



**Mary Taylor, CPA**  
Auditor of State



**FINANCIAL CONDITION  
SANDUSKY COUNTY**

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# Mary Taylor, CPA

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## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Sandusky County  
100 N. Park Avenue  
Fremont, Ohio 43420-2472

To the County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sandusky County, Ohio (the County), as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sandusky County, Ohio, as of December 31, 2007, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Motor Vehicle and Gas Tax, Human Services, and County Board of Mental Retardation and Developmental Disabilities funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2008, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

**Mary Taylor, CPA**  
Auditor of State

August 28, 2008

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

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, 2007. 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 2007 are as follows:

- The total net assets of the County increased \$3,932,588. Net assets of governmental activities increased \$4,010,790, which represents a 6.14% increase over 2006. Net assets of business-type activities decreased \$78,202, or 1.76% from 2006.
- General revenues accounted for \$22,695,353 or 43.06% of total governmental activities revenue. Program specific revenues accounted for \$30,008,788 or 56.94% of total governmental activities revenue.
- The County had \$48,665,160 in expenses related to governmental activities; \$30,008,788 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily property and sales taxes) of \$22,695,353 were adequate to provide for these programs.
- The general fund, the County's largest major fund, had revenues and other financing sources of \$17,038,843 in 2007, an increase of \$775,884 from 2006 revenues and other financing sources. The general fund had expenditures and other financing uses of \$17,455,781 in 2007, an increase of \$1,420,451 from 2006. The general fund, fund balance decreased \$416,938 from 2006 to 2007.
- The motor vehicle and gas tax fund, a County major fund, had revenues of \$4,901,930 in 2007. The motor vehicle and gas tax fund had expenditures of \$5,080,405 in 2007. The motor vehicle and gas tax fund, fund balance decreased \$178,475 from 2006 to 2007.
- The human services fund, a County major fund, had revenues and other financing sources of \$9,711,765 in 2007. The human services fund had expenditures of \$9,296,657 in 2007. The human services fund, fund balance increased \$415,108 from 2006 to 2007.
- The County board of mental retardation and developmentally disabled (MR/DD) fund, a County major fund, had revenues and other financing sources of \$7,760,379 in 2007. The County board of MR/DD fund had expenditures of \$7,504,003 in 2007. The County board of MR/DD fund, fund balance increased \$256,376 from 2006 to 2007.
- Net assets for the sanitary sewer enterprise fund decreased in 2007 by \$78,202 or 1.76%. The sanitary sewer enterprise fund transferred in \$28,191 from governmental funds in 2007.
- In the general fund, the actual revenues and other financing sources came in \$861,120 greater than they were originally budgeted and actual expenditures and other financing uses were \$162,244 more than the amount in the original budget. These positive variances are a result of the County's conservative budgeting process.

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**Using the Basic Financial Statements (BFS)**

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole County, presenting both an aggregate view of the County's finances and a longer-term view of those finances.

Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the County's most significant funds with all other non-major funds presented in total in one column. In the case of the County, there are four major governmental funds. The general fund is the largest major fund.

**Reporting the County as a Whole**

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

The statement of net assets and the statement of activities answer the question, how did we do financially during 2007? These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. The accrual basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

**Reporting the County's Most Significant Funds**

**Fund Financial Statements**

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



**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the General Fund, Motor Vehicle and Gas Tax, Human Services and County Board of Mental Retardation and Developmentally Disabled (MR/DD).

**Governmental Funds**

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

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

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

**Proprietary Funds**

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

**Fiduciary Funds**

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

**Notes to the Financial Statements**

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

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**Government-Wide Financial Analysis**

The Statement of Net Assets provides the perspective of the County as a whole.

The table below provides a summary of the County's net assets for 2007 and 2006. Certain 2006 amounts have been restated as described in Note 3.B. of the notes to the financial statements.

	<b>Net Assets</b>					
	Governmental Activities 2007	Business-type Activities 2007	Restated Governmental Activities 2006	Restated Business-type Activities 2006	2007 Total	Restated 2006 Total
<u>Assets</u>						
Current and other assets	\$ 44,264,424	\$ 925,204	\$ 40,833,412	\$ 876,094	\$ 45,189,628	\$ 41,709,506
Capital assets, net	<u>43,482,727</u>	<u>5,137,156</u>	<u>43,612,445</u>	<u>5,337,946</u>	<u>48,619,883</u>	<u>48,950,391</u>
<b>Total assets</b>	<u>87,747,151</u>	<u>6,062,360</u>	<u>84,445,857</u>	<u>6,214,040</u>	<u>93,809,511</u>	<u>90,659,897</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	7,601,097	1,646,566	7,995,976	1,721,122	9,247,663	9,717,098
Other liabilities	<u>10,860,214</u>	<u>59,178</u>	<u>11,174,831</u>	<u>58,100</u>	<u>10,919,392</u>	<u>11,232,931</u>
<b>Total liabilities</b>	<u>18,461,311</u>	<u>1,705,744</u>	<u>19,170,807</u>	<u>1,779,222</u>	<u>20,167,055</u>	<u>20,950,029</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	38,292,019	3,501,732	37,946,133	3,627,889	41,793,751	41,574,022
Restricted	22,671,675		18,985,751		22,671,675	18,985,751
Unrestricted	<u>8,322,146</u>	<u>854,884</u>	<u>8,343,166</u>	<u>806,929</u>	<u>9,177,030</u>	<u>9,150,095</u>
<b>Total net assets</b>	<u>\$ 69,285,840</u>	<u>\$ 4,356,616</u>	<u>\$ 65,275,050</u>	<u>\$ 4,434,818</u>	<u>\$ 73,642,456</u>	<u>\$ 69,709,868</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2007, the County's assets exceeded liabilities by \$73,642,456. This amounts to \$69,285,840 in governmental activities and \$4,356,616 in business-type activities. The County's finances remained strong during 2007, despite the decline in the economy.

Capital assets reported on the government-wide statements represent the largest portion of the County's net assets. At year-end, capital assets represented 51.83% of total governmental and business-type assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles, construction in progress, water and sewer lines and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2007, were \$41,793,751. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

As of December 31, 2007, the County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the County's net assets, \$22,671,675, represents resources that are subject to external restrictions on how they may be used. The remaining balance of government-wide unrestricted net assets of \$9,177,030 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net assets for fiscal years 2007 and 2006.

**Change in Net Assets**

	Governmental Activities 2007	Business-type Activities 2007	Restated Governmental Activities 2006	Restated Business-type Activities 2006	2007 Total	2006 Total
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 7,293,421	\$ 981,157	\$ 6,781,773	\$ 932,073	\$ 8,274,578	\$ 7,713,846
Operating grants and contributions	22,105,945		22,827,299		22,105,945	22,827,299
Capital grants and contributions	<u>609,422</u>		<u>1,311,157</u>		<u>609,422</u>	<u>1,311,157</u>
Total program revenues	<u>30,008,788</u>	<u>981,157</u>	<u>30,920,229</u>	<u>932,073</u>	<u>30,989,945</u>	<u>31,852,302</u>
General revenues:						
Property taxes	9,133,812		7,716,542		9,133,812	7,716,542
Sales tax	7,615,121		6,928,915		7,615,121	6,928,915
Unrestricted grants	2,356,598		2,435,994		2,356,598	2,435,994
Investment earnings	1,523,596		1,504,824		1,523,596	1,504,824
Other	<u>2,066,226</u>	<u>87,993</u>	<u>2,228,408</u>	<u>40,693</u>	<u>2,154,219</u>	<u>2,269,101</u>
Total general revenues	<u>22,695,353</u>	<u>87,993</u>	<u>20,814,683</u>	<u>40,693</u>	<u>22,783,346</u>	<u>20,855,376</u>
Total revenues	<u>52,704,141</u>	<u>1,069,150</u>	<u>51,734,912</u>	<u>972,766</u>	<u>53,773,291</u>	<u>52,707,678</u>

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**Expenses**

Program expenses:					
General government	9,634,931		8,882,463	9,634,931	8,882,463
Public safety	9,834,803		9,364,811	9,834,803	9,364,811
Public works	5,820,306		5,701,685	5,820,306	5,701,685
Health	440,844		426,923	440,844	426,923
Human services	21,613,433		22,946,625	21,613,433	22,946,625
Economic development and assistance	357,794		507,610	357,794	507,610
Intergovernmental	186,600		170,400	186,600	170,400
Other	534,497		221,499	534,497	221,499
Interest and fiscal charges	241,952		314,484	241,952	314,484
Sanitary sewer		<u>1,175,543</u>		<u>1,014,185</u>	<u>1,175,543</u>
				<u>1,175,543</u>	<u>1,014,185</u>
Total expenses	<u>48,665,160</u>	<u>1,175,543</u>	<u>48,536,500</u>	<u>1,014,185</u>	<u>49,840,703</u>
Change in net assets before transfers	4,038,981	(106,393)	3,198,412	(41,419)	3,932,588
Transfers	<u>(28,191)</u>	<u>28,191</u>	<u>66,663</u>	<u>(66,663)</u>	
Change in net assets	<u>\$ 4,010,790</u>	<u>\$ (78,202)</u>	<u>\$ 3,265,075</u>	<u>\$ (108,082)</u>	<u>\$ 3,932,588</u>

**Governmental Activities**

Governmental assets increased by \$3,301,294 in 2007 over 2006. This increase is due to greater property tax and sales tax revenues in 2007 over 2006.

Human services expenses, which support the operations of the County Board of MRDD, Job and Family Services, Veteran Services, and the Children Services Board, accounts for \$21,613,433 of expenses, or 44.41% of total governmental expenses of the County. These expenses were partially funded by \$329,516 in charges to users of services in 2007. General government expenses which includes legislative and executive and judicial programs, totaled \$9,634,931 or 19.79% of total governmental expenses. General government expenses were covered by \$4,100,548 of direct charges to users in 2007.

The state and federal government contributed to the County revenues of \$22,105,945 in operating grants and contributions and \$609,422 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions \$15,836,768, or 71.64%, subsidized human services programs.

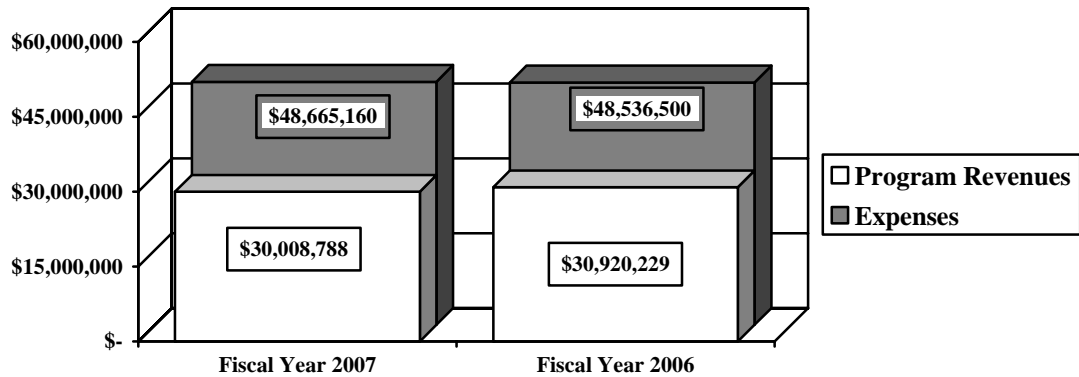
General revenues totaled \$22,695,353, and amounted to 43.06% of total revenues. These revenues primarily consist of property and sales tax revenue of \$16,748,933, or 73.8% of total general revenues in 2007. The other primary source of general revenues is grants and entitlements not restricted to specific programs, with local government and local government revenue assistance making up \$2,356,598, or 10.38% of the total.

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 2007 and 2006. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**Governmental Activities – Program Revenues vs. Total Expenses**



**Governmental Activities**

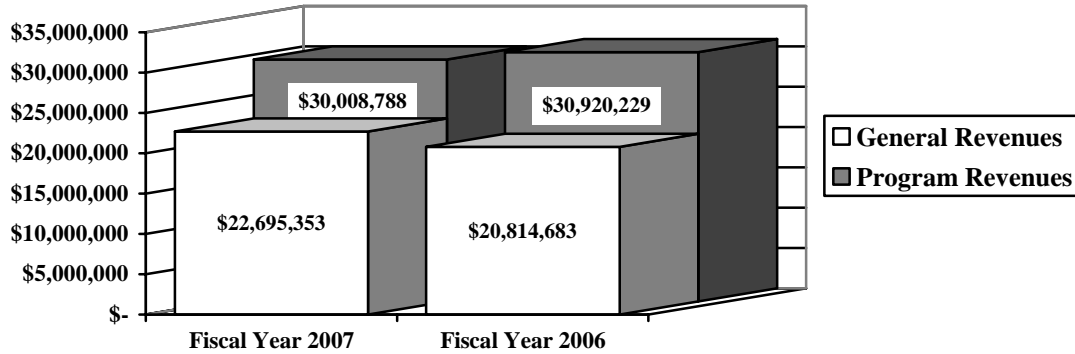
	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
Program expenses:				
General government	\$ 9,634,931	\$ 5,534,383	\$ 8,882,463	\$ 4,217,335
Public safety	9,834,803	6,886,359	9,364,811	6,819,681
Public works	5,820,306	(22,505)	5,701,685	(311,135)
Health	440,844	179,038	426,923	184,399
Human services	21,613,433	5,447,149	22,946,625	6,267,258
Economic development and assistance	357,794	(23,455)	507,610	13,425
Intergovernmental	186,600	186,600	170,400	170,400
Other	534,497	534,497	221,499	221,499
Interest and fiscal charges	241,952	(65,694)	314,484	33,409
<b>Total</b>	<b><u>\$ 48,665,160</u></b>	<b><u>\$ 18,656,372</u></b>	<b><u>\$ 48,536,500</u></b>	<b><u>\$ 17,616,271</u></b>

The dependence upon general revenues for governmental activities is apparent, with 38.34% of expenses supported through taxes and other general revenues during 2007.

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**Governmental Activities - General and Program Revenues**



**Business-Type Activities**

The sanitary sewer is the County's only enterprise fund. Net assets at the beginning of the year were restated as described in Note 3.B. of the notes to the basic financial statements. This program had revenues of \$1,069,150 and expenses of \$1,175,543 for fiscal year 2007. The sanitary sewer fund transferred in \$28,191 from the governmental funds. The sanitary sewer fund's net asset balance decreased \$78,202 in 2007.

**Financial Analysis of the Government's Funds**

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

**Governmental Funds**

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

The County's governmental funds reported a combined fund balance of \$24,848,616, which is \$1,741,621 over last year's total of \$23,106,995. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2007, for all major and non-major governmental funds.

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

	<u>Fund Balance</u> <u>December 31, 2007</u>	<u>Fund Balance</u> <u>December 31, 2006</u>	<u>Increase</u> <u>(Decrease)</u>
Major funds:			
General	\$ 4,945,879	\$ 5,362,817	\$ (416,938)
Motor vehicle and gas tax	1,873,035	2,051,510	(178,475)
County board of MRDD	5,620,641	5,364,265	256,376
Human services	1,824,844	1,409,736	415,108
Other nonmajor governmental funds	<u>10,584,217</u>	<u>8,918,667</u>	<u>1,665,550</u>
Total	<u>\$ 24,848,616</u>	<u>\$ 23,106,995</u>	<u>\$ 1,741,621</u>

**General Fund**

The general fund, the County's largest major fund, had revenues and other financing sources of \$17,038,843 in 2007, an increase of \$775,884 from 2006 revenues and other financing sources. The general fund had expenditures and other financing uses of \$17,455,781 in 2007, an increase of \$1,420,451 from 2006. The general fund, fund balance decreased \$416,938 from 2006 to 2007.

**Motor Vehicle and Gas Tax Fund**

The motor vehicle and gas tax fund, a County major fund, had revenues of \$4,901,930 in 2007. The motor vehicle and gas tax fund had expenditures of \$5,080,405 in 2007. The motor vehicle and gas tax fund, fund balance decreased \$178,475 from 2006 to 2007.

**Human Services Fund**

The human services fund, a County major fund, had revenues and other financing sources of \$9,711,765 in 2007. The human services fund had expenditures of \$9,296,657 in 2007. The human services fund, fund balance increased \$415,108 from 2006 to 2007.

**County Board of Mental Retardation and Developmentally Disabled Fund**

The County board of mental retardation and developmentally disabled (MR/DD) fund, a County major fund, had revenues and other financing sources of \$7,760,379 in 2007. The County board of MR/DD fund had expenditures of \$7,504,003 in 2007. The County board of MR/DD fund, fund balance increased \$256,376 from 2006 to 2007.

**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 increased \$554,940 in the final budget. Actual revenues and other financing sources of \$16,882,658 are greater than final budgeted revenues and other financing sources by \$306,180. The difference between the final budgeted appropriations and other financing uses and actual expenditures and other financing uses was a \$787,115 decrease in expenditures.

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**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 2007, the County had \$48,619,883 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, construction in progress, sewer and water lines and infrastructure. Of this total, \$43,482,727 was reported in governmental activities and \$5,137,156 was reported in business-type activities. The following table shows fiscal 2007 balances compared to 2006:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 1,407,198	\$ 1,407,198	\$ 11,828	\$ 11,828	\$ 1,419,026	\$ 1,419,026
Land improvements	401,984	271,286	55,438	59,908	457,422	331,194
Building and improvements	13,776,225	13,514,463	183,547	203,219	13,959,772	13,717,682
Furniture and equipment	2,037,753	1,613,894	259,862	292,782	2,297,615	1,906,676
Vehicles	1,826,686	2,118,128	28,168	36,943	1,854,854	2,155,071
Infrastructure	24,004,525	24,068,593			24,004,525	24,068,593
Construction in progress	28,356	618,883	58,583	18,384	86,939	637,267
Sewer and water lines			4,539,730	4,714,882	4,539,730	4,714,882
<b>Total</b>	<b>\$ 43,482,727</b>	<b>\$ 43,612,445</b>	<b>\$ 5,137,156</b>	<b>\$ 5,337,946</b>	<b>\$ 48,619,883</b>	<b>\$ 48,950,391</b>

During 2007, the County's governmental activities had \$2,677,813 in additions, \$220,618 (net of accumulated depreciation) in deletions and \$2,586,913 in depreciation expense. The decrease in the County's governmental activities capital assets for 2007 was \$129,718. See Note 10 to the basic financial statements for detail on governmental activities and business-type activities capital assets.

**Debt Administration**

At December 31, 2007, the County's governmental activities had \$7,601,097 in general obligation bonds, special assessment bonds, notes, capital leases and compensated absences outstanding. Of this total, \$1,541,691 is due within one year and \$6,059,406 is due in greater than one year. At December 31, 2007, the County's business-type activities had \$1,646,566 in general obligation bonds, OWPC/OPWC loans and compensated absences outstanding. Of this total, \$136,651 is due within one year and \$1,509,915 is due within greater than one year. The following table summarizes the bonds, notes, leases, loans and compensated absences outstanding.



**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**Outstanding Debt, at Year End**

	Governmental Activities 2007	Business-Type Activities 2007	Restated Governmental Activities 2006	Restated Business-Type Activities 2006
Long-term obligations:				
General obligation bonds	\$ 4,645,000	\$ 120,000	\$ 4,950,000	\$ 160,000
Special assessment bonds	273,563		264,347	
OPWC/OWPC loans		1,515,424		1,550,057
Bond anticipation notes	230,000		295,000	
Capital lease obligation	42,145		156,965	
Compensated absences	<u>2,410,389</u>	<u>11,142</u>	<u>2,329,664</u>	<u>11,065</u>
 Total	 <u>\$ 7,601,097</u>	 <u>\$ 1,646,566</u>	 <u>\$ 7,995,976</u>	 <u>\$ 1,721,122</u>

**Economic Factors and Next Year's Budgets and Rates**

The County's current estimated population is 60,997.

The County's unemployment rate is currently 6.1%, compared to the 5.5% state average and the 4.6% national average.

These economic factors were considered in preparing the County's budget for fiscal year 2007. With the continuation of conservative budgeting practices, the County's financial position should remain strong in future years.

**Contacting the County's Financial Management**

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

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2007**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . . . .	\$ 23,949,938	\$ 873,544	\$ 24,823,482
Receivables (net of allowances for uncollectibles):			
Sales taxes . . . . .	1,133,848		1,133,848
Real estate and other taxes . . . . .	8,836,992		8,836,992
Accounts . . . . .	505,048	91,499	596,547
Special assessments . . . . .	212,537	7,238	219,775
Accrued interest . . . . .	84,323		84,323
Due from other governments. . . . .	5,498,754		5,498,754
Loans receivable . . . . .	136,333		136,333
Internal balances . . . . .	48,000	(48,000)	
Prepayments . . . . .	95,867	923	96,790
Materials and supplies inventory. . . . .	428,926		428,926
Investment in joint ventures . . . . .	3,333,858		3,333,858
Capital assets:			
Land and construction in progress . . . . .	1,435,554	70,411	1,505,965
Depreciable capital assets, net. . . . .	42,047,173	5,066,745	47,113,918
Total capital assets, net. . . . .	<u>43,482,727</u>	<u>5,137,156</u>	<u>48,619,883</u>
Total assets. . . . .	<u>87,747,151</u>	<u>6,062,360</u>	<u>93,809,511</u>
<b>Liabilities:</b>			
Accounts payable. . . . .	1,281,152	44,126	1,325,278
Accrued wages and benefits . . . . .	754,459	8,187	762,646
Due to other governments . . . . .	732,290	5,977	738,267
Accrued interest payable. . . . .	22,222	888	23,110
Amount to be repaid to claimants . . . . .	115,694		115,694
Unearned revenue. . . . .	7,954,397		7,954,397
Long-term liabilities:			
Due within one year. . . . .	1,541,691	136,651	1,678,342
Due in more than one year . . . . .	6,059,406	1,509,915	7,569,321
Total liabilities . . . . .	<u>18,461,311</u>	<u>1,705,744</u>	<u>20,167,055</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt. . . . .	38,292,019	3,501,732	41,793,751
Restricted for:			
Capital projects . . . . .	3,015,147		3,015,147
Debt service . . . . .	863,777		863,777
Public works projects . . . . .	3,159,602		3,159,602
Public safety programs. . . . .	2,059,507		2,059,507
Human services programs . . . . .	11,745,204		11,745,204
Other purposes . . . . .	1,828,438		1,828,438
Unrestricted . . . . .	8,322,146	854,884	9,177,030
Total net assets. . . . .	<u>\$ 69,285,840</u>	<u>\$ 4,356,616</u>	<u>\$ 73,642,456</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<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>
<b>Governmental Activities:</b>				
General government:				
Legislative and executive . . . . .	\$ 6,172,351	\$ 2,687,851		
Judicial . . . . .	3,462,580	1,412,697		
Public safety . . . . .	9,834,803	1,676,774	\$ 1,271,670	
Public works . . . . .	5,820,306	617,131	4,616,258	\$ 609,422
Health . . . . .	440,844	261,806		
Human services . . . . .	21,613,433	329,516	15,836,768	
Economic development and assistance. . . . .	357,794		381,249	
Intergovernmental . . . . .	186,600			
Other. . . . .	534,497			
Interest and fiscal charges . . . . .	241,952	307,646		
Total governmental activities. . . . .	<u>48,665,160</u>	<u>7,293,421</u>	<u>22,105,945</u>	<u>609,422</u>
<b>Business-Type Activities:</b>				
Sanitary sewer. . . . .	<u>1,175,543</u>	<u>981,157</u>		
Total business-type activities . . . . .	<u>1,175,543</u>	<u>981,157</u>		
Total primary government. . . . .	<u>\$ 49,840,703</u>	<u>\$ 8,274,578</u>	<u>\$ 22,105,945</u>	<u>\$ 609,422</u>

**General Revenues:**

Property taxes levied for:	
General fund . . . . .	
Human services - County Board of MR/DD . . . . .	
Human services - Senior Citizens . . . . .	
Public safety 911 system . . . . .	
Sales taxes levied for:	
General fund . . . . .	
Public safety - EMS . . . . .	
Grants and entitlements not restricted to specific programs . . . . .	
Investment earnings. . . . .	
Miscellaneous. . . . .	
Total general revenues . . . . .	
Transfers . . . . .	
Change in net assets . . . . .	
<b>Net assets at beginning of year (restated) . . . . .</b>	
<b>Net assets at end of year . . . . .</b>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Net (Expense) Revenue and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (3,484,500)		\$ (3,484,500)
(2,049,883)		(2,049,883)
(6,886,359)		(6,886,359)
22,505		22,505
(179,038)		(179,038)
(5,447,149)		(5,447,149)
23,455		23,455
(186,600)		(186,600)
(534,497)		(534,497)
65,694		65,694
<u>(18,656,372)</u>		<u>(18,656,372)</u>
	\$ (194,386)	(194,386)
	(194,386)	(194,386)
<u>(18,656,372)</u>	<u>(194,386)</u>	<u>(18,850,758)</u>
3,291,013		3,291,013
5,036,233		5,036,233
505,179		505,179
301,387		301,387
6,099,253		6,099,253
1,515,868		1,515,868
2,356,598		2,356,598
1,523,596		1,523,596
2,066,226	87,993	2,154,219
<u>22,695,353</u>	<u>87,993</u>	<u>22,783,346</u>
<u>(28,191)</u>	<u>28,191</u>	
4,010,790	(78,202)	3,932,588
<u>65,275,050</u>	<u>4,434,818</u>	<u>69,709,868</u>
<u>\$ 69,285,840</u>	<u>\$ 4,356,616</u>	<u>\$ 73,642,456</u>

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2007**

	<u>General</u>	<u>Motor Vehicle and Gas Tax</u>	<u>Human Services</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 3,658,596	\$ 1,156,926	\$ 2,338,030
Receivables (net of allowance for uncollectibles):			
Sales taxes . . . . .	907,469		
Real estate and other taxes . . . . .	3,277,173		
Accounts . . . . .	160,096	38,186	17,659
Special assessments . . . . .			
Due from other governments . . . . .	1,054,377	2,188,249	840,657
Accrued interest . . . . .	82,615		
Interfund loan receivable . . . . .	250,000		
Loans receivable . . . . .			
Due from other funds . . . . .	13,588		
Prepayments . . . . .	94,048	1,012	
Materials and supplies inventory . . . . .	140,910	200,570	60,749
<b>Total assets . . . . .</b>	<b><u>\$ 9,638,872</u></b>	<b><u>\$ 3,584,943</u></b>	<b><u>\$ 3,257,095</u></b>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 263,995	\$ 111,475	\$ 377,119
Accrued wages and benefits . . . . .	294,506	62,279	123,256
Due to other funds . . . . .			
Due to other governments . . . . .	295,539	43,505	91,219
Interfund loan payable . . . . .			
Amounts to be repaid to claimants . . . . .	115,694		
Deferred revenue . . . . .	773,394	1,494,649	840,657
Unearned revenue . . . . .	2,949,865		
<b>Total liabilities . . . . .</b>	<b><u>4,692,993</u></b>	<b><u>1,711,908</u></b>	<b><u>1,432,251</u></b>
<b>Fund Balances:</b>			
Reserved for encumbrances . . . . .	168,773	27,170	111,272
Reserved for prepayments . . . . .	94,048	1,012	
Reserved for materials and supplies inventory . . . . .	140,910	200,570	60,749
Reserved for loans receivable . . . . .			
Unreserved undesignated, reported in:			
General fund . . . . .	4,542,148		
Special revenue funds . . . . .		1,644,283	1,652,823
Debt service funds . . . . .			
Capital projects funds . . . . .			
<b>Total fund balances . . . . .</b>	<b><u>4,945,879</u></b>	<b><u>1,873,035</u></b>	<b><u>1,824,844</u></b>
<b>Total liabilities and fund balances . . . . .</b>	<b><u>\$ 9,638,872</u></b>	<b><u>\$ 3,584,943</u></b>	<b><u>\$ 3,257,095</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>County Board of MR/DD</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 5,829,734	\$ 10,767,833	\$ 23,751,119
	226,379	1,133,848
4,728,060	831,759	8,836,992
6,433	282,674	505,048
	212,537	212,537
423,730	991,741	5,498,754
	1,708	84,323
	48,000	298,000
	136,333	136,333
		13,588
	807	95,867
12,149	14,548	428,926
<u>\$ 11,000,106</u>	<u>\$ 13,514,319</u>	<u>\$ 40,995,335</u>
\$ 52,015	\$ 476,548	\$ 1,281,152
146,238	128,180	754,459
	13,588	13,588
147,544	154,483	732,290
	250,000	250,000
		115,694
777,823	1,158,616	5,045,139
4,255,845	748,687	7,954,397
<u>5,379,465</u>	<u>2,930,102</u>	<u>16,146,719</u>
	687,602	1,390,218
395,401	807	95,867
12,149	14,548	428,926
	136,333	136,333
		4,542,148
5,213,091	6,011,676	14,521,873
	850,389	850,389
	2,882,862	2,882,862
<u>5,620,641</u>	<u>10,584,217</u>	<u>24,848,616</u>
<u>\$ 11,000,106</u>	<u>\$ 13,514,319</u>	<u>\$ 40,995,335</u>

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2007

<b>Total governmental fund balances</b>	\$	24,848,616
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		43,482,727
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Real estate and other taxes	\$ 882,595	
Special assessments	212,537	
Accrued interest receivable	33,999	
Charges for services	34,919	
Intergovernmental revenues	<u>3,881,089</u>	
Total		5,045,139
The investments in joint ventures by governmental activities are not financial resources and therefore are not reported in fund balance at year end.		3,333,858
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.		198,819
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(22,222)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	4,645,000	
Notes payable	230,000	
Special assessment bonds	273,563	
Capital lease payable	42,145	
Compensated absences	<u>2,410,389</u>	
Total		<u>(7,601,097)</u>
<b>Net assets of governmental activities</b>	<b>\$</b>	<b><u><u>69,285,840</u></u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>Motor Vehicle and Gas Tax</u>	<u>Human Services</u>	<u>County Board of MR/DD</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>						
Real estate and other taxes . . . . .	\$ 3,027,372			\$ 4,652,238	\$ 740,637	\$ 8,420,247
Sales taxes . . . . .	6,099,253				1,515,868	7,615,121
Charges for services . . . . .	1,974,643	\$ 54,427		48,927	2,881,812	4,959,809
Licenses and permits . . . . .	4,110				297,377	301,487
Fines and forfeitures . . . . .	440,168	76,973			52,808	569,949
Intergovernmental . . . . .	2,375,425	4,628,826	\$ 9,464,103	3,017,149	5,067,848	24,553,351
Special assessments . . . . .					204,456	204,456
Investment income . . . . .	1,526,747				15,278	1,542,025
Rental income . . . . .	362,821				466,685	829,506
Refunds and reimbursements . . . . .	843,116	55,327			24,357	922,800
Other . . . . .	341,420	86,377	330	22,867	354,177	805,171
Total revenues . . . . .	<u>16,995,075</u>	<u>4,901,930</u>	<u>9,464,433</u>	<u>7,741,181</u>	<u>11,621,303</u>	<u>50,723,922</u>
<b>Expenditures:</b>						
Current:						
General government:						
Legislative and executive . . . . .	4,831,244				1,027,088	5,858,332
Judicial . . . . .	2,934,865				454,685	3,389,550
Public safety . . . . .	5,778,132				3,584,721	9,362,853
Public works . . . . .	90,940	5,080,405			211,596	5,382,941
Health . . . . .	136,350				226,132	362,482
Human services . . . . .	442,809		9,296,657	7,482,944	4,060,050	21,282,460
Economic development and assistance . . . . .					355,401	355,401
Intergovernmental . . . . .	186,600					186,600
Other . . . . .	531,989				2,508	534,497
Capital outlay . . . . .	27,213			19,198	1,465,626	1,512,037
Debt service:						
Principal retirement . . . . .	159,892			1,339	650,804	812,035
Interest and fiscal charges . . . . .	10,572			522	240,259	251,353
Total expenditures . . . . .	<u>15,130,606</u>	<u>5,080,405</u>	<u>9,296,657</u>	<u>7,504,003</u>	<u>12,278,870</u>	<u>49,290,541</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	1,864,469	(178,475)	167,776	237,178	(657,567)	1,433,381
<b>Other financing sources (uses):</b>						
Issuance of bond anticipation notes . . . . .					230,000	230,000
Issuance of special assessment bonds . . . . .					60,020	60,020
Transfers in . . . . .	16,555		247,332		2,177,812	2,441,699
Transfers out . . . . .	(2,325,175)				(144,715)	(2,469,890)
Capital lease transaction . . . . .	27,213			19,198		46,411
Total other financing sources (uses) . . . . .	<u>(2,281,407)</u>		<u>247,332</u>	<u>19,198</u>	<u>2,323,117</u>	<u>308,240</u>
Net change in fund balances . . . . .	(416,938)	(178,475)	415,108	256,376	1,665,550	1,741,621
<b>Fund balances at beginning of year . . . . .</b>	<b>5,362,817</b>	<b>2,051,510</b>	<b>1,409,736</b>	<b>5,364,265</b>	<b>8,918,667</b>	<b>23,106,995</b>
<b>Fund balances at end of year . . . . .</b>	<b><u>\$ 4,945,879</u></b>	<b><u>\$ 1,873,035</u></b>	<b><u>\$ 1,824,844</u></b>	<b><u>\$ 5,620,641</u></b>	<b><u>\$ 10,584,217</u></b>	<b><u>\$ 24,848,616</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007

<b>Net change in fund balances - total governmental funds</b>		\$ 1,741,621
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay	\$ 2,677,813	
Depreciation expense	<u>(2,586,913)</u>	
Total		90,900
The effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		
Capital asset disposals	(800,416)	
Accumulated depreciation on disposals	<u>579,798</u>	
Total		(220,618)
The issuance of bonds, notes and capital leases are other financing sources in the governmental funds, but they increase liabilities on the statement of net assets.		
		(336,431)
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	713,565	
Special assessments	66,909	
Interest	(3,151)	
Charges for services	34,919	
Intergovernmental	<u>723,546</u>	
Total		1,535,788
Increases in the value of investment in joint ventures that do not provide current financial resources are not reported in the funds.		
		444,431
Repayments of bonds, notes and capital leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		812,035
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		9,401
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.		
		(80,725)
The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		<u>14,388</u>
<b>Change in net assets of governmental activities</b>		<u>\$ 4,010,790</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
<b>Revenues:</b>				
Real estate and other taxes . . . . .	\$ 2,849,387	\$ 2,948,082	\$ 3,029,316	\$ 81,234
Sales taxes . . . . .	5,696,020	5,893,313	6,055,702	162,389
Charges for services . . . . .	1,873,352	1,938,240	1,991,648	53,408
Licenses and permits . . . . .	3,866	4,000	4,110	110
Fines and forfeitures . . . . .	419,206	433,726	445,677	11,951
Intergovernmental . . . . .	2,013,171	2,082,901	2,140,295	57,394
Investment income . . . . .	1,500,342	1,552,310	1,444,502	(107,808)
Rental income . . . . .	341,271	353,092	362,821	9,729
Refunds and reimbursements . . . . .	720,490	745,445	765,986	20,541
Other . . . . .	52,794	54,623	56,128	1,505
<b>Total revenues . . . . .</b>	<u>15,469,899</u>	<u>16,005,732</u>	<u>16,296,185</u>	<u>290,453</u>
<b>Expenditures:</b>				
Current:				
General government:				
Legislative and executive . . . . .	4,699,705	4,910,914	4,815,470	95,444
Judicial . . . . .	3,303,611	3,356,597	2,974,472	382,125
Public safety . . . . .	6,054,645	6,107,515	5,976,430	131,085
Public works . . . . .	91,132	91,212	90,816	396
Health . . . . .	140,093	140,493	136,500	3,993
Human services . . . . .	507,483	521,491	504,108	17,383
Intergovernmental . . . . .	241,600	186,600	186,600	
Other . . . . .	518,206	626,416	611,450	14,966
<b>Total expenditures . . . . .</b>	<u>15,556,475</u>	<u>15,941,238</u>	<u>15,295,846</u>	<u>645,392</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	(86,576)	64,494	1,000,339	935,845
<b>Other financing sources (uses):</b>				
Other financing sources . . . . .	292,450	302,580	310,918	8,338
Other financing uses . . . . .	(63,500)	(109,178)	(88,763)	20,415
Transfers in . . . . .	15,572	16,111	16,555	444
Transfers out . . . . .	(1,862,565)	(2,381,483)	(2,260,175)	121,308
Advances in . . . . .	243,617	252,055	259,000	6,945
<b>Total other financing sources (uses) . . . . .</b>	<u>(1,374,426)</u>	<u>(1,919,915)</u>	<u>(1,762,465)</u>	<u>157,450</u>
Net change in fund balance . . . . .	(1,461,002)	(1,855,421)	(762,126)	1,093,295
<b>Fund balance at beginning of year . . . . .</b>	3,727,169	3,727,169	3,727,169	
<b>Prior year encumbrances appropriated . . . . .</b>	<u>224,253</u>	<u>224,253</u>	<u>224,253</u>	
<b>Fund balance at end of year . . . . .</b>	<u>\$ 2,490,420</u>	<u>\$ 2,096,001</u>	<u>\$ 3,189,296</u>	<u>\$ 1,093,295</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
MOTOR VEHICLE AND GAS TAX FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Charges for services. . . . .	\$ 35,037	\$ 35,500	\$ 37,237	\$ 1,737
Fines and forfeitures . . . . .	68,100	69,000	77,989	8,989
Intergovernmental . . . . .	4,325,820	4,441,074	4,760,459	319,385
Refunds and reimbursements. . . . .	59,217	60,000	55,327	(4,673)
Other . . . . .	88,826	90,000	88,182	(1,818)
<b>Total revenues . . . . .</b>	<u>4,577,000</u>	<u>4,695,574</u>	<u>5,019,194</u>	<u>323,620</u>
<b>Expenditures:</b>				
Current:				
Public works. . . . .	5,366,136	5,366,136	5,124,235	241,901
Net change in fund balance. . . . .	(789,136)	(670,562)	(105,041)	565,521
<b>Fund balance at beginning of year . . . . .</b>	988,102	988,102	988,102	
<b>Prior year encumbrances appropriated . . . . .</b>	<u>166,136</u>	<u>166,136</u>	<u>166,136</u>	
<b>Fund balance at end of year . . . . .</b>	<u>\$ 365,102</u>	<u>\$ 483,676</u>	<u>\$ 1,049,197</u>	<u>\$ 565,521</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
HUMAN SERVICES FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental . . . . .	\$ 8,825,200	\$ 8,825,200	\$ 9,555,097	\$ 729,897
Other . . . . .	.	330	330	.
<b>Total revenues . . . . .</b>	<u>8,825,200</u>	<u>8,825,530</u>	<u>9,555,427</u>	<u>729,897</u>
<b>Expenditures:</b>				
Current:				
Human services . . . . .	<u>10,663,675</u>	<u>10,665,936</u>	<u>9,525,379</u>	<u>1,140,557</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	(1,838,475)	(1,840,406)	30,048	1,870,454
<b>Other financing sources:</b>				
Transfers in. . . . .	<u>274,800</u>	<u>274,800</u>	<u>247,332</u>	<u>(27,468)</u>
Net change in fund balance. . . . .	(1,563,675)	(1,565,606)	277,380	1,842,986
<b>Fund balance at beginning of year . . . . .</b>	1,695,403	1,695,403	1,695,403	.
<b>Prior year encumbrances appropriated . . . . .</b>	<u>128,926</u>	<u>128,926</u>	<u>128,926</u>	.
<b>Fund balance at end of year . . . . .</b>	<u>\$ 260,654</u>	<u>\$ 258,723</u>	<u>\$ 2,101,709</u>	<u>\$ 1,842,986</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
COUNTY BOARD OF MR/DD FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Real estate and other taxes . . . . .	\$ 4,320,560	\$ 4,648,194	\$ 4,648,463	\$ 269
Charges for services . . . . .	43,687	47,000	48,578	1,578
Intergovernmental . . . . .	3,129,926	3,367,272	3,058,734	(308,538)
Other . . . . .	21,012	22,605	22,975	370
<b>Total revenues . . . . .</b>	<u>7,515,185</u>	<u>8,085,071</u>	<u>7,778,750</u>	<u>(306,321)</u>
<b>Expenditures:</b>				
Current:				
Human services . . . . .	8,742,906	9,351,239	8,167,580	1,183,659
Net change in fund balance . . . . .	(1,227,721)	(1,266,168)	(388,830)	877,338
<b>Fund balance at beginning of year . . . . .</b>	5,100,033	5,100,033	5,100,033	
<b>Prior year encumbrances appropriated . . . . .</b>	<u>510,168</u>	<u>510,168</u>	<u>510,168</u>	
<b>Fund balance at end of year . . . . .</b>	<u>\$ 4,382,480</u>	<u>\$ 4,344,033</u>	<u>\$ 5,221,371</u>	<u>\$ 877,338</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2007**

	<b>Business-Type Activities - Sanitary Sewer</b>	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>		
Current assets:		
Equity in pooled cash and cash equivalents. . . . .	\$ 873,544	\$ 198,819
Receivables (net of allowance for uncollectibles):		
Accounts . . . . .	91,499	
Special assessments. . . . .	7,238	
Prepayments. . . . .	923	
	973,204	198,819
Total current assets . . . . .		
Noncurrent assets:		
Capital assets:		
Land and construction in progress . . . . .	70,411	
Depreciable capital assets, net. . . . .	5,066,745	
	5,137,156	
Total noncurrent assets . . . . .		
Total assets . . . . .	6,110,360	198,819
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable. . . . .	44,126	
Accrued wages and benefits . . . . .	8,187	
Compensated absences payable. . . . .	8,008	
Interfund loan payable . . . . .	48,000	
Due to other governments . . . . .	5,977	
Accrued interest payable. . . . .	888	
Current portion of OPWC loans. . . . .	18,303	
Current portion of OWPC loans. . . . .	70,340	
Current portion of general obligation bonds payable . . . . .	40,000	
	243,829	
Total current liabilities . . . . .		
Long-term liabilities:		
General obligation bonds payable . . . . .	80,000	
Compensated absences . . . . .	3,134	
OPWC loans. . . . .	244,847	
OWPC loans . . . . .	1,181,934	
	1,509,915	
Total long-term liabilities. . . . .		
Total liabilities . . . . .	1,753,744	
<b>Net assets:</b>		
Invested in capital assets, net of related debt. . . . .	3,501,732	
Unrestricted . . . . .	854,884	198,819
Total net assets . . . . .	\$ 4,356,616	\$ 198,819

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007

	<b>Business-Type Activities - Sanitary Sewer</b>	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>		
Charges for services . . . . .	\$ 981,157	\$ 119,908
Other . . . . .	87,993	
Total operating revenues . . . . .	<u>1,069,150</u>	<u>119,908</u>
<b>Operating expenses:</b>		
Personal services . . . . .	242,321	
Contract services . . . . .	451,063	
Materials and supplies . . . . .	16,835	
Depreciation . . . . .	240,989	
Claims . . . . .		105,520
Other . . . . .	165,217	
Total operating expenses . . . . .	<u>1,116,425</u>	<u>105,520</u>
Operating income (loss) . . . . .	<u>(47,275)</u>	<u>14,388</u>
<b>Nonoperating expenses:</b>		
Interest expense and fiscal charges . . . . .	(59,118)	
Income (loss) before transfers . . . . .	(106,393)	14,388
Transfers in . . . . .	28,191	
Change in net assets . . . . .	(78,202)	14,388
<b>Net assets at beginning of year (restated) . . . . .</b>	<u>4,434,818</u>	<u>184,431</u>
<b>Net assets at end of year . . . . .</b>	<u>\$ 4,356,616</u>	<u>\$ 198,819</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Business-Type Activities - Sanitary Sewer</b>	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>		
Cash received from sales/service charges . . . . .	\$ 1,020,259	\$ 119,908
Cash received from other operating revenue . . . . .	68,184	
Cash payments for personal services . . . . .	(239,743)	
Cash payments for contract services . . . . .	(443,958)	
Cash payments for materials and supplies . . . . .	(17,556)	
Cash payments for claims . . . . .		(105,520)
Cash payments for other expenses . . . . .	(164,638)	
	<u>222,548</u>	<u>14,388</u>
Net cash provided by operating activities . . . . .		
<b>Cash flows from noncapital financing activities:</b>		
Transfers in from other funds . . . . .	28,191	
Net cash provided by noncapital financing activities . . . . .	<u>28,191</u>	
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets . . . . .	(40,199)	
Principal payments on bonds . . . . .	(40,000)	
Interest payments on bonds . . . . .	(14,625)	
Principal payments on loans . . . . .	(74,832)	
Interest payments on loans . . . . .	(44,789)	
OWPC loan issuance . . . . .	40,199	
Net cash used in capital and related financing activities . . . . .	<u>(174,246)</u>	
Net increase in cash and cash equivalents . . . . .	76,493	14,388
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<u>797,051</u>	<u>184,431</u>
<b>Cash and cash equivalents at end of year . . . . .</b>	<u>\$ 873,544</u>	<u>\$ 198,819</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>		
Operating income (loss) . . . . .	\$ (47,275)	\$ 14,388
Adjustments:		
Depreciation . . . . .	240,989	
Changes in assets and liabilities:		
(Increase) in accounts receivable . . . . .	(20,352)	
(Increase) in special assessments receivable . . . . .	(554)	
Decrease in prepayments . . . . .	289	
(Decrease) in accounts payable . . . . .	(1,127)	
Increase in accrued wages and benefits . . . . .	755	
Increase in interfund loan payable . . . . .	48,000	
Increase in due to other governments . . . . .	1,746	
Increase in compensated absences payable . . . . .	77	
	<u>222,548</u>	<u>14,388</u>
Net cash provided by operating activities . . . . .	<u>\$ 222,548</u>	<u>\$ 14,388</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2007

	Investment Trust	Agency
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 2,915,904	\$ 5,526,146
Cash in segregated accounts . . . . .		863,822
Receivables:		
Real estate and other taxes. . . . .		35,868,216
Accounts . . . . .	122,334	66,701
Special assessments. . . . .		601,722
Due from other governments . . . . .		3,007,497
Accrued interest. . . . .	30,812	
Total assets . . . . .	3,069,050	\$ 45,934,104
<b>Liabilities:</b>		
Accounts payable. . . . .	\$ 54,591	\$ 55,733
Due to other governments. . . . .		74,028
Undistributed monies . . . . .		44,940,521
Deposits held and due to others. . . . .		863,822
Total liabilities . . . . .	54,591	\$ 45,934,104
<b>Net assets:</b>		
Net assets available for pool participants . . . . .	3,014,459	
Total net assets . . . . .	\$ 3,014,459	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
INVESTMENT TRUST FUND  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

	<b>Investment Trust</b>
Net increase in net assets resulting from operations . . . . . \$	116,016
Share transactions:	
Purchase of units . . . . .	2,648,874
Redemptions of units . . . . .	(2,228,960)
Net increase in net assets and shares resulting from share transactions . . . . .	419,914
Change in net assets . . . . .	535,930
<b>Net assets at beginning of year.</b> . . . . .	<b>2,478,529</b>
<b>Net assets at end of year.</b> . . . . .	<b>\$ 3,014,459</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**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 Mental Retardation and Developmental Disabilities (MRDD); the Children Services Board; and other departments and activities that are directly operated by the elected County officials.

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

The basic financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The County has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise fund, subject to this same limitation. The County has elected not to apply these FASB Statements and Interpretations.

The most significant of the County's accounting policies are described below.

**A. Reporting Entity**

The County's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The basic financial statements include all funds, agencies, boards, commissions, and component units for which the County and the County Commissioners are "accountable". Accountability was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the County and whether exclusion would cause the County's basic financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of the PCU's board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the County.

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

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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

POTENTIAL COMPONENT UNITS REPORTED AS AGENCY FUNDS

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

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

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

JOINT VENTURES WITH EQUITY INTEREST

Ottawa, Sandusky, and Seneca County Solid Waste District

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

The counties share in the equity of the District is based on relative percentages of population within the three counties. Based upon this calculation, Sandusky County's equity interest in the District is \$877,760 at December 31, 2007. Financial information can be obtained from the Sandusky County Auditor, 100 North Park Avenue, Fremont, Ohio 43420-2472.

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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

Sandusky County - Seneca County - City of Tiffin Port Authority

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

Upon dissolution of the Port Authority, any balance remaining in the Port Authority's funds or any real or personal property belonging to the Port Authority will be distributed equally to the city and the counties after paying all expenses and debts. Sandusky County's equity interest in the Port Authority is \$1,131,310 at December 31, 2007. Financial information can be obtained from the Sandusky County - Seneca County - City of Tiffin Port Authority, James Supance, Chairman, P.O. Box 767, Tiffin, Ohio 44883.

Mental Health and Recovery Services

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

The counties share in the equity of the MHRS Board based on the percentages of population within the three counties. Sandusky County's equity interest in this joint venture at December 31, 2007 is \$1,324,788.

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

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(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 forty-one counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance. The County paid \$235,710 to CORSA during 2007.

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

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

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

INSURANCE PURCHASING POOL

County Commissioners Association of Ohio Workers' Compensation Group Rating Plan

The County is participating in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners Association of Ohio Service Corporation (CCAOSC) was established through the County Commissioners Association of Ohio (CCAO) as a group purchasing pool. A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee consists of seven members. Two members are the president and treasurer of CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at a meeting held in the month of December each year. No participant can have more than one member of the group executive committee in any year, and each elected member shall be a county commissioner.

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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

RELATED ORGANIZATION

Sandusky County Airport Authority

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

**B. Basis of Presentation**

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

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

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

**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.



**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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

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

All enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its enterprise activities.

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

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

**C. Fund Accounting**

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

General - The general fund is used to account for all activities of the County not required to be included in another fund. The general fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

County Board of Mental Retardation and Developmentally Disabled (MRDD) - This fund accounts for the operation of a school and the costs of administering a workshop for the mentally retarded and developmentally disabled. Revenue sources include a countywide property tax levy and federal and state grants.

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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

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

**PROPRIETARY FUNDS**

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

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

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

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

**FIDUCIARY FUNDS**

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

**COMPONENT UNITS**

Component units are either legally separate organizations for which the elected officials of the County are not financially accountable, or legally separate organizations for which the nature and significance of its relationship with the County is such that exclusion would not cause the County's financial statement to be misleading or incomplete. There were no component units for the County in 2007.

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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

**D. Basis of Accounting**

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

**Revenues - Exchange and Non-exchange 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 fiscal year. For the County, available means expected to be received within sixty days of year-end.

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements and donations. On a full accrual basis, revenue from sales taxes is recognized in the year in which the sales are made. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from all other nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: sales tax (see Note 7), interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees and rentals.

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

Property taxes for which there is an enforceable legal claim as of December 31, 2007, but which were levied to finance 2008 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as unearned revenue. Special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2007, are recorded as deferred revenue.

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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

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

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

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

**E. Budgetary Data**

All funds, other than agency funds, are required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations resolution, all 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 2007.

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 cash equivalents" on the basic financial statements.

During 2007, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, repurchase agreements and certificates of deposits. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and certificates of deposit are reported at cost.

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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

The County has invested funds in STAR Ohio during 2007. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission (SEC) as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2007.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$1,526,747 which includes \$1,462,873 assigned from other County funds.

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

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the County are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments, to the extent the investments were purchased from a specific fund rather than the pool.

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

**G. External Investment Pool**

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

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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

Condensed financial information for the investment pool is as follows:

**Statement of Net Assets  
December 31, 2007**

<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 33,265,532
Accrued interest receivable	<u>115,135</u>
<b>Total</b>	<b>\$ <u>33,380,667</u></b>
<u>Net assets held in trust for participants</u>	
Internal portion	\$ 30,366,208
External portion	<u>3,014,459</u>
<b>Total</b>	<b>\$ <u>33,380,667</u></b>

**Statement of Changes in Net Assets  
For the Year Ended December 31, 2007**

<u>Revenue:</u>	
Interest income	\$ 1,542,025
<u>Expenses:</u>	
Operating expenses	<u>                    </u>
Net increase in assets resulting from operations	1,542,025
Distribution to pool participants	(1,550,809)
<u>Capital Transactions</u>	
Proceeds of investments sold	(31,613,876)
Purchase of investments	<u>33,265,532</u>
Total increase in net assets	1,642,872
Net assets, beginning of year	<u>31,737,795</u>
Net assets, end of year	<b>\$ <u>33,380,667</u></b>

**H. Inventories of Materials and Supplies**

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

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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

On the governmental fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

**I. Capital Assets**

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

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

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

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

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The County's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from temporary investment of the debt proceeds over the same period.

Capitalized interest is amortized on the straight-line method over the estimated useful life of the asset. For 2007, the net interest expense incurred on proprietary fund construction projects was not material.

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(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, 2007, 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, 2007, 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, 2007, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At year-end, because payments are not available to finance future governmental fund expenditures the fund balance is reserved by an amount equal to the carrying value of the asset.

**L. Loans Receivable**

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



**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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

**M. Accrued Liabilities and Long-term Obligations**

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

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

**N. Interfund Transactions**

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

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

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

**O. Fund Balance Reserves**

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

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

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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

**P. Operating Revenues and Expenses**

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

**Q. Contributions of Capital**

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

**R. Net Assets**

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

The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The County did not have any assets restricted by enabling legislation.

**S. Estimates**

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

**T. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County administration and that are either unusual in nature or infrequent in occurrence. The County had no extraordinary or special items during 2007.

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For 2007, the County has implemented GASB Statement No. 48 "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues". GASB Statement No. 48 established criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the County.

**B. Restatement of Net Assets**

The net assets of the governmental activities and business-type activities have been restated to report the OPWC and OWPC loans as a liability of the sanitary sewer enterprise fund and to restate the balances of certain OWPC loans in the amount of \$45,339 at December 31, 2006. See Note 13 for details regarding the affects on long-term obligations of the governmental activities and business-type activities. The effect on the sanitary sewer fund was a restatement of net assets at December 31, 2006, of \$1,531,673. The following is the effect on net assets previously reported as of December 31, 2006:

	Governmental Activities	Business-Type Activities
Net assets, December 31, 2006	\$ 63,698,038	\$ 5,966,491
Adjustment for loans	1,577,012	(1,531,673)
Restated net assets, January 1, 2007	\$ 65,275,050	\$ 4,434,818

**C. Deficit Fund Balances**

Fund balances at December 31, 2007, included the following individual fund deficits:

	Deficit
<u>Nonmajor governmental funds</u>	
Americorp grant	\$ 14,263
Genesis program grant	315

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

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)**

**D. Noncompliance**

The County had a negative cash fund balance in the following fund indicating that revenue from other sources were used to pay obligations of this fund contrary to Ohio Revised Code Section 5705.10. For GAAP purposes, this amount has been reported as a fund liability in the respective fund.

	<u>Deficit</u>
<u>Nonmajor governmental fund</u>	
Americorp grant	\$ 13,588

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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, or any book entry zero-coupon United States treasury security that is a direct obligation of 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;

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)**

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.

**A. Cash on Hand**

At year-end, the County had \$391,540 in undeposited cash on hand which is included on the financial statements of the County as part of "Equity in pooled cash and cash equivalents."

**B. Cash in Segregated Accounts**

At year-end, \$1,715,195 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 cash equivalents". The carrying value of these deposits was \$863,822 at December 31, 2007.

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)**

**C. Deposits with Financial Institutions**

At December 31, 2007, the carrying amount of all County deposits, including nonnegotiable certificates of deposit and cash in segregated accounts, was \$22,374,697. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2007, \$23,610,021 of the County's bank balance of \$24,640,168 was exposed to custodial risk as discussed below, while \$1,030,147 was covered by the Federal Deposit Insurance Corporation.

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.

**D. Investments**

As of December 31, 2007, the County had the following investments and maturities:

<u>Investment type</u>	<u>Balance at 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>
STAR Ohio	\$ 2,356,212	\$ 2,356,212				
FHLB	3,503,440	1,983,120				\$ 1,520,320
FHLMC	4,495,965	993,110			\$ 2,002,720	1,500,135
FNMA	1,007,500				1,007,500	
	<u>\$ 11,363,117</u>	<u>\$ 5,332,442</u>			<u>\$ 3,010,220</u>	<u>\$ 3,020,455</u>

The weighted average maturity of investments is 1.42 years.

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

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

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)**

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 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, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 2,356,212	20.74%
FHLB	3,503,440	30.83%
FHLMC	4,495,965	39.57%
FNMA	<u>1,007,500</u>	<u>8.86%</u>
	<u>\$ 11,363,117</u>	<u>100.00%</u>

**E. Reconciliation of Cash and Investment to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2007:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 22,374,697
Investments	11,363,117
Cash on hand	<u>391,540</u>
Total	<u>\$ 34,129,354</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 23,949,938
Business-type activities	873,544
Investment trust	2,915,904
Agency funds	<u>6,389,968</u>
Total	<u>\$ 34,129,354</u>

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund transfers for the year ended December 31, 2007, consisted of the following, as reported on the fund financial statements:

<u>Transfer from</u>	<u>Transfer to</u>				<u>Total</u>
	<u>General</u>	<u>Human Services</u>	<u>Nonmajor Governmental</u>	<u>Sanitary Sewer</u>	
General		\$ 247,332	\$ 2,049,652	\$ 28,191	\$ 2,325,175
Nonmajor governmental	\$ 16,555		128,160		144,715
Total	\$ 16,555	\$ 247,332	\$ 2,177,812	\$ 28,191	\$ 2,469,890

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

The purpose of the \$16,555 transfer in the general fund was to close the D.A.R.E. grant fund, a nonmajor governmental fund. This transfer was allowed under Ohio Revised Code Section 5705.14(D).

- B. Interfund loans payable/receivable consisted of the following at December 31, 2007:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 250,000
Nonmajor governmental fund	Sanitary Sewer	\$ 48,000

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 are short-term loans that are expected to be repaid in the subsequent year. County Commissioners Resolution 2006-001 states the \$250,000 will be repaid in 2008. Annual payments of \$12,000 will be made from the Nonmajor Permanent Improvement Fund to the Sanitary Sewer Fund. Interfund loans payable/receivable between governmental funds are eliminated on the government-wide financial statements.

- C. Due to/from other funds consisted of the following at December 31, 2007:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 13,588



**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 5 - INTERFUND TRANSACTIONS – (Continued)**

The purpose of these interfund transactions was to cover deficit cash balances at December 31, 2007. This amount will be repaid in the next fiscal year. Amounts due between governmental funds are eliminated on the government-wide financial statements.

**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the County. Real property tax revenues received in 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35% of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on January 1, 2006, were levied after October 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in 2007 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, is 12.5% for 2007. This percentage will be reduced to 6.25% for 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the County due to the phasing out of the tax. In calendar years 2007-2010, the County will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. The collection and distribution of taxes for all subdivisions within the County, excluding the County itself, is accounted for through agency funds. The amount of the County's tax collections is accounted for within the applicable funds.

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 6 - PROPERTY TAXES – (Continued)**

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2007, and for which there was an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2007 operations.

On the full accrual basis, collectible delinquent real property taxes have been recorded as a receivable and revenue. On the modified accrual basis, the revenue is deferred.

The full tax rate for all County operations, excluding 911 operations, for the year ended December 31, 2007, was \$7.80 per \$1,000 of assessed value. The full tax rate for the County 911 operations, excluding the City of Bellevue and Village of Green Springs, for the year ended December 31, 2007, was \$.30 per \$1,000 of assessed value. The assessed values of real property, public utility property and the tangible personal property upon which the 2007 property tax receipts were based are as follows:

<u>Real property</u>	
Agricultural	\$ 88,484,700
Residential	775,963,570
Commercial/Industrial/Mineral	182,235,580
Tangible personal property	77,121,160
<u>Public utility</u>	
Real	477,740
Personal	<u>45,922,420</u>
Total assessed value	<u>\$ 1,170,205,170</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 .25 percent tax was levied and earmarked solely for Emergency Medical Services. The tax included the storage, use, or consumption of tangible personal property in the County, including motor vehicles not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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

Proceeds of the tax are credited entirely to the General Fund and Emergency Management System Fund, a nonmajor governmental fund. On a full accrual basis, the full amount of the receivable is recognized as revenue. On a modified accrual basis, the amount of the receivable that will be received outside the available period is deferred. Permissive sales and use tax revenue totaled \$7,615,121 in 2007.

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2007, consisted of taxes, accounts (billings for user charged services), interfund transactions related to charges for goods and services rendered, intergovernmental receivables arising from grants, entitlements and shared revenue, special assessments, accrued interest, and loans. All intergovernmental receivables have been classified as "Due from other governments" on the financial statements. Receivables have been recorded as described in Note 2.D. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

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

**Governmental Activities:**

Sales taxes	\$ 1,133,848
Real estate and other taxes	8,836,992
Accounts	505,048
Special assessments	212,537
Accrued interest	84,323
Due from other governments	5,498,754
Loans	136,333

**Business-Type Activities:**

Accounts	91,499
Special assessments	7,238

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 2007.

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 9 - LOANS RECEIVABLE – (Continued)**

Loans receivable at 12/31/06	\$	76,719
Principal payments received in 2007		(7,158)
Loans issued in 2007		<u>66,772</u>
Loans receivable at 12/31/07	\$	<u>136,333</u>

**NOTE 10 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended December 31, 2007 was as follows:

<b><u>Governmental Activities:</u></b>	<u>Balance</u> 12/31/2006	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> 12/31/2007
<i>Capital asset not being depreciated:</i>				
Land	\$ 1,407,198			\$ 1,407,198
Construction in progress	<u>618,883</u>	\$ 28,356	\$ (618,883)	<u>28,356</u>
Total capital assets not being depreciated:	<u>2,026,081</u>	<u>28,356</u>	<u>(618,883)</u>	<u>1,435,554</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,039,698	169,150		1,208,848
Buildings and improvements	22,326,229	818,788		23,145,017
Furniture and equipment	4,459,160	702,123		5,161,283
Vehicles	5,378,676	143,303	(18,650)	5,503,329
Infrastructure	<u>37,459,426</u>	<u>1,434,976</u>	<u>(781,766)</u>	<u>38,112,636</u>
Total capital assets, being depreciated:	<u>70,663,189</u>	<u>3,268,340</u>	<u>(800,416)</u>	<u>73,131,113</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(768,412)	(38,452)		(806,864)
Buildings and improvements	(8,811,766)	(557,026)		(9,368,792)
Furniture and equipment	(2,845,266)	(278,264)		(3,123,530)
Vehicles	(3,260,548)	(434,745)	18,650	(3,676,643)
Infrastructure	<u>(13,390,833)</u>	<u>(1,278,426)</u>	<u>561,148</u>	<u>(14,108,111)</u>
Total accumulated depreciation	<u>(29,076,825)</u>	<u>(2,586,913)</u>	<u>579,798</u>	<u>(31,083,940)</u>
Total capital assets, being depreciated net	<u>41,586,364</u>	<u>681,427</u>	<u>(220,618)</u>	<u>42,047,173</u>
Governmental activities capital assets, net	<u>\$ 43,612,445</u>	<u>\$ 709,783</u>	<u>\$ (839,501)</u>	<u>\$ 43,482,727</u>

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 10 - CAPITAL ASSETS – (Continued)**

<b><u>Business-Type Activities:</u></b>	<u>Balance</u> <u>12/31/2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2007</u>
<i>Capital asset not being depreciated:</i>				
Land	\$ 11,828			\$ 11,828
Construction in progress	18,384	\$ 40,199		58,583
Total capital assets not being depreciated:	<u>30,212</u>	<u>40,199</u>		<u>70,411</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	105,384			105,384
Buildings and improvements	667,123			667,123
Furniture and equipment	654,508			654,508
Vehicles	129,857			129,857
Infrastructure	8,757,567			8,757,567
Total capital assets, being depreciated:	<u>10,314,439</u>			<u>10,314,439</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(45,476)	(4,470)		(49,946)
Buildings and improvements	(463,904)	(19,672)		(483,576)
Furniture and equipment	(361,726)	(32,920)		(394,646)
Vehicles	(92,914)	(8,775)		(101,689)
Infrastructure	(4,042,685)	(175,152)		(4,217,837)
Total accumulated depreciation	<u>(5,006,705)</u>	<u>(240,989)</u>		<u>(5,247,694)</u>
Total capital assets, being depreciated net	<u>5,307,734</u>	<u>(240,989)</u>		<u>5,066,745</u>
Business-type activities capital assets, net	<u>\$ 5,337,946</u>	<u>\$ (200,790)</u>		<u>\$ 5,137,156</u>

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

**Governmental Activities:**

Legislative and executive	\$ 270,056
Judicial	61,613
Public safety	457,864
Public works	1,465,511
Health	74,279
Human services	<u>257,590</u>
Total depreciation expense - governmental	<u>\$2,586,913</u>

**Business-Type Activities:**

Sanitary sewer	<u>\$ 240,989</u>
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**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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

During 2007, the County entered into two lease agreements for copier equipment and a lease agreement for printers. In a prior year, the County entered into a lease agreement with Ford Motor Credit Corp. for vehicles. These lease agreements meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers the benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as function expenditures in the budgetary statements.

General capital assets consisting of equipment and vehicles have been capitalized in the statement of net assets in the amount of \$517,868. This amount represents the present value of the minimum lease payments at the time of the lease inception. A corresponding liability was recorded in the statement of net assets. Accumulated depreciation as of December 31, 2007 was \$181,437, leaving a current book value of \$336,431. During 2007, principal and interest payments totaled \$161,231 and \$11,094, respectively, paid by the general fund and the county board of MRDD fund. The capital lease obligation for the vehicles was retired during 2007. As of December 31, 2007, the liability for capital lease obligation included in the long-term liabilities of governmental activities totaled \$42,145.

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, 2007:

<u>Year Ended December 31,</u>	<u>Amount</u>
2008	\$ 13,024
2009	13,023
2010	10,723
2011	7,503
2012	<u>5,241</u>
Total	49,514
Less: amount representing interest	<u>(7,369)</u>
Present value of net minimum lease payments	<u>\$ 42,145</u>

**NOTE 12 - COMPENSATED ABSENCES**

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws. County employees earn vacation at varying rates depending upon length of service and standard work week. Current policy permits vacation leave to be carried forward with supervisory approval. Employees are paid for 100 percent of earned vacation leave upon termination. Sick leave is accumulated at the rate of three weeks per year. Upon retirement, employees hired before August 12, 1982, are entitled to 100 percent of their accumulated sick leave up to a maximum of 260 days. Employees hired after August 12, 1982, with seven years of service are entitled to 25 percent of their accumulated sick leave up to a maximum of 30 days.

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 13 - LONG-TERM OBLIGATIONS**

- A. The long-term obligations of the governmental activities and business-type activities have been restated to properly record various OPWC and OWPC loans. The effect of the restatement on long-term obligations is as follows:

	Balance <u>12/31/06</u>	<u>Adjustments</u>	Restated Balance <u>12/31/06</u>
<b><u>Governmental Activities:</u></b>			
General obligation bonds	\$ 4,950,000		\$ 4,950,000
Special assessment bonds	264,347		264,347
OPWC loans	281,453	\$ (281,453)	
OWPC loans	1,295,559	(1,295,559)	
Compensated absences	2,329,664		2,329,664
Capital lease obligation	156,965		156,965
Notes payable	<u>295,000</u>		<u>295,000</u>
Total	<u>\$ 9,572,988</u>	<u>\$ (1,577,012)</u>	<u>\$ 7,995,976</u>
<b><u>Business-type Activities:</u></b>			
General obligation bonds	\$ 160,000		\$ 160,000
OPWC loans		\$ 281,453	281,453
OWPC loans	18,384	1,250,220	1,268,604
Compensated absences	<u>11,065</u>		<u>11,065</u>
Total	<u>\$ 189,449</u>	<u>\$ 1,531,673</u>	<u>\$ 1,721,122</u>

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 13 - LONG-TERM OBLIGATIONS – (Continued)**

B. Long-term obligation activity for the fiscal year ended December 31, 2007 was as follows:

<u>Governmental Activities:</u>	<u>Interest Rate</u>	<u>Restated Balance 12/31/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/07</u>	<u>Amount Due in One Year</u>
<u>General Obligation Bonds:</u>						
Various Purpose/Improvement and Refunding - 2002	2.25-5%	\$ 4,950,000		\$ (305,000)	\$ 4,645,000	\$ 305,000
Total general obligation bonds		<u>4,950,000</u>		<u>(305,000)</u>	<u>4,645,000</u>	<u>305,000</u>
<u>Special Assessment Bonds:</u>						
Devries Ditch	5.00%	5,852		(2,926)	2,926	2,926
Walter Cramer Ditch	5.00%	3,215		(1,607)	1,608	1,608
Loy Ditch	3.50%	14,501		(2,900)	11,601	2,900
Nighswander Ditch	3.00%	4,300		(860)	3,440	860
Carroll Russell Ditch	3.50%	3,398		(680)	2,718	680
Bierly Ditch	3.00%	1,174		(235)	939	235
Williams Ditch	5.00%	9,801		(1,634)	8,167	1,634
Lewis Ditch	5.00%	7,222		(2,407)	4,815	2,407
Gries Ditch	4.30%	206,884		(29,555)	177,329	29,555
Havens Ditch	6.00%		\$ 10,119		10,119	2,024
Trick Ditch	5.00%		32,257		32,257	10,752
Gschwind Ditch	6.00%	8,000	17,644	(8,000)	17,644	5,881
Total special assessment bonds		<u>264,347</u>	<u>60,020</u>	<u>(50,804)</u>	<u>273,563</u>	<u>61,462</u>
<u>Notes Payable:</u>						
County Court Facilities - 2006	3.60%	295,000		(295,000)		
County Court Facilities - 2007	4.25%		230,000		230,000	230,000
Total notes payable		<u>295,000</u>	<u>230,000</u>	<u>(295,000)</u>	<u>230,000</u>	<u>230,000</u>
<u>Other Long-Term Obligations:</u>						
Compensated absences payable		2,329,664	991,344	(910,619)	2,410,389	935,215
Capital lease obligations		156,965	46,411	(161,231)	42,145	10,014
Total other long-term obligations		<u>2,486,629</u>	<u>1,037,755</u>	<u>(1,071,850)</u>	<u>2,452,534</u>	<u>945,229</u>
Total governmental obligations		<u>\$ 7,995,976</u>	<u>\$ 1,327,775</u>	<u>\$ (1,722,654)</u>	<u>\$ 7,601,097</u>	<u>\$ 1,541,691</u>



**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 13 - LONG-TERM OBLIGATIONS – (Continued)**

<u>Business-Type Activities:</u>	<u>Interest Rate</u>	<u>Restated Balance 12/31/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/07</u>	<u>Amount Due in One Year</u>
<u>General Obligation Bonds:</u>						
Sewer District #1 - 1980	9.00%	\$ 160,000		\$ (40,000)	\$ 120,000	\$ 40,000
<u>Ohio Water Pollution Control Loan:</u>						
State Route 6 Sanitary Sewer Design	2.75%	18,384	\$ 40,199		58,583	
Sandusky/Rice Joint Sewer Improvement	4.16%	892,661		(47,282)	845,379	50,197
Rice Township Sewer Improvement	4.16%	232,456		(5,502)	226,954	13,476
Rice Township/Shorewood Sewer Improvements	3.64%	35,545		(280)	35,265	2,065
Route 53 Area Sewers	3.64%	89,558		(3,465)	86,093	4,602
Total OWPC Loans		<u>1,268,604</u>	<u>40,199</u>	<u>(56,529)</u>	<u>1,252,274</u>	<u>70,340</u>
<u>Ohio Public Works Commission Loans:</u>						
Sunny Acres Sewer Improvements	N/A	34,891		(2,492)	32,399	2,492
Rice Township Sewer Improvements - Phase II	N/A	96,084		(6,406)	89,678	6,406
Rice/Sandusky Sewer Improvements	N/A	150,478		(9,405)	141,073	9,405
Total OPWC Loans		<u>281,453</u>		<u>(18,303)</u>	<u>263,150</u>	<u>18,303</u>
<u>Other Long-Term Obligations:</u>						
Compensated absences payable		11,065	8,099	(8,022)	11,142	8,008
Total business-type obligations		<u>\$ 1,721,122</u>	<u>\$ 48,298</u>	<u>\$ (122,854)</u>	<u>\$ 1,646,566</u>	<u>\$ 136,651</u>

In 2002, the County issued \$6,410,000, Series 2002, in general obligation various purpose improvement and refunding bonds. \$3,910,000 of the proceeds of these bonds were used to advance refund Series 1994 County Service Building bonds and Series 1996 various purpose refunding bonds. These proceeds were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the advance refunded debt. The refunded bonds are not included in the County's outstanding debt since the refunded debt is considered defeased (in-substance) and all future obligations have been satisfied through the advance refunding. The remaining \$2,500,000 of the proceeds were used to construct a new Juvenile Detention Center. Interest on the Series 2002 bonds is payable in June and December with the principal payment in December. The Series 2002 bonds mature on December 1, 2022.

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 13 - LONG-TERM OBLIGATIONS – (Continued)**

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

In 2007, the County repaid \$295,000 in bond anticipation notes that were outstanding at December 31, 2006. In addition, the County issued \$230,000 in bond anticipation notes on September 27, 2007, to finance County Court facilities. These notes mature on September 25, 2008.

These notes are general obligations of the County, for which the full faith and credit of the County is pledged for repayment. Current operating funds will provide the source of repayment.

Capital lease obligations will be paid from the general fund and the MR/DD fund. See Note 11 for detail.

The County entered into three debt financing arrangements through the Ohio Public Works Commission (OPWC) to fund sewer improvements. The amounts due to the OPWC are payable solely from operating revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2007, the County has outstanding borrowings of \$263,150. The loan agreements require semi-annual payments based on the actual amount loaned. The OPWC loans are interest free. The loans are payable from the sanitary sewer fund.

The County entered into five debt financing arrangements through the Ohio Water Pollution Control Loan Fund (OWPCLF) to fund sewer improvements. The amounts due to the OWPCLF are payable solely from operating revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2007, the County has outstanding borrowings of \$1,252,274. The State Route 6 Loan has not been fully disbursed as of December 31, 2007 and is not included in the amortization schedules shown below. The loan agreements require semi-annual payments based on the actual amount loaned. The loans are payable from the sanitary sewer fund.

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

The compensated absences liability will be paid from the fund from which the employees' salaries are paid.

- C. The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed one percent of the total assessed valuation of the County.

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 13 - LONG-TERM OBLIGATIONS – (Continued)**

The Code further provides a county with a tax valuation exceeding three hundred million dollars, \$6,000,000 plus two and a half percent of that valuation in excess of three hundred million dollars. 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 \$21,806,114 at December 31, 2007, and the unvoted legal debt margin was \$7,045,679 at December 31, 2007.

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

Year Ended	General Obligation Bonds			Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 305,000	\$ 207,360	\$ 512,360	\$ 61,462	\$ 12,986	\$ 74,448
2009	315,000	195,465	510,465	56,928	9,543	66,471
2010	315,000	182,865	497,865	54,520	6,900	61,420
2011	325,000	170,265	495,265	37,887	4,377	42,264
2012	325,000	156,453	481,453	33,212	2,745	35,957
2013 - 2017	1,750,000	563,453	2,313,453	29,554	1,271	30,825
2018 - 2022	1,310,000	165,145	1,475,145			
Total	<u>\$ 4,645,000</u>	<u>\$ 1,641,006</u>	<u>\$ 6,286,006</u>	<u>\$273,563</u>	<u>\$ 37,822</u>	<u>\$ 311,385</u>

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

Year Ended	OWPCLF Loans			OPWC Loans		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 70,340	\$ 48,311	\$ 118,651	\$ 18,303		\$ 18,303
2009	73,261	45,390	118,651	18,303		18,303
2010	76,304	42,347	118,651	18,303		18,303
2011	79,473	39,178	118,651	18,303		18,303
2012	82,774	35,877	118,651	18,303		18,303
2013 - 2017	468,396	124,856	593,252	91,513		91,513
2018 - 2022	343,143	26,017	369,160	80,122		80,122
Total	<u>\$ 1,193,691</u>	<u>\$ 361,976</u>	<u>\$ 1,555,667</u>	<u>\$ 263,150</u>		<u>\$ 263,150</u>

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 13 - LONG-TERM OBLIGATIONS – (Continued)**

<u>Year Ended</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 40,000	\$ 10,800	\$ 50,800
2009	40,000	7,200	47,200
2010	40,000	3,600	43,600
Total	\$ 120,000	\$ 21,600	\$ 141,600

**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 2007, the County contracted with County Risk Sharing Authority (CORSA) for liability, property and crime insurance. The CORSA program has a \$2,500 deductible. Coverages provided by CORSA are as follows:

<u>Type of Coverage</u>	<u>Amount</u>
General Liability (per occurrence)	\$ 1,000,000
Law Enforcement Liability (per occurrence)	1,000,000
Automobile Liability and Physical Damage Liability (per occurrence)	1,000,000
Medical payments	
Per Person	5,000
Per Occurrence	50,000
Uninsured Motorist (per person)	250,000
Errors and Omissions	1,000,000
Excess Liability	1,000,000
 Property	 82,492,170
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.

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 14 - RISK MANAGEMENT – (Continued)**

**B. Health and Vision Insurance**

The County provides comprehensive health and vision insurance coverage to its employees through a traditionally funded plan. The County purchases commercial health insurance coverage through Community Health Plan of Ohio. 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>
SuperMed Plus	\$ 856.17	\$ 349.81

**C. Insurance Purchasing Pool**

For 2007, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (see Note 2). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to counties that can meet the Plan's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

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

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

		Current Year		
<u>Year</u>	<u>Beginning</u>	<u>Claims and Changes</u>	<u>Claims</u>	<u>Ending</u>
Liability	Balance	in Estimates	Payments	Balance
2007		\$ 105,520	\$ 105,520	
2006		90,259	90,259	

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(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. In 1999 the CCAO Service Corporation (CCAOSC) Board of Trustees authorized the establishment of a Natural Gas Program for CCAO members. The 30 counties that enrolled in the program save money in two ways: 1) Pre-payment - 1 bcf of gas was purchased from CMS, a Michigan corporation, for the next ten years. Members save \$.07 per mcf below the FERC index. 2) Aggregation - buying as a group.

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

Counties sign up for the program through CCAO, who also receives payments and handles administrative duties. The gas commodity is managed by Exelon Energy. Since 2000 the member counties have saved \$3.5 million. Sandusky County has saved \$16,781. CCAO earns approximately \$15,000 to defray expenses. No staff salaries are paid from the program. CCAO established the program as a service to the Counties. The Ohio schools have a similar program administrated by the Ohio Schools Council.

**NOTE 15 - PENSION PLANS**

**A. Ohio Public Employees Retirement System**

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.

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

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 15 - PENSION PLANS – (Continued)**

For the year ended December 31, 2007, the members of all three plans, except those in law enforcement under the traditional pension plan, were required to contribute 9.5% of their annual covered salaries. Members participating in the traditional pension plan that were in law enforcement contributed 10.1% of their annual covered salary. The County's contribution rate for pension benefits for 2007 was 13.85 percent except for those plan members in law enforcement and public safety. For those classifications, the County's pension contributions were 17.17% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions to the traditional pension and combined plans for the years ended December 31, 2007, 2006, and 2005, were \$2,534,969, \$2,339,664 and \$2,498,544, respectively; 87.26% has been contributed for 2007 and 100% has been contributed for 2006 and 2005. The County and plan members did not make any contributions to the member-directed plan for 2007.

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

Certified teachers, employed by the County for Mental Retardation and Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries.

Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (614) 227-4090, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS Ohio funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5% 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 fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, 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 DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 15 - PENSION PLANS – (Continued)**

A DBP or CP member with five or more years of 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 DCP who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the year ended December 31, 2007, plan members were required to contribute 10% of their annual covered salary and the County was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal years 2006 and 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by STRS Ohio, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The County's required contribution for pension obligations for the DBP for the years ended December 31, 2007, 2006, and 2005, was \$43,779, \$45,919, and \$45,970, respectively; 100% has been contributed for fiscal years 2007, 2006, and 2005. There were no contributions for the DCP and CP for the year ended December 31, 2007.

**NOTE 16 - POST-EMPLOYMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides post-employment health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional pension or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for post-employment health care coverage. The health care coverage provided by OPERS is considered an Other Post-employment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Post-employment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional pension or combined plans is set aside for the funding of post-employment health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85% of covered payroll (17.17% for public safety and law enforcement); 5.00% of covered payroll was the portion that was used to fund health care for the period January 1, 2007, through June 30, 2007, and 6.00% of covered payroll was the portion that was used to fund health care for the period July 1, 2007, through December 31, 2007.

Benefits are advance-funded using the entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.30% based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate (4.00%) plus and an additional factor ranging from .50% to 5.00% for the next eight years. In subsequent years, (nine and beyond) health care costs were assumed to increase at 4.00%.



**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 16 - POST-EMPLOYMENT BENEFIT PLANS – (Continued)**

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

The number of active contributing participants in the traditional pension and combined plans was 374,979 as of December 31, 2007. The County's actual employer contributions for 2007 which were used to fund post-employment benefits were \$979,132. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006 (the latest information available) were \$12.0 billion. At December 31, 2006 (the latest information available), the actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

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

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the STRS Ohio based on authority granted by State statute. STRS Ohio is funded on a pay-as-you-go basis.

STRS Ohio retirees who participate in the defined benefit plan or the combined plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended December 31, 2007, the Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the County, this amount was \$3,127.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$4.1 billion at June 30, 2007. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265.558 million, and STRS Ohio had 122,934 eligible benefit recipients.

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING**

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

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING – (Continued)**

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as payables (GAAP basis).

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

**Net Change in Fund Balances**

	Major Governmental Funds			
	General	Motor Vehicle and Gas Tax	Human Services	County Board of MR/DD
Budget basis	\$ (762,126)	\$ (105,041)	\$ 277,380	\$ (388,830)
Net adjustment for revenue accruals	698,890	(117,264)	(90,994)	(37,569)
Net adjustment for expenditure accruals	(158,767)	(63,899)	(7,599)	216,161
Net adjustment for other financing sources/(uses) accruals	(518,942)			19,198
Encumbrances (budget basis)	324,007	107,729	236,321	447,416
GAAP basis	\$ (416,938)	\$ (178,475)	\$ 415,108	\$ 256,376

**NOTE 18 - CONTINGENT LIABILITIES**

**A. Grants**

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

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 18 - CONTINGENT LIABILITIES – (Continued)**

**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 19 - CONDUIT DEBT OBLIGATIONS**

From time to time, the County has issued Industrial Revenue Bonds and Health Care Facility Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2007, there are four series of Industrial Revenue Bonds outstanding, aggregate principal \$6,631,933; and four series of Health Care Facility Bonds outstanding, aggregate principal \$29,345,502.

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2007**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education</i>				
Food Distribution	N/A	10.550	_____	\$8,217
<b><u>Nutrition Cluster</u></b>				
National School Lunch Program	LLP4-2007	10.555	\$14,665	
	LLP4-2008		13,396	
Total National School Lunch Program			_____	
School Breakfast Program	05PU-2007	10.553	6,753	
	05PU-2008		6,673	
Total School Breakfast Program			_____	
<b>Total Nutrition Cluster</b>			_____	
			41,487	
Total U.S. Department of Agriculture			_____	8,217
			41,487	
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education</i>				
<b><u>Special Education Cluster</u></b>				
Special Education Grants to States	066233-6B-SF-2008	84.027	13,064	
	066233-6B-SF-2007		27,017	
Total Special Education Grants to States			_____	
Special Education Preschool Grants	066233-6B-SF-2008	84.173	2,380	
	066233-PG-SI-2007		5,765	
Total Special Education Preschool Grants			_____	
<b>Total Special Education Cluster</b>			_____	
			48,226	
State Grants for Innovative Programs	066233-C2-SI-2008	84.298	16	
	066233-C2-SI-2007		139	
Total State Grants for Innovative Programs			_____	
			155	
Total U.S. Department of Education			_____	48,381
			48,381	
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
<i>Passed Through Ohio Department of Development</i>				
Community Development Block Grant	B-F-05-067-1	14.228	73,020	
	B-F-06-067-1		66,230	
	B-C-05-067-1		65,842	
Total Community Development Block Grant			_____	
			205,092	
HOME Investment Partnerships Program	B-C-05-067-2	14.239	220,480	
Total U.S. Department of Housing and Urban Development			_____	425,572
			425,572	

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2007**

<b>FEDERAL GRANTOR</b>	Pass Through	Federal		
<b><i>Pass Through Grantor</i></b>	Entity	CFDA	Disbursements	Non-Cash
Program Title	Number	Number	Disbursements	Disbursements
<b>U.S. DEPARTMENT OF JUSTICE</b>				
<b><i>Direct</i></b>				
Public Safety Partnership and Community Policing Grant	2006CKWX0388	16.710	148,084	_____
<b><i>Passed Through Attorney General's Office of Crime Victims Assistance</i></b>				
Crime Victim Assistance	2006-VAGENE251T	16.575	25,439	_____
	2007-VAGENE251T		8,079	_____
	2007-SAGENE251T		3,231	_____
Total Crime Victim Assistance			36,749	_____
<b><i>Passed Through Ohio Department of Public Safety</i></b>				
Edward Bryne Memorial Formula Grant Program	2004-DG-E0V-7527	16.579	9,179	_____
Total U.S. Department of Justice			<b>194,012</b>	_____
<b>U.S. DEPARTMENT OF LABOR</b>				
<b><i>Passed Through Montgomery County - WIA Area 7</i></b>				
Employment Service/Wagner-Peyser Act Funded Activities (SFY07)	N/A	17.207	47	_____
Employment Service/Wagner-Peyser Act Funded Activities (SFY08)	N/A		1,420	_____
Total Employment Service/Wagner-Peyser Act Funded Activities			1,467	_____
WIA Pilots, Demonstrations and Research Projects (SFY07)	N/A	17.261	2,184	_____
<b><u>Workforce Investment Act Cluster</u></b>				
WIA-Adult Programs (SFY 06)	N/A	17.258	110,815	_____
WIA-Adult Programs (SFY 06)-Admin	N/A		1,986	_____
WIA-Adult Programs (SFY 07)	N/A		3,034	_____
WIA-Adult Programs (SFY 07)-Admin	N/A		119,448	_____
WIA-Adult Programs (SFY 07)-VSTP Admin	N/A		1,748	_____
WIA-Adult Programs (SFY 08)	N/A		39,948	_____
WIA-Adult Programs (SFY 08)-Admin	N/A		932	_____
Total WIA-Adult			277,911	_____
WIA-Youth Activities (SFY 06)	N/A	17.259	6,953	_____
WIA-Youth Activities (SFY 07)	N/A		154,336	_____
WIA-Youth Activities (SFY 07)-Admin	N/A		1,012	_____
WIA-Youth Activities (SFY 08)	N/A		68,853	_____
Total WIA-Youth			231,154	_____
WIA-Dislocated Workers (SFY 06)	N/A	17.260	35,697	_____
WIA-Dislocated Workers (SFY 06)-Admin	N/A		1,298	_____
WIA-Dislocated Workers (SFY 07)	N/A		204,289	_____
WIA-Dislocated Workers (SFY 07)-Admin	N/A		8,261	_____
WIA-Dislocated Workers (SFY 07)-VR2 Admin	N/A		12,391	_____
WIA-Dislocated Workers (SFY 08)-Admin	N/A		932	_____
Total WIA-Dislocated Workers			262,868	_____
<b>Total WIA Cluster</b>			<b>771,933</b>	_____
Total U.S. Department of Labor			<b>775,584</b>	_____

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2007**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
<i>Passed Through Ohio Emergency Management Agency</i>				
<b><u>Homeland Security Cluster</u></b>				
Emergency Management Performance Grant	2006-EME60042	97.042	3,933	
Emergency Management Performance Grant	2007-EM-E7-0024	97.042	30,607	
Total Emergency Management Performance Grant			34,540	
State Homeland Security Program	2006-GE-T6-0051	97.073	55,972	
<b>Total Homeland Security Cluster</b>			<b>90,512</b>	
Law Enforcement Terrorism Program	2006-GL-T6-0051	97.074	19,061	
Total U.S. Department of Homeland Security			<b>109,573</b>	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>				
Medical Assistance Program				
L1 Waiver	7200013	93.778	16,486	
I/O Waiver			404,262	
Waiver Administration			29,722	
Target Case Management			489,862	
Total Medical Assistance Program			940,332	
State Children's Insurance Program	N/A	93.767	1,303	
Social Services Block Grant	MR72	93.667	55,864	
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services:</i>				
Block Grants for Prevention and Treatment of Substance Abuse	74-03007-T-08-9181	93.959	69,153	
	74-03007-T-07-9181		54,755	
Total Block Grants for Prevention and Treatment of Substance Abuse			123,908	
Total U.S. Department of Health and Human Services			<b>1,121,407</b>	
<b>U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICES</b>				
<i>Passed through Ohio Department of Youth Services:</i>				
AmeriCorps	JJWC-014-05	94.006	23,046	
Total U.S. Corporation for National and Community Services			<b>23,046</b>	
<b>UNITED STATES DEPARTMENT OF TRANSPORTATION</b>				
<i>Passed through Ohio Department of Transportation:</i>				
Highway Planning and Construction	San-CR Pavement Marking	20.205	150,000	
	San-CR53-2.56		198,148	
Total Highway Planning and Construction			348,148	
<i>Passed through Ohio Department of Public Safety</i>				
State and Community Highway Safety	HVEO-2008-72-00-00-00228-00	20.600	2,185	
Total U. S. Department of Transportation			<b>350,333</b>	
<b>TOTAL FEDERAL AWARDS EXPENDITURES</b>			<b>\$3,089,395</b>	<b>\$8,217</b>

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

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED DECEMBER 31, 2007**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE C – FOOD DONATION PROGRAM**

Program regulations do not require the County to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

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

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

These loans are collateralized by mortgages on the property. At December 31, 2007, the gross amount of loans outstanding under this program was \$136,333.

**NOTE E - MATCHING REQUIREMENTS**

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

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# Mary Taylor, CPA

Auditor of State

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

Sandusky County  
100 N. Park Avenue  
Fremont, Ohio 43420-2472

To the County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sandusky County, (the County) as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the County's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-002, 2007-003 and 2007-004.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the County's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiencies described above are also material weaknesses.

We also noted certain matters that we reported to the County's management in a separate letter dated August 28, 2008.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated August 28, 2008.

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



**Mary Taylor, CPA**  
Auditor of State

August 28, 2008



# Mary Taylor, CPA

Auditor of State

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

Sandusky County  
100 N. Park Avenue  
Fremont, Ohio 43420-2472

To the County Commissioners:

### Compliance

We have audited the compliance of Sandusky County, Ohio (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Sandusky County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2007.

### Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the County's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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



**Mary Taylor, CPA**  
Auditor of State

August 28, 2008

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2007**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Medical Assistance Program / CFDA #93.778  WIA Cluster / CFDA #17.258, 17.259, and 17.260
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

**FINDING NUMBER 2007-001**

**Noncompliance Citation**

**Finding for Recovery Repaid Under Audit**

The Sandusky County Policy and Procedures Manual Section 4.03 B states employees hired or rehired after August 12, 1982, who retire from active service with the County after having completed seven years of service, shall be eligible to convert sick leave to cash at their current rate of pay for one-fourth of the value of their accrued but unused sick leave at the time of retirement. This conversion shall be up to a maximum payment of 30 days or 225 hours for employees working 75 hours bi-weekly.

At the time of retirement, Patricia Root had a sick leave balance of 522.51 hours. The amount due for sick leave pay-off should have been calculated at one-fourth of 522.51 hours or 130.6275 hours. Severance payment to Patricia Root was calculated using 225 hours rather than 130.6275 hours. Consequently, an overpayment was made to Patricia Root in the amount of \$1,115.48.

In accordance with the foregoing facts and pursuant to Ohio Revised Code §117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Patricia Root in the amount of \$1,115.48, and in favor of Sandusky County, in the amount of \$1,115.48.

This finding was repaid by Patricia Root on July 8, 2008, and credited to the County's Accumulated Sick Leave Fund.

**FINDING NUMBER 2007-002**

**Material Weakness**

**Financial Reporting**

The review of the financial statements resulted in 22 significant audit adjustments to 7 funds ranging in amounts from \$118 to \$1,070,549.

Sound financial reporting is the responsibility of the County Auditor and the County Treasurer is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

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 IPA compilation report by the County Auditor, to identify and correct errors and omissions. The County Auditor should also review the County's chart of accounts and update to ensure all accounts are being posted properly to the County's computer system (receipt and disbursements ledger) and properly reported in the financial statements. We recommend the County Auditor meet with the IPA prior to the 2008 GAAP conversion to assure that an updated chart of accounts is being used and the prior audit adjustments have been addressed.

These weaknesses resulted in additional audit time to investigate the differences and prepare the audit adjustments.

**FINDING NUMBER 2007-003**

**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. 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.

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

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

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

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

**FINDING NUMBER 2007-004**

**Material Weakness**

**Due From Other Governments**

The IPA performing the County's GAAP conversion used incorrect amounts in reporting due from other governments and deferred revenue. This was due to the supporting documentation completed by seven departments and submitted to the IPA was incomplete and inaccurate. These errors resulted in two audit adjustments in the amounts of \$256,866 and \$167,947 and numerous un-adjusted entries ranging in amounts from \$9,166 to \$128,253. This weakness resulted in additional audit time to investigate the differences. We recommend the County Auditor meet with the Department Heads to discuss completion of the due from other governments form and the supporting documentation required; the County Auditor should review the form prior to submitting to the IPA to assure completeness and accuracy. The County Auditor should review AOS Bulletin 2001-04 regarding GASB 33 and discuss with the department heads the requirements outlined in this bulletin.

**Officials' Response:**

We did not receive a response from Officials to the findings reported above.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

**FINANCIAL CONDITION  
SANDUSKY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2006-001	Failure to establish program change policies and procedures for users and programmers to follow when requesting program changes.	No	Partially corrected. Repeated in management letter.
2006-002	Failure to maintain capital asset listing.	No	Not corrected. Repeated as Finding #2007-003 in this report.
2006-003	Failure to perform monthly bank reconciliations during 2006.	Yes	
2006-004	Weakness in financial reporting.	No	Not corrected. Repeated as Finding #2007-002 in this report.
2006-005	Ohio Revised Code §5705.41(D) – Failure to certify expenditures.	No	Partially corrected. Repeated in management letter.





**Mary Taylor, CPA**  
Auditor of State

**FINANCIAL CONDITION**

**SANDUSKY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 25, 2008**