. The carrying value of these deposits was \$1,165,813 at December 31, 2013.

C. Cash and Cash Equivalents with Fiscal Agents

At year end, the County had \$56,144 in monies set aside for future debt service held by a fiscal agent this amount is included on the financial statements of the County as “cash and cash equivalents with fiscal agents.

D. Deposits with Financial Institutions

At December 31, 2013, the carrying amount of all County deposits, including nonnegotiable certificates of deposit and cash in segregated accounts, was \$27,919,907. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2013, \$26,023,435 of the County’s bank balance of \$28,181,783 was exposed to custodial risk as discussed below, while \$2,158,348 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.

E. Investments

As of December 31, 2013, 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>
Negotiable CD's	\$ 1,998,699	\$ -	\$ 501,248	\$ 251,013	\$ 502,845	\$ 743,593
FFCB	1,996,250	-	-	-	998,960	997,290
FNMA	4,952,710	-	-	-	-	4,952,710
FHLM	2,002,650	-	-	-	-	2,002,650
FHLB	<u>3,364,914</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,364,914</u>
	-	-	-	-	-	-
Total	<u>\$ 14,315,223</u>	<u>\$ -</u>	<u>\$ 501,248</u>	<u>\$ 251,013</u>	<u>\$ 1,501,805</u>	<u>\$ 12,061,157</u>

The weighted average maturity of investments is 3.25 years.

SANDUSKY COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 negotiable certificates of deposit, were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The negotiable certificates of deposit are not rated.

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 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, 2013:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
Negotiable CD's	\$ 1,998,699	13.96
FFCB	1,996,250	13.94
FNMA	4,952,710	34.60
FHLM	2,002,650	13.99
FHLB	<u>3,364,914</u>	<u>23.51</u>
Total	<u>\$ 14,315,223</u>	<u>100.00</u>

F. Reconciliation of Cash and Investments to the Statement of Net Position

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 position as of December 31, 2013:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 27,919,907
Investments	14,315,223
Cash and cash equivalents with fiscal agent	56,144
Cash on hand	<u>900</u>
Total	<u>\$ 42,292,174</u>

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 27,749,932
Business-type activities	882,054
Investment trust	7,123,652
Agency funds	<u>6,536,536</u>
Total	<u>\$ 42,292,174</u>

SANDUSKY COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund transfers for the year ended December 31, 2013, consisted of the following, as reported on the fund financial statements:

<u>Transfer to nonmajor governmental funds from:</u>	<u>Amount</u>
General fund	\$ 992,231
Nonmajor governmental funds	<u>85,654</u>
Total	<u>\$1,077,885</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.

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

- B.** Interfund loans payable/receivable consisted of the following at December 31, 2013:

<u>Receivable funds</u>	<u>Payable funds</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 205,940
Nonmajor governmental fund	General Fund	137,514
Nonmajor governmental fund	Enterprise funds	<u>12,000</u>
Total		<u>\$ 355,454</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 position.

- C.** Loans between governmental funds and agency funds are reported as “loans due from/to other funds” on the financial statements. The County had the following loans outstanding at December 31, 2013:

<u>Loan from</u>	<u>Loan to</u>	<u>Amount</u>
Nonmajor governmental fund	Agency fund	<u>\$ 55</u>

- D.** Due to/from other funds consisted of the following at December 31, 2013:

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 23,953</u>

The purpose of these interfund transactions was to cover deficit cash balances at December 31, 2013. This amount will be repaid in the next year. Amounts due between governmental funds are eliminated on the government-wide financial statements.

SANDUSKY COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility 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. 2013 public utility property taxes became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2013 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow of resources since the current taxes were not levied to finance 2013 operations and the collection of delinquent taxes has been offset by deferred inflow of resources 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 considered a deferred inflow of resources.

The full tax rate for all County operations, excluding 911 operations, for the year ended December 31, 2013 was \$9.80 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, 2013 was \$0.30 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2013 property tax receipts were based are as follows:

Real property

Residential/agricultural	\$ 879,029,190
Commercial/industrial/mineral	192,186,580

Public utility

Real	700,380
Personal	53,247,950
Total assessed value	<u>\$ 1,125,164,100</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. In 2010, an additional 0.25 percent tax was levied for general operations. The tax included the storage, use, or consumption of tangible personal property in the County, including motor vehicles not subject to the sales

SANDUSKY COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

NOTE 7 - PERMISSIVE SALES AND USE TAX – (Continued)

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 Office of Budget and Management 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 Office of Budget and Management 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 management system 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 \$10,201,885 in 2013.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2013, 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 position follows:

Governmental activities:

Sales taxes	\$ 2,613,358
Real estate and other taxes	10,858,605
Accounts	797,697
Special assessments	186,841
Accrued interest	26,627
Due from other governments	4,710,662
Loans	90,115

Business-type activities:

Accounts	109,094
Special assessments	26,412

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 2013.

SANDUSKY COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

NOTE 9 - LOANS RECEIVABLE – (Continued)

Loans receivable at 12/31/12	\$ 117,119
Principal payments received in 2013	<u>(27,004)</u>
Loans receivable at 12/31/13	<u>\$ 90,115</u>

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

	Balance 12/31/2012	Additions	Deductions	Balance 12/31/2013
<u>Governmental activities:</u>				
<i>Capital asset not being depreciated:</i>				
Land	\$ 1,407,198	\$ -	\$ -	\$ 1,407,198
Construction in progress	<u>2,568,326</u>	<u>285,032</u>	<u>(2,630,034)</u>	<u>223,324</u>
Total capital assets not being depreciated:	<u>3,975,524</u>	<u>285,032</u>	<u>(2,630,034)</u>	<u>1,630,522</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,384,371	-	-	1,384,371
Buildings and improvements	24,967,994	2,745,140	-	27,713,134
Furniture and equipment	6,419,546	530,152	(39,683)	6,910,015
Vehicles	7,327,413	918,534	(128,895)	8,117,052
Infrastructure	<u>40,715,195</u>	<u>2,127,551</u>	<u>(1,300,121)</u>	<u>41,542,625</u>
Total capital assets, being depreciated:	<u>80,814,519</u>	<u>6,321,377</u>	<u>(1,468,699)</u>	<u>85,667,197</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,014,894)	(38,843)	-	(1,053,737)
Buildings and improvements	(12,248,679)	(624,314)	-	(12,872,993)
Furniture and equipment	(4,557,962)	(315,879)	3,969	(4,869,872)
Vehicles	(4,777,619)	(599,575)	118,592	(5,258,602)
Infrastructure	<u>(17,638,030)</u>	<u>(1,333,290)</u>	<u>928,378</u>	<u>(18,042,942)</u>
Total accumulated depreciation	<u>(40,237,184)</u>	<u>(2,911,901)</u>	<u>1,050,939</u>	<u>(42,098,146)</u>
Total capital assets, being depreciated net	<u>40,577,335</u>	<u>3,409,476</u>	<u>(417,760)</u>	<u>43,569,051</u>
Governmental activities capital assets, net	<u>\$ 44,552,859</u>	<u>\$ 3,694,508</u>	<u>\$ (3,047,794)</u>	<u>\$ 45,199,573</u>

SANDUSKY COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

NOTE 10 - CAPITAL ASSETS - (Continued)

Business-type activities capital assets have been restated as described in Note 3.C.

	Balance		(Restated)			Balance
<u>Business-type activities:</u>	<u>12/31/2012</u>	<u>Restatement</u>	<u>01/01/2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/2013</u>
<i>Capital asset not being depreciated:</i>						
Land	\$ 56,828	\$ -	\$ 56,828	\$ -	\$ -	\$ 56,828
Construction in progress	1,637,543	\$ (1,146,596)	\$ 490,947	403,579	(894,526)	-
Total capital assets not being depreciated:	<u>1,694,371</u>	<u>(1,146,596)</u>	<u>547,775</u>	<u>403,579</u>	<u>(894,526)</u>	<u>56,828</u>
<i>Capital assets, being depreciated:</i>						
Land improvements	105,384	-	105,384	-	-	105,384
Buildings and improvements	667,123	-	667,123	-	-	667,123
Furniture and equipment	654,508	-	654,508	5,500	-	660,008
Vehicles	153,118	-	153,118	-	-	153,118
Infrastructure	8,798,846	973,263	9,772,109	894,526	-	10,666,635
Total capital assets, being depreciated:	<u>10,378,979</u>	<u>973,263</u>	<u>11,352,242</u>	<u>900,026</u>	<u>-</u>	<u>12,252,268</u>
<i>Less: accumulated depreciation:</i>						
Land improvements	(71,793)	-	(71,793)	(3,460)	-	(75,253)
Buildings and improvements	(575,952)	-	(575,952)	(6,691)	-	(582,643)
Furniture and equipment	(550,083)	-	(550,083)	(27,873)	-	(577,956)
Vehicles	(114,019)	-	(114,019)	(7,396)	-	(121,415)
Infrastructure	(5,095,660)	(29,198)	(5,124,858)	(204,388)	-	(5,329,246)
Total accumulated depreciation	<u>(6,407,507)</u>	<u>(29,198)</u>	<u>(6,436,705)</u>	<u>(249,808)</u>	<u>-</u>	<u>(6,686,513)</u>
Total capital assets, being depreciated net	<u>3,971,472</u>	<u>944,065</u>	<u>4,915,537</u>	<u>650,218</u>	<u>-</u>	<u>5,565,755</u>
Business-type activities capital assets, net	<u>\$ 5,665,843</u>	<u>\$ (202,531)</u>	<u>\$ 5,463,312</u>	<u>\$ 1,053,797</u>	<u>\$ (894,526)</u>	<u>\$ 5,622,583</u>

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

Governmental activities:

Legislative and executive	\$ 230,500
Judicial	60,674
Public safety	513,201
Public works	1,764,357
Health	46,442
Human services	264,879
Economic development and assistance	<u>31,848</u>
Total depreciation expense - governmental	<u>\$ 2,911,901</u>

Business-type activities:

Sanitary sewer	<u>\$ 249,808</u>
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SANDUSKY COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE

In the current and prior years, the County entered into lease agreements for postage meters, lease agreements for copier equipment, a lease agreement for printers and a lease agreement for an ambulance. These lease agreements meet the criteria of a capital lease as defined by generally accepted accounting principles 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 position in the amount of \$444,769. 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 position. Accumulated depreciation as of December 31, 2013 was \$262,374, leaving a current book value of \$182,395. During 2013, principal and interest payments totaled \$77,556 and \$12,056, respectively, paid by the general fund, EMS fund and the county board of DD fund. As of December 31, 2013, the liability for capital lease obligation included in the long-term liabilities of governmental activities totaled \$201,182.

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, 2013:

<u>Year Ended December 31,</u>	<u>Amount</u>
2014	\$ 89,722
2015	46,668
2016	46,668
2017	31,104
2018	<u>6,473</u>
Total	220,635
Less: amount representing interest	<u>(19,453)</u>
Present value of net minimum lease payments	<u>\$ 201,182</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.

SANDUSKY COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

NOTE 13 - LONG-TERM OBLIGATIONS

Long-term obligation activity for the year ended December 31, 2013 was as follows:

<u>Governmental activities:</u>	<u>Interest Rate</u>	<u>Balance 12/31/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/13</u>	<u>Amount Due in One Year</u>
<u>Special obligation bonds:</u>						
Series A refunding - 2012	1.50-2.50%	\$ 3,125,000	\$ -	\$ (380,000)	\$ 2,745,000	\$ 375,000
Series B - 2012	1.375 - 3.25%	550,000	-	(30,000)	520,000	30,000
Series C - 2012	0.90 - 4.00%	1,625,000	-	(85,000)	1,540,000	95,000
Total special obligation bonds		<u>5,300,000</u>	<u>-</u>	<u>(495,000)</u>	<u>4,805,000</u>	<u>500,000</u>
<u>Special assessment bonds:</u>						
Gries Ditch	4.30%	29,556	-	(29,556)	-	-
Klopp Ditch	5.00%	2,732	-	(2,732)	-	-
E.C. Lindsey Ditch	5.00%	7,530	-	(3,765)	3,765	3,765
Emch Ditch	5.00%	-	23,606	(5,902)	17,704	5,902
Total special assessment bonds		<u>39,818</u>	<u>23,606</u>	<u>(41,955)</u>	<u>21,469</u>	<u>9,667</u>
<u>Other long-term obligations:</u>						
Compensated absences payable		1,887,642	1,125,395	(1,111,248)	1,901,789	1,124,747
OPWC loan payable		-	105,358	-	105,358	-
Capital lease obligations		239,099	39,639	(77,556)	201,182	80,146
Total other long-term obligations		<u>2,126,741</u>	<u>1,270,392</u>	<u>(1,188,804)</u>	<u>2,208,329</u>	<u>1,204,893</u>
Total governmental obligations		<u>\$ 7,466,559</u>	<u>\$ 1,293,998</u>	<u>\$ (1,725,759)</u>	7,034,798	<u>\$ 1,714,560</u>
					Add: Unamortized premium on bond issue: 50,052	
					Less: Unamortized discount on bond issue: (8,339)	
					<u>\$ 7,076,511</u>	

SANDUSKY COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

Business-type activities long-term obligations have been restated as described in Note 3.C.

<u>Business-type activities:</u>	Interest Rate	Audited Balance 12/31/12	Restatement	(restated) Balance 1/1/13	Additions	Reductions	Balance 12/31/13	Amount Due in One Year
<u>Ohio Water Pollution Control loan:</u>								
Sandusky/Rice Joint Sewer Improvement	4.16%	\$ 572,388	\$ -	\$ 572,388	\$ -	\$ (61,672)	\$ 510,716	\$ 64,264
Rice Township Sewer Improvement	4.16%	153,665	-	153,665	-	(16,556)	137,109	17,253
Rice Township/Shorewood Sewer Improvements	3.64%	24,155	-	24,155	-	(2,473)	21,682	2,564
State Route 6 Sanitary Sewer	0.00%	-	429,584	429,584	-	(24,533)	405,051	24,549
Route 53 Area Sewers	3.64%	61,330	-	61,330	-	(5,512)	55,818	5,714
Grandview lift station	2.86%	<u>206,405</u>	-	<u>206,405</u>	<u>321,531</u>	<u>(23,583)</u>	<u>504,353</u>	<u>23,583</u>
Total OWPC Loans		<u>1,017,943</u>	<u>429,584</u>	<u>1,447,527</u>	<u>321,531</u>	<u>(134,329)</u>	<u>1,634,729</u>	<u>137,927</u>
<u>Ohio Public Works Commission loans:</u>								
Sunny Acres Sewer Improvements	0%	19,938	-	19,938	-	(2,492)	17,446	2,492
Rice Township Sewer Improvements - Phase II	0%	57,649	-	57,649	-	(6,404)	51,245	6,406
Rice/Sandusky Sewer Improvements	0%	<u>94,048</u>	-	<u>94,048</u>	-	<u>(9,405)</u>	<u>84,643</u>	<u>9,405</u>
Total OPWC Loans		<u>171,635</u>	<u>-</u>	<u>171,635</u>	<u>-</u>	<u>(18,301)</u>	<u>153,334</u>	<u>18,303</u>
<u>Other long-term obligations:</u>								
Compensated absences payable		<u>17,142</u>	<u>-</u>	<u>17,142</u>	<u>13,939</u>	<u>(9,546)</u>	<u>21,535</u>	<u>13,939</u>
Total business-type obligations		<u>\$ 1,206,720</u>	<u>\$ 429,584</u>	<u>\$ 1,636,304</u>	<u>\$ 335,470</u>	<u>\$ (162,176)</u>	<u>\$ 1,809,598</u>	<u>\$ 170,169</u>

On June 27, 2012, the County issued \$5,700,000 in series 2012 special obligation sales tax supported bonds. These bonds consisted of \$3,475,000 in series 2012A special obligation sales tax supported refunding bonds to refund the series 2002 various purpose improvement and refunding bonds, \$565,000 in series 2012B special obligation sales tax supported bonds for the juvenile detention center improvement project and \$1,660,000 in series 2012C special obligation federally taxable sales tax supported bonds for the airport facilities and equipment acquisition project.

The series 2012A special obligation sales tax supported refunding issue is comprised of \$2,990,000 in serial bonds and \$485,000 in term bonds. The interest rate on the current interest bonds range from 1.500% to 3.000%. The bonds were issued for a seven year period, with a final stated maturity date of December 1, 2019. The interest rate on the term bond is 2.500% with a final stated maturity date of December 1, 2022. The bonds will be retired through the debt service fund.

The refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded general obligation bonds at December 31, 2013, is \$2,725,000.

The series 2012B special obligation sales tax supported bonds for the juvenile detention center improvement project is comprised of term bonds in the amounts of \$105,000, \$210,000 and \$250,000. The interest rates on the term bonds are 1.375%, 2.600% and 3.250%, respectively. The bonds have final stated maturity dates of December 1, 2015, December 1, 2021 and December 1, 2027, respectively. The bonds will be retired through the debt service fund.

The series 2012C special obligation federally taxable sales tax supported bonds for the airport facilities and equipment acquisition project issue is comprised of \$810,000 in serial bonds and \$850,000 in term bonds.

SANDUSKY COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

The interest rate on the current interest bonds range from 0.900% to 2.950%. The bonds were issued for an eight year period, with a final stated maturity date of December 1, 2020. The interest rate on the term bond is 4.00% with a final stated maturity date of December 1, 2027. The bonds will be retired through the debt service fund.

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

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

The County entered into four 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, 2013, the County has outstanding borrowings of \$258,692. The loan agreements require semi-annual payments based on the actual amount loaned. The OPWC loans are interest free. The bridge project amortization schedule has not been completed at December 31, 2013 and is not included in the amortization schedules shown below. The loans are payable from the sanitary sewer and debt service funds.

The County entered into six 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, 2013, the County has outstanding borrowings of \$1,634,729. The Grandview Lift Station amortization schedule has not been completed at December 31, 2013 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 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 \$22,096,360 at December 31, 2013 and the unvoted legal debt margin was \$6,718,898 at December 31, 2013.

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

SANDUSKY COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

Year Ended	Special Obligation Bonds			Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 500,000	\$ 126,485	\$ 626,485	\$ 9,667	\$ 1,073	\$ 10,740
2015	500,000	119,165	619,165	5,901	590	6,491
2016	515,000	109,685	624,685	5,901	295	6,196
2017	510,000	99,375	609,375	-	-	-
2018	515,000	86,890	601,890	-	-	-
2019 - 2023	1,585,000	257,785	1,842,785	-	-	-
2024 - 2027	680,000	66,138	746,138	-	-	-
Total	\$ 4,805,000	\$ 865,523	\$ 5,670,523	\$ 21,469	\$ 1,958	\$ 23,427

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
2014	\$ 18,303	\$ -	\$ 18,303	\$ 114,342	\$ 28,857	\$ 143,199
2015	18,303	-	18,303	118,073	25,126	143,199
2016	18,303	-	18,303	121,958	21,241	143,199
2017	18,303	-	18,303	126,006	17,194	143,200
2018	18,303	-	18,303	130,221	12,978	143,199
2019 - 2023	61,819	-	61,819	360,210	13,038	373,248
2024 - 2028	-	-	-	122,743	-	122,743
2029 - 2030	-	-	-	36,823	-	36,823
Total	\$ 153,334	\$ -	\$ 153,334	\$ 1,130,376	\$ 118,434	\$ 1,248,810

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 2013, 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

SANDUSKY COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

NOTE 14 - RISK MANAGEMENT - (Continued)

Errors and Omissions	1,000,000
Excess Liability	5,000,000
Property	111,069,373
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. 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:

	<u>Family Coverage</u>	<u>Single Coverage</u>
United Health Care Insurance Co.	\$ 1,026.59	\$ 419.02

C. Insurance Purchasing Pool

For 2013, 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 CompManagement, 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.

SANDUSKY COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)

NOTE 14 - RISK MANAGEMENT - (Continued)

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. There are currently over 50 counties participating. The program allows additional counties and/or additional county facilities to join at any time. Approximate savings range from \$0.50-\$1.00 per metric cubic foot and this savings has been maintained since the inception of the program. The program is administered through Palmer Energy.

NOTE 15 - 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 which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, 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 2013 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 2013 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 12.00% and 12.60%, respectively. The County's contribution rate for 2013 was 14.00%, except for those plan members in law enforcement or public safety, for whom the County's contribution was 18.10% of covered payroll.

The County's contribution rate for pension benefits for members in the Traditional Plan for 2013 was 13.00%. The County's contribution rate for pension benefits for members in the Combined Plan was 13.00%. For those plan members in law enforcement and public safety pension contributions were 17.10%. The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2013, 2012, and 2011 were \$1,090,316, \$835,048, and \$774,275, respectively; 69.43% has been contributed for 2013 and 100% has been contributed for 2012 and 2011. The remaining 2013 pension liability has been reported as due to other governments on the basic financial statements. Contributions to the member-directed plan for 2013 were \$4,559 made by the County and \$3,256 made by the plan members.

SANDUSKY COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

NOTE 15 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The County participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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 East Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

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 10.5 percent 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 2013, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers 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, 2013, 2012 and 2011 were \$34,062, \$36,983 and \$40,183, respectively; 61.94 percent has been contributed for 2013 and 100 percent for 2012 and 2011. The remaining 2013 pension liability has been reported as due to other governments on the basic financial statements.

NOTE 16 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement

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.

SANDUSKY COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)

NOTE 16 - POSTEMPLOYMENT BENEFIT PLANS - (Continued)

A. Ohio Public Employees Retirement (Continued)

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 does not 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 visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, 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 2013 local government employers contributed 14.00% of covered payroll (18.10% 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 members in the Traditional Plan for 2013 was 1.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2013 was 1.00%.

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.

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$81,573, \$326,802, and \$303,773, respectively; 69.43% has been contributed for 2013 and 100% has been contributed for 2012 and 2011. The remaining 2013 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

B. State Teachers Retirement System of Ohio

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, under "Publications" or by calling (888) 227-7877.

SANDUSKY COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

NOTE 16 - POSTEMPLOYMENT BENEFIT PLANS - (Continued)

B. State Teachers Retirement System of Ohio

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. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the years ended December 31, 2013, 2012 and 2011 were \$2,620, \$2,642 and \$3,091, respectively; 61.94 percent has been contributed for 2013 and 100 percent for 2012 and 2011. The remaining 2013 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (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, motor vehicle and gas tax fund and County Board of DD fund 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);
- (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 assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented:

SANDUSKY COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

Net Change in Fund Balance

	<u>General Fund</u>	<u>Motor Vehicle and Gas Tax</u>	<u>County Board of DD</u>
Budget basis	\$ 313,713	\$ (774,067)	\$ 914,240
Net adjustment for revenue accruals	(42,860)	(510)	438,224
Net adjustment for expenditure accruals	(57,067)	(124,999)	72,445
Net adjustment for other sources/uses	(1,538)	-	-
Funds budgeted elsewhere	536,445	-	-
Adjustment for encumbrances	<u>149,174</u>	<u>231,977</u>	<u>279,961</u>
GAAP basis	<u>\$ 897,867</u>	<u>\$ (667,599)</u>	<u>\$ 1,704,870</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the accumulated sick leave fund, budget reserve fund, surplus fund, unclaimed monies fund, title administration fund, property tax foreclosure rotary fund, annexations fund, Sandusky County group medical benefit plan fund, detention center donations fund, family drug court donation fund, truancy supervision program donation fund, recorder equipment fund, sheriff donations fund and the sheriff K9 unit donations fund.

NOTE 18 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the County is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

SANDUSKY COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

Fund balance	General	Motor Vehicle and Gas Tax	County Board of DD	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Materials and supplies inventory	\$ 192,019	\$ 192,896	\$ 13,017	\$ 42,325	\$ 440,257
Prepays	130,671	3,312	-	149,442	283,425
Unclaimed monies	307,537	-	-	-	307,537
Total nonspendable	630,227	196,208	13,017	191,767	1,031,219
Restricted:					
Legislative and executive operations	-	-	-	1,085,494	1,085,494
Judicial	-	-	-	1,833,184	1,833,184
Public safety programs	17,061	-	-	3,285,757	3,302,818
Public works projects	-	1,710,350	-	179,003	1,889,353
Health programs	-	-	-	174,936	174,936
Human services programs	-	-	6,711,222	2,843,881	9,555,103
Economic development and assistance	-	-	-	201,931	201,931
Debt service	-	-	-	272,257	272,257
Loans	-	-	-	90,115	90,115
Total restricted	17,061	1,710,350	6,711,222	9,966,558	18,405,191
Committed:					
Legislative and executive operations	26,099	-	-	-	26,099
Judicial	-	-	-	441,134	441,134
Capital projects	-	-	-	4,485,053	4,485,053
Termination benefits	7,426	-	-	-	7,426
Medical benefits and insurance	201,605	-	-	-	201,605
Total committed	235,130	-	-	4,926,187	5,161,317
Assigned:					
Legislative and executive operations	68,320	-	-	-	68,320
Judicial	28,289	-	-	-	28,289
Public safety programs	45,557	-	-	-	45,557
Human services programs	6,228	-	-	-	6,228
Subsequent year appropriations	1,479,298	-	-	-	1,479,298
Total assigned	1,627,692	-	-	-	1,627,692
Unassigned (deficit)	4,351,476	-	-	(173,390)	4,178,086
Total fund balances	\$ 6,861,586	\$ 1,906,558	\$ 6,724,239	\$ 14,911,122	\$ 30,403,505

NOTE 19 - OTHER COMMITMENTS

The County utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the County's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 159,139
Motor Vehicle and Gas Tax Fund	231,977
County Board of DD Fund	244,230
Other governmental	1,209,143
Total	\$ 1,844,489

SANDUSKY COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)

NOTE 20 - 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.

NOTE 21 - 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, 2013, there are two series of health care facility bonds outstanding, with an aggregate principal of \$22,445,000.

NOTE 22 - SANDUSKY COUNTY REGIONAL AIRPORT AUTHORITY

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Sandusky Regional Airport Authority, Sandusky County, Ohio (the Authority), as a body corporate and politic. The Sandusky County Commissioners appoint five Board members to direct the Authority. The Authority is responsible for the safe and efficient operation and maintenance of the Sandusky Regional Airport Authority.

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

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of the State prescribes or permits. The basis is similar to cash receipts and disbursements accounting basis. The Authority recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Property, Plant and Equipment

The Authority records disbursements for acquisitions of property, plant, and equipment when paid. These items are not reported as assets on the Authority's financial statements.

SANDUSKY COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

NOTE 22 - SANDUSKY COUNTY REGIONAL AIRPORT AUTHORITY - (Continued)

D. Equity in Pooled Deposits

The Authority maintains a deposit pool all funds use. The Ohio Revised Code prescribed allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

Demand deposits	\$ <u>49,599</u>
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E. Risk Management

The Authority has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles; and
- Errors and omissions

F. Contingent Liability

Amounts grantor agencies pay to the Authority are subject to audit and adjustments by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

SANDUSKY COUNTY

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013**

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Project Number	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Job and Family Services			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-1213-11-0109	\$ 353,397
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-1314-11-5422	92,032
Total CFDA # 10.561			<u>445,429</u>
Passed Through Ohio Department of Education			
Child Nutrition Cluster			
National School Lunch Program			
NonCash Assistance (Food Distribution)	10.555	FY 2013	2,316
Cash Assistance	10.555	FY 2013	33,623
Total National School Lunch Program			<u>35,939</u>
School Breakfast Program	10.553	FY 2013	16,060
Total Child Nutrition Cluster			<u>51,999</u>
Total U.S. Department of Agriculture			<u>497,428</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through Ohio Development Services Agency			
Community Development Block Grants State's Program			
Small Cities Program	14.228	B-F-12-1CO-1	42,887
Small Cities Program	14.228	B-F-11-1CO-1	96,600
Small Cities Program-CHIP	14.228	B-C-11-1CO-1	87,382
CDBG Revolving Loan-Housing Program	14.228	n/a	102
CDBG Revolving Loan Program	14.228	n/a	36,800
Total CFDA #14.228			<u>263,771</u>
HOME Investment Partnerships Program	14.239	B-C-11-1CO-2	273,148
HOME Revolving Loan-Housing Program	14.239	n/a	714
Total CFDA #14.239			<u>273,862</u>
Total U.S. Department of Housing and Urban Development			<u>537,633</u>
U.S. DEPARTMENT OF JUSTICE			
Passed Through the Ohio Department of Youth Services			
Juvenile Accountability Block Grants	16.523	2011-JB-002-B188	10,000
Passed Through the Ohio Attorney General			
Crime Victim Assistance	16.575	2011VAGENE251T	3,606
Crime Victim Assistance	16.575	2012VAGENE251T	22,493
Total CFDA # 16.575			<u>26,099</u>
Passed Through the Ohio Office of Criminal Justice Services			
Residential Substance Abuse Treatment for State Prisoners	16.593	2012-RS-SAT-146	35,878
Second Chance Act Prisoner Reentry Initiative	16.812	2011-CZ-BX-0007	195,812
Second Chance Act Prisoner Reentry Initiative	16.812	2012-CZ-BX-0008	439,085
Total CFDA # 16.812			<u>634,897</u>
Equitable Sharing Program	16.922	15-5042-0-2-752	1,688
Total U.S. Department of Justice			<u>708,562</u>

SANDUSKY COUNTY

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013**

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Project Number	Disbursements
U.S. DEPARTMENT OF LABOR			
Passed Through Montgomery County WIA Area 7			
WIA Cluster			
WIA-Adult Programs	17.258	FY 2012	9,355
WIA-Adult Programs	17.258	FY 2013	107,617
WIA-Adult Programs - Administration	17.258	FY 2013	4,691
WIA-Adult Programs	17.258	FWA	<u>37,455</u>
Total CFDA #17.258			<u>159,118</u>
			(Continued)
WIA-Youth Activities - Administration	17.259	FY 2011	1,007
WIA-Youth Activities	17.259	FY 2012	105,181
WIA-Youth Activities - Administration	17.259	FY 2012	6,204
WIA-Youth Activities	17.259	FY 2013	12,395
WIA-Youth Activities - Administration	17.259	FY 2013	3,878
WIA-Youth Activities - Administration	17.259	FWH	1,134
WIA-Youth Activities	17.259	FWI	19,495
WIA-Youth Activities	17.259	FWO	<u>13,204</u>
Total CFDA #17.259			<u>162,498</u>
WIA-Dislocated Worker Formula Grants	17.278	FY 2011	4,015
WIA-Dislocated Worker Formula Grants	17.278	FY 2012	38,033
WIA-Dislocated Worker Formula Grants - Administration	17.278	FY 2012	12,201
WIA-Dislocated Worker Formula Grants	17.278	FY 2013	90,386
WIA-Dislocated Worker Formula Grants - Administration	17.278	FY 2013	1,400
WIA-Dislocated Worker Formula Grants - Adult	17.278	FY 2013	36,957
WIA-Dislocated Worker Formula Grants	17.278	FWW	(2,722)
WIA-Dislocated Worker Formula Grants - Rapid Response	17.278	FY 2013	43,289
WIA-Dislocated Worker Formula Grants - Rapid Response	17.278	FWR	<u>29,864</u>
Total CFDA #17.278			<u>253,423</u>
Total WIA Cluster			<u>575,039</u>
Workforce Investment Act (WIA) National Emergency Grants	17.277	n/a	1,422
Employment Services Cluster			
Employment Service/Wagner-Peyser Funded Activities	17.207	n/a	19,878
Local Veterans' Employment Representative Program	17.804	n/a	<u>3,834</u>
Total Employment Services Cluster			<u>23,712</u>
Total U.S. Department of Labor			<u>600,173</u>
			(Continued)
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through Ohio Department of Transportation			
Highway Planning and Construction	20.205	E120262	2,227
Highway Planning and Construction	20.205	E110502	432,368
Highway Planning and Construction	20.205	E130496	<u>39,171</u>
Total CFDA # 20.205			<u>473,766</u>
ARRA - Formula Grants for Rural Areas	20.509	RPTS-0072-004-094	<u>772,593</u>
Passed Through Ohio Department of Public Safety			
State and Community Highway Safety	20.600	HVEO-2013-72-00-00-00293-00	21,764
State and Community Highway Safety	20.600	HVEO-2014-72-00-00-00402-00	<u>9,288</u>
Total CFDA # 20.600			<u>31,052</u>
Passed Through Ohio Department of Emergency Management			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HM-HMP-302-12-01-00	13,002
Total U.S. Department of Transportation			<u>1,290,413</u>

SANDUSKY COUNTY

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013**

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Project Number	Disbursements
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Ohio Department of Job and Family Services			
TANF Cluster			
Temporary Assistance for Needy Families	93.558	G-1213-11-0109	1,004,139
Temporary Assistance for Needy Families	93.558	G-1415-11-5109	157,224
Total TANF Cluster			<u>1,161,363</u>
Child Care and Development Block Grant	93.575	G-1213-11-0109	3,743
Child Care and Development Block Grant	93.575	G-1415-11-0109	67,564
Total CFDA # 93.575			<u>71,307</u>
Child Support Enforcement	93.563	G-1213-11-0109	473,071
Child Support Enforcement	93.563	G-1415-11-0109	139,003
Total CFDA # 93.563			<u>612,074</u>
Foster Care Title IV-E - Administration and Training	93.658	G-1213-11-0109	76,502
Foster Care Title IV-E - Administration and Training	93.658	G-1415-11-0109	31,103
Foster Care Title IV-E - FCM	93.658	G-1314-11-0109	211,667
Foster Care Title IV-E - Contract Services FCM	93.658	G-1011-11-5109	235
Total CFDA # 93.658			<u>319,507</u>
Adoption Assistance	93.659	G-1213-11-0109	210,229
Adoption Assistance	93.659	G-1314-11-5109	73,327
Total CFDA # 93.659			<u>283,556</u>
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1213-11-0109	28,695
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1314-11-0109	10,643
Total CFDA # 93.645			<u>39,338</u>
Chafee Foster Care Independence Program	93.674	G-1213-11-0109	19,065
Promoting Safe and Stable Families	93.556	G-1213-11-0109	8,039
Community-Based Child Abuse Prevention Grants	93.590	G-1213-11-0109	1,963
Passed Through Ohio Department of Job and Family Services			
Social Services Block Grant	93.667	G-1213-11-0109	448,553
Social Services Block Grant	93.667	G-1415-11-5109	113,204
Passed Through Ohio Department of Developmental Disabilities			
Social Services Block Grant	93.667	FY 2011	55,725
Total CFDA # 93.667			<u>617,482</u>
(Continued)			
Passed Through Ohio Department of Job and Family Services			
Children's Health Insurance Program	93.767	G-1213-11-0109	2,895
Passed Through Ohio Department of Job and Family Services			
Medical Assistance Program	93.778	G-1213-11-0109	478,396
Medical Assistance Program	93.778	G-1415-11-5109	122,324
Passed Through Ohio Department of Developmental Disabilities			
Medical Assistance Program	93.778	FY 2013	275,939
Total CFDA # 93.778			<u>876,659</u>
Passed Through Ohio Mental Health and Addictions Services			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	74-3007-TASC-T-12-9181	5,942
Block Grants for Prevention and Treatment of Substance Abuse	93.959	74-3007-TASC-T-13-9181	84,023
Block Grants for Prevention and Treatment of Substance Abuse	93.959	74-3007-TASC-T-14-9181	62,240
Total CFDA # 93.959			<u>152,205</u>
Total U.S. Department of Health and Human Services			<u>4,165,453</u>

SANDUSKY COUNTY

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013**

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Project Number	Disbursements
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through Ohio Department of Emergency Management			
Homeland Security Grant Program	97.067	2010-SS-T0-0012	84,620
Homeland Security Grant Program Total CFDA # 97.067	97.067	EMW-2011-SS-00070	<u>36,865</u> 121,485
Emergency Management Performance Grant	97.042	EMW-2012-EP-00004-S01	36,349
Emergency Management Performance Grant Total CFDA # 97.042	97.042	EMW-2013-EP-00060-S01	<u>33,625</u> 69,974
Total U.S. Department of Homeland Security			<u>191,459</u>
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education			
Special Education Cluster			
Special Education Grants to States	84.027	IDEA-B FY2013	5,147
Special Education Grants to States Total CFDA # 84.027	84.027	IDEA-B FY2014	<u>3,762</u> 8,909
Special Education Preschool Grants	84.173	ECSE FY 2013	4,686
Special Education Preschool Grants Total CFDA # 84.173	84.173	ECSE FY 2014	<u>367</u> 5,053
Total Special Education Cluster			<u>13,962</u>
Passed Through Ohio Department of Health			
Special Education Grants for Infants and Families	84.181	07210021HG0312	<u>63,297</u>
Total U.S. Department of Education			<u>77,259</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$ 8,068,380</u>

Note: The accompanying notes are an integral part of this schedule.

SANDUSKY COUNTY

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the 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 Development Services Agency. 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 2013 is as follows:

Beginning loans receivable as of January 1, 2013	\$ 117,119
Loan Principal repaid	27,004
Ending loans receivable balance as of December 31, 2013	<u>\$ 90,115</u>
Cash balance on hand in the revolving loan fund as of December 31, 2013	\$ 74,679
Administrative costs expended during 2013	\$ 200
Contract Services expended during 2013	\$ 36,600

The table above reports gross loans receivable. Of the loans receivable as of December 31, 2013, one is more than 60 days past due.

NOTE E – DOWNPAYMENT OR REHABILITATION ASSISTANCE (HOME) LOAN PROGRAM

The County has established a revolving loan program to provide zero interest, forgivable, deferred payment loans to low-moderate income households and to eligible persons. The Federal Department of Housing and Urban Development (HUD) granted money for these loans to the County, passed through the Ohio Development Services Agency. The initial loan of this money would be recorded as a disbursement on the accompanying Federal Awards Expenditures Schedule (the Schedule). Loans repaid, including interest are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are also included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property. The County made no new loans under this program in 2013. The administrative expenditures under this program in 2013 were \$714 and the cash balance on hand in the revolving loan fund as of December 31, 2013 was \$30,566.

NOTE F – OWNER-OCCUPIED REHABILITATION ASSISTANCE (CDBG) LOAN PROGRAM

The County has established a revolving loan program to provide zero interest, forgivable, deferred payment loans to low-moderate income households and to eligible persons. The County also uses this program funding for home repair grants and other uses including demolition and homebuyer or foreclosure counseling. The Federal Department of Housing and Urban Development (HUD) granted money for these programs to the County, passed through the Ohio Development Services Agency. The initial loan of this money would be recorded as a disbursement on the accompanying Federal Awards Expenditures Schedule (the Schedule). Loans repaid, including interest are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, and are also included as disbursements on the Schedule.

The County had no new loans under this program in 2013. The administrative expenditures under this program in 2013 were \$102 and the cash balance on hand in the revolving loan fund as of December 31, 2013 was \$12,011.

NOTE G - 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.

NOTE H - TRANSFERS BETWEEN FEDERAL PROGRAMS

During fiscal year 2013 the County made allowable transfers of \$121,337 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 \$1,161,363 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 2013 and the amount transferred to the Social Services Block Grant program.

Temporary Assistance for Needy Families	\$1,282,700
Transfer to Social Services Glock Grant	(121,337)
Total Temporary Assistance for Needy Families	\$1,161,363

NOTE I – TITLE XIX MEDICAID ASSISTANCE PROGRAM

During the calendar year, the County board of Developmental Disabilities received a settlement for the 2008 Cost Report from the Ohio Department of Developmental Disabilities for the Medicaid Program (CFDA #83.778) in the amount of \$5,146. The Cost Report settlement was for settlement of the difference between the statewide payment rate and the rate calculated based upon actual expenditures for Medicaid services. This revenue is not listed on the County's Federal Awards Expenditure Schedule since the underlying expenses occurred in the prior reporting periods.

NOTE J – MERGER OF PASS-THROUGH AGENCIES

Effective July 1, 2013 the Ohio Department of Alcohol and Drug Addiction Services and the Ohio Department of Mental Health merged to create the new Ohio Mental Health and Addiction Services Agency. The Schedule reports all these disbursements as passed through Ohio Mental Health and Addiction Services Agency.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sandusky County, Ohio, (the County) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 18, 2014 wherein we noted the discretely presented component unit followed the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the County restated the beginning net position of the Sewer Fund during 2013.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the County's internal control. Accordingly, we have not opined on it.

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

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the County's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 through 2013-003 described in the accompanying schedule of findings to be material weaknesses.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-003.

Entity's Response to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the County's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

September 18, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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:

Report on Compliance for Each Major Federal Program

We have audited Sandusky County, Ohio's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Sandusky County's major federal programs for the year ended December 31, 2013. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the County's major federal programs.

Management's Responsibility

The County's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the County's compliance for each of the County's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the County's major programs. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, Sandusky County complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as item 2013-004. This finding did not require us to modify our compliance opinion on each major federal program.

The County's response to our noncompliance finding is described in the accompanying schedule of findings. We did not audit the County's response and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the County's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

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

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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2013-004 to be a material weakness.

The County's response to the internal control over compliance finding is described in the accompanying schedule of findings. We did not audit the County's response and, accordingly, we express no opinion on it.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

Columbus, Ohio

September 18, 2014

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SANDUSKY COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2013

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Adverse – Discretely presented component unit Unmodified – All other opinion units
(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)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(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	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Community Development Block Grants State's Program – CFDA #14.228 HOME Investment Partnerships Program and HOME Revolving Loan-Housing Program – CFDA #14.239 ARRA – Formula Grants for Rural Areas – CFDA #20.509 Temporary Assistance for Needy Families – CFDA #93.558 Child Support Enforcement – CFDA #93.563 Foster Care Title IV-E – CFDA #93.658 Medical Assistance Program – CFDA #93.778
(d)(1)(viii)	Dollar Threshold: Type AIB Programs	Type A: > \$ 300,000 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**

FINDING NUMBER 2013-001

Material Weakness

Financial Reporting

The County's management is responsible for the fair presentation of the financial statements. Errors were noted in the financial statements, resulting in the following audit adjustments:

- Taxes Receivable and Tax Revenue in the County Board of DD fund were understated by \$463,236;
- Restated long-term obligations at 1/1/2013 and restated net position at 1/1/2013 for the Sewer fund were misstated by \$192,952; and
- Intergovernmental revenues within the Sewer fund of \$76,120 were improperly accounted for as Other Operating revenues.

The accompanying financial statements have been adjusted to correct these errors. There were additional errors noted in smaller relative amounts not requiring adjustments.

We also noted the financial information for Sandusky County Regional Airport Authority, the County's discretely presented component unit, is presented using the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described above and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

To ensure the County's financial statements and notes to the statements are complete and accurate, the County should adopt policies and procedures, including a final review of the annual report by the Commissioners and audit committee to identify and correct errors, omissions, and misclassifications. In addition, we recommend the County present financial information for all component units following accounting principles generally accepted in the United States of America.

Officials' Response:

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

FINDING NUMBER 2013-002

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 forty-nine 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; i) book value; j) fund ownership; k) useful life of assets; and l) disposition date.

FINDING NUMBER 2013-002 (Continued)

Material Weakness (Continued)

Capital Assets (Continued)

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 and an updated listing of the capital assets is maintained.

Officials' Response:

The County is currently working on a detailed capital asset listing.

FINDING NUMBER 2013-003

Noncompliance and Material Weakness

OMB Circular A133 §___.300

Finding number 2013-004 describes deficiencies in preparing the County's Federal Award Expenditures Schedule. We believe this finding also represents material noncompliance and a material weakness under 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*.

Officials' Response:

See response under Finding 2013-004.

3. FINDINGS FOR FEDERAL AWARDS

Federal Expenditures

Finding Number	2013-004
CFDA Title and Number	ARRA – Formula Grants for Rural Areas #20.509 Child Support Enforcement #93.563 Foster Care Title IV-E #93.658 Medical Assistance Program #93.778
Federal Award Number / Year	2013
Federal Agencies	U.S. Department of Transportation and U.S. Department of Health and Human Services
Pass-Through Agencies	Ohio Department of Transportation and Ohio Department of Job and Family Services

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Noncompliance and Material Weakness

OMB Circular A133 §___.300 provides the auditee shall:

- (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.
- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
- (c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.
- (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §___.310.

The County did prepare its Federal Awards Expenditures Schedule (the Schedule) based on information provided by each department. However, the following deficiencies were noted:

- The ARRA – Formula Grants for Rural Areas grant (\$772,593) and the Foster Care Title IV-E grant (\$319,507) were omitted from the Schedule.
- The Child Support Enforcement grant (\$100,696) and a portion of the Medical Assistance Program grant passed through the Ohio Department of Job and Family Services (\$173,298) were materially understated.

We also noted similar errors in several non-major programs.

Inaccurate completion of the Schedule could lead to inaccurate reporting of federal expenditures by the County. Adjustments were made to the County's Schedule as noted above.

Each department should be knowledgeable of their federal programs and their requirements should be understood by them. We recommend the County implement policies and procedures, including a final review of the Schedule to ensure the Schedule is accurately completed.

Officials' Response:

The County will instruct each department about the importance of tracking federal funds and their requirement that the schedule submitted to the County Auditor is accurate and complete. The Auditor's office will review the schedules submitted by the Departments and verify that all funds receiving federal funds are listed on the schedules. The Auditor's office will also check the various State Agencies sites to verify the revenues and disbursements made from Federal funds.

SANDUSKY COUNTY

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Material weakness for failure to track capital assets.	No	Not corrected and repeated in this report as finding 2013-002.

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SANDUSKY COUNTY

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2013**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2013-004	The County will instruct each department about the importance of tracking federal funds and their requirement that the schedule submitted to the County Auditor is accurate and complete. The Auditor's office will review the schedules submitted by the Departments and verify that all funds receiving federal funds are listed on the schedules. The Auditor's office will also check the various State Agencies sites to verify the revenues and disbursements made from Federal funds.	February 28, 2015	William Farrell, County Auditor

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Dave Yost • 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
OCTOBER 2, 2014